

University Of Washington
Faculty Council on Benefits and Retirement
10:30 a.m. – 12:00 p.m., October 22, 2012
36 Gerberding

Meeting Synopsis:

- 1) Call to Order
- 2) Introductions
- 3) Approval of minutes from the May 21st 2012 FCBR Meeting
- 4) Updates on the Retirement Transition Project
- 5) Discussion on other issues to consider this year
- 6) Adjourn

1) Call to Order

The meeting was called to order at 2:33 p.m. by Chair Ashley Emery.

2) Introductions

Members briefly introduced themselves.

3) Review of Minutes from May 21st FCBR meeting

Minutes from the May 21st FCBR meeting were approved without further revisions.

4) Updates on the Retirement Transition Project

Rationale for changes to the UW Retirement Plan (UWRP) and Voluntary Investment Plan (VIP) arose following best practice guidance from the Department of Labor, and Internal Revenue Code Section 403(b) changes. As is true in the 401(k) (for profit) sector, DOL and the IRS encourage Universities to develop a process to oversee and change the mutual funds and annuities offered in their plans, and to increase visibility of fees to participants. This marks the largest change in retirement policies in decades at the University. The biggest changes are the significantly lower fees for participants and having an investment consulting firm to assist the Fund Review Committee in its oversight of the funds. A Fund Review Committee (FRC) was established, which recommended a new structure for the investments offered; evaluation of recordkeepers with the goals of both simplifying the plan by reducing funds offered, and decreasing participant fees. A participant contributing \$20,000 a year over 30 years these lower fees can potentially save many thousands of dollars. Despite reducing the number of mutual funds and annuities, participants may still invest in thousands of mutual funds options through a new brokerage or mutual fund “window”.

Katy Dwyer, Executive Director of Benefits, received positive feedback from the Senate Committee on Planning and Budgeting, and from the campus as a whole regarding the retirement transition. She gave statistics on interaction with the UW community on these changes from the summer through October 15th:

- 48,248 visits to the UW/Fidelity website on this transition
- 4,987 calls to Fidelity’s toll-free number
- 54 group meetings on campus, with 2,843 participants

- 114 departmental meetings, with 1,877 participants
- 4,323 one on one meetings between participants and Fidelity consultants

Fidelity will be the master administrator for the UWRP and VIP, centralizing plan administration and decreasing costs, though TIAA-CREF also serves as the recordkeeper for participants holding its 5 annuities. Fidelity was not the least expensive bidder initially, but offered a proven service record which led it to be chosen.

The “tiering” approach was described, arranging investments in a spectrum from the simplest to the most complex to manage. Calvert, Fidelity and Vanguard fund holders who take no action will have their funds transitioned to Tier 1 Vanguard target date funds, which are managed funds which grow increasingly conservative, orient towards money-market and bonds over time, with less risk as someone approaches retirement. Tier 2 funds require more decisions and action by participants. The funds are monitored by the Fund Review Committee, according to an Investment Policy Statement developed by the FRC. Tier 3 consists of five TIAA-CREF annuities. Tier 4 is a Brokerage or Mutual Fund Window, containing thousands of mutual funds or annuities which are not monitored by the Fund Review Committee. Additional fees are involved. Restrictions mentioned were: that participants must invest a minimum of 5% within Tiers 1, 2 and 3 to contribute to recordkeeping fees; and the TIAA Traditional Annuity in the UWRP requires a 10 year payout, with a maximum of 10% of funds may be withdrawn annually. This is a TIAA-CREF rule, not a UW rule.

Discussion followed on the frequency of reviewing funds, which is performed by the FRC. Though mandated to meet at least twice a year, the FRC meets quarterly to review funds. The FRC is advisory only, and if any action or changes is warranted, it provides recommendations to the Provost and Executive Vice President, who is charged with making the decisions. Dwyer referred members to the FRC’s Investment Policy Statement.¹ During the current retirement transition, those investing in closed TIAA-CREF annuities who take no action to redirect their investments, would have these five closed annuities “frozen,” with future contributions placed into the Vanguard Target Retirement Date funds on the Fidelity platform. Regarding why the funds were not allowed to remain open, there was noted to be a potential risk to the University if it offered funds reviewed by the FRC and deemed not appropriate for use in the UWRP and/or VIP. A member commented on his/her preference for using the Vanguard web portal because of the graphics and charts. Dwyer was asked if some of the features such as graphics about personal rates of return could be included in the Fidelity web portal

Dwyer guessed (without specific numbers available) that around 6,000 members participate in the VIP, contributing beyond funds matched by the University, out of 28,000 benefits eligible individuals. Eligibility is defined as being half-time or greater faculty, staff or librarians with an appointment for more than six months for a period of two years. One of the benefits of participating in this plan is the delay of the IRS Minimum Distribution Requirement (MRD) which would otherwise occur at age 70 ½. The IRS allows those still employed to delay the MRD to after a participant retires. Dwyer believed that

¹ Available here:
<http://www.washington.edu/admin/hr/benefits/retirement/plans/uwrp/recommendations/frc/uwrpinvest-polstmnt.pdf>

coordination between her office and Fidelity would improve targeted communications regarding campus benefits. Additionally on November 1st, the University will offer a Roth 403b to participants as part of the UW VIP. This is similar to a Roth IRA, however there is no income limit under these types of accounts. In a Roth 403(b) participants pay taxes up front, and there is never any tax due on the growth over time. The Benefits Office will begin to send out more communications after the holidays.

The Council then discussed differences in recordkeeping fees between Fidelity and TIAA-CREF s. TIAA-CREF charges a percentage of the total balance of a participant's account. Fees for the Fidelity platform will be \$55 per year (just one annual fee for someone using both UWWRP and VIP). For those using TIAA-CREF, due to the large size of the balances held there, TIAA-CREF will provide a credit back to active and retired participants with a balance. The fees to be credited back were outlined in the Transition Brochure, and are available on the web. However this may not be permanent. TIAA-CREF's recordkeeping and annual fees are bundled, making it complicated for users to calculate. Dwyer informed that of voluntary transfers of contributions to Fidelity's recordkeeping platform, outside of funds automatically transferred, 69% were transferred from TIAA- CREF and 30% from Vanguard.

The Council thanked Dwyer for her work with these changes.

5) Discussion on other issues to consider this year

Emery requested to know if there were any additional issues which would be pertinent for the Council to discuss. Members suggested the following topics:

- ➔ An "opt-out" rather than "opt-in" policy towards matching contribution increase at age 50, which Dwyer offered to provide data on participation
- ➔ Potential to change structure of matching contributions, beginning at a higher rate for younger members, which may cost less to the University, and improve long-term savings
- ➔ Health benefits at the University
- ➔ Discussion on income options after retirement or death, such as annuities, for which the Council could draft a report
- ➔ The impact of the Affordable Healthcare Act

Council members unanimously approved to give the FCBR PSO representative voting rights.

6) Adjournment

The meeting was adjourned at 4:03 p.m. by Chair Emery.

Minutes by Jay Freistadt, Faculty Council Support Analyst. jayf@u.washington.edu

Present: **Faculty:** Emery (Chair), Breidenthal, Mittler, Govin,
Ex-Officio Reps: Navarette, J. Ray Bowen, Deardorff,
Guests: Dwyer

Absent: **Faculty:** Nowell, Nihan, Holt
President's Designee: Kornberg