Retirement Oversight Committee

Retirement Savings Plan Enhancements

December 5, 2017
Executive Summary

• The Defined Contribution Plan, the University’s Retirement Savings Program, will have a great new look that conveys our goal to help participants improve financial literacy and achieve their financial goals.

• The University will take part in a relaunch of the program and reeducation of all Plan participants.

• The University of Pittsburgh has continually worked to streamline administration, increase efficiencies, and lower overall Plan costs.

• In 2016 Cammack Retirement Group was engaged to assist in the ongoing enhancement of the Plan and negotiation of Plan fees.

• Proposed future enhancements include a streamlined fund array, the addition of a brokerage window, and the introduction of a 457(b) Plan.
An Exciting New Look

The Retirement Savings Program will have a great new look. Upcoming communications will feature the new theme: Write Your Own Financial Story.

This theme conveys the University’s goal to:

• Recognize that the financial goals of our faculty and staff are as diverse as our workforce

• Provide greater access to the investments, resources, and education to help employees achieve their financial goals

• Give participants the tools and support to increase their financial literacy and to write their own financial story
Retirement Oversight Committee

- Cheryl Johnson – Human Resources (Chair)
- Alan Garfinkel – Office of General Counsel (Advisor)
- Lori Carnvale – Benefits
- Aynsley Jimenez – Benefits
- John Kaye – Office of Finance
- John Kozar – Benefits
- Tom Spanedda – MHSF
- Jay Sukits – Katz School of Business Faculty Member
Actions Undertaken by the ROC to Add Value for Participants

1. Streamlined Portfolio

2. Addition of Brokerage Window

3. Reduced Fees

4. Process to ensure plans continue to be fully compliant

5. Addition of 457(b)

6. Comprehensive plan rollout and continued enhanced communications plan
1. Streamlined Portfolio

- Working with Cammack Retirement Group, a more focused fund array has been developed.

- 50 funds will be available effective March 16, 2018:
  
  a. Target Date Investments (TIAA Lifecycle and Vanguard Target Date)
  
  b. A broad mix of core investment funds including:
     
     a. Capital preservation (TIAA Traditional, Stable Value, Money Markets, short-term bonds)
     
     b. Core and Diversifying Fixed Income (Long-term Bonds)
     
     c. Domestic Equity (Large, Mid, and Small Value, Blends, Growth and Social Choice)
     
     d. International/Global Equity
     
     e. Inflation Hedge (Inflation Protected Securities, Real Estate)

- Funds are classified in a manageable way to assist participants in making appropriate allocation decisions

- Fund lineup consists of 25% TIAA, 50% Vanguard and 25% Other
# INVESTMENT ARRAY:

## TIER 1 – TARGET DATE, RISK ALLOCATION, MANAGED ACCOUNTS
- **TIAA CREF Lifecycle**
- **Vanguard Target Retirement**

## TIER 2 – CORE INVESTMENT FUNDS

### CAPITAL PRESERVATION
- **FIXED/STABLE**
  - TIAA Traditional
  - TIAA Stable Value

### CORE AND DIVERSIFYING FIXED INCOME
- **INTERMEDIATE**
  - Vanguard Total Bond Market Index*
  - Vanguard GNMA
  - CREF Bond Market
  - TIAA-CREF Social Choice Bond
  - Western Asset Core Plus

### CORE AND DIVERSIFYING FIXED INCOME
- **WORLD BOND**
  - Templeton Global Bond

### CORE AND DIVERSIFYING FIXED INCOME
- **LONG-TERM BOND**
  - Vanguard Long-Term Bond Index*

### DOMESTIC EQUITY
- **LARGE VALUE**
  - Vanguard Equity Income
  - Vanguard Windsor
  - Vanguard Value Index*

### DOMESTIC EQUITY
- **LARGE BLEND**
  - Vanguard Institutional Index *
  - CREF Stock

### DOMESTIC EQUITY
- **MID VALUE**
  - Wells Fargo Special Mid Cap Value
  - Vanguard Mid-Cap Value Index*

### DOMESTIC EQUITY
- **MID BLEND**
  - Vanguard Mid Cap Index*
  - Vanguard Extended Market Idx*

### DOMESTIC EQUITY
- **SMALL VALUE**
  - JPMorgan US Small Cap Value
  - Vanguard Small Cap Value Index*

### DOMESTIC EQUITY
- **SMALL BLEND**
  - Vanguard Small Cap Index*

### INTERNATIONAL/GLOBAL EQUITY
- **FOREIGN LARGE CAP**
  - Vanguard Total Intl Stock Index*
  - Vanguard International Growth
  - Vanguard FTSE All-Wld ex-US Idx*

### INTERNATIONAL/GLOBAL EQUITY
- **FOREIGN SMID**
  - Victory Trivalent International Sm-Cp

### INTERNATIONAL/GLOBAL EQUITY
- **EMERGING MARKETS STOCK**
  - American Funds New World
  - Vanguard Emerging Mkts Stock Idx*

### INTERNATIONAL/GLOBAL EQUITY
- **WORLD STOCK**
  - CREF Global Equities
  - Vanguard Global Equity

### INFLATION HEDGE
- **INFLATION PROTECTED BOND**
  - Vanguard Inflation Protected Secs

### INFLATION HEDGE
- **REAL ESTATE/REIT**
  - TIAA Real Estate
  - Vanguard REIT Index*

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Funds in green = new additions

* Indicates passive investment options
Streamlined Portfolio

Addition of seven new funds:

- Western Asset Core Plus – Fixed Income
- Templeton Global Bond – Fixed Income
- Wells Fargo Special Mid Cap Value – Domestic Equity
- JP Morgan U.S. Small Cap Value – Domestic Equity
- MassMutual Select Mid Cap Growth Equity – Domestic Eq.
- Victory Trivalent International Small Cap – International
- American Funds New World – International
Streamlined Portfolio

Morningstar Style Box

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<tr>
<th>Value</th>
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<tr>
<td>Small-cap</td>
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2. Addition of a brokerage window to retain choice

- The brokerage window provides the opportunity to exercise personal preference outside of the funds that the University monitors.

- The majority of current funds not included in the new menu will be available through the brokerage window. If the fund is transferred between February 15, 2018 and June 15, 2018, any transaction fees are waived.
  - Funds not moved by June 15th may remain available but at the retail fee level.

- At other institutions, the use of the brokerage window has been very limited, however, the 90-day fee waiver is a new offering that the University negotiated with TIAA on behalf of participants.
3. Reduced Fees

Fees are being reduced for several reasons:

- Continued success with sole recordkeeping
- Elimination of small balances
- Streamlining loan administration
- Creating a much more manageable platform
- Competitive market conditions
- Increased value of the University’s account. It has increased significantly due to:
  - Market value
  - University and participant contributions
  - Influx of cash from rollovers
Basis Points
What a Fee Reduction Means

A basis point is equal to 1/100 of 1%. In other words, 100 basis points equal 1%.

### 2016

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<th>Expense</th>
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### 2017

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### 2019

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4. Ensure plans continue to be fully compliant

- Worked with Cammack Retirement Group to review plan documents and the effectiveness of the plan’s menu

- Cammack conducts a regular quarterly analysis of fund performance.
  - Recommendations will be made to keep, remove, or place certain funds on a watch list.
5. Addition of a 457(b) Plan

• Available to all eligible faculty and staff
• Allows for deferral of additional pre-tax income on a voluntary basis (no match/cost to the University).
• **Current IRS limits for 2017 are:**
  • $18,000/year – under age 50
  • $24,000/year – age 50 and over
• Provides participants with an opportunity to double these IRS limits.
6. Communications and Education - Roll out Plan

- Pre-announcement via Read Green
- Detailed communications to homes to include letter and transition guide the week of January 16
- Social media messaging
- Article in University Times
- TIAA counseling sessions and workshops
- Live and On-Demand Webinars
<table>
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<td>Gaining Insight</td>
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* Early Engagement / Stay Smart (Ongoing)
Targeted Outcomes

- Understanding the benefits of the plan changes
- Review current asset allocation
- Increase contribution percentage or start saving
- Broaden awareness of TIAA services
- Financial literacy engagement
- Meet near-term obligations
- Maximize longer-term financial well-being
- Retirement readiness planning
- Metrics to monitor outcomes