Retirement Plan Improvements

Presentation to MSU Faculty and Staff
January 16, 2014

Mark P. Haas
Vice President for Finance and Treasurer

Daniel A. Mackey
Retirement Manager
Human Resources

Retirement Fund Changes

2004-2012 Recap
• 2004 Preliminary IRS 403(b) Regulation Changes
• 2007 MSU RIAC Formed
• 2009 IRS Final 403(b) Regulations are Effective
• 2010 Began Discussions with UCFA
• 2012 MSU Simplified 403(b) and 457(b) Plans
  • Required additional plan sponsor oversight
  • Discussed changes with UCFA
  • Two vendors from six
  • 27 investment choices from approximately 550
  • Lower cost administrative fees for “new” investments
New Developments in 2013

1. Fees discussed with outside consultants Hewitt Ennis Krupp and Straightline as well as Big Ten peers
2. MSU negotiated lower individual administrative fees for “legacy” investments with TIAA-CREF and Fidelity (e.g., fund fees lowered from 20 bps (.2%) to 10 bps (0.1%) for one fund and lowering another fund from 30 bps to 11 bps)
3. Negotiated lower cost institutional share classes for legacy investments for 2012, 2013, and into the future
4. Report back to UCFA

2014 MSU 403(b) Plan Changes

1. Implement lower administrative fees for legacy investments and issue revenue credits to plan participants for 2012 and 2013
2. Move some mutual funds to lower cost share classes with identical investment strategy and managers
Impact of 2014 Changes

1. Revenue credits to participants' accounts in legacy funds
   - $4.6M (est.) for 2012 and 2013 in 2014
   - $2.4M (est.) for 2014 in 2015
   
   Revenue credits based on balance at end of period and give $4.6M across all funds based on how much in account. Revenue credits will continue into future because of structure of annuities and some mutual funds.

2. Plan participants will have legacy fund investments transferred from individual share classes to lower cost institutional share classes with identical investment strategy and managers. Which results in higher returns to participants.

Revenue Credit Determination

- **New Funds** (Lower Fees) → No Change (No Need for Revenue Credit)
- **Legacy Funds** (Higher Fees) → Same Funds, Same Fees, Revenue Credit
- Same Funds, New Share Class, Lower Fees → No revenue credit as lower fees going forward

Option to move money from legacy to new investments already exists.
Timetable for Implementation

January 2014

Discuss with Faculty Groups
Finalize Agreements with TIAA-CREF and Fidelity
Communicate Changes to Faculty, Staff, and Retirees
Implement Share Class Changes
Distribute Revenue Credits to Plan Participant Accounts

June 2014

Example Communication

Dear University [Redacted] Retirement Plan Participant,

As a participant in the TIAA-CREF/University [Redacted] Retirement Plan, you will receive a plan servicing credit in December of 2013. This credit represents a return of fees that were above what the plan administrator and recordkeeper, TIAA-CREF, needed to cover retirement plan expenses.

The credit, called a Plan Servicing Credit, will be allocated to all participants that have an account balance as of the date of distribution, and will be applied proportionally across the investment options in your account.

You will receive a confirmation statement describing the credit after it has been processed to your account. The credit will also appear on your quarterly statement. If you have questions about the credit or your retirement plan, please contact TIAA-CREF directly at 800-642-2252, Monday through Friday, 8 a.m. to 10 p.m., or Saturday, 9 a.m. to 6 p.m. (ET).