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**Sent:** Wednesday, April 12, 2017 11:13 AM  
**To:** HR Benefits <hrbenf@uark.edu>  
**Subject:** Changes to the UA Retirement Plan



**Human Resources**

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## **UA System Announces Changes to the 403(b) Retirement Plan**

At the University of Arkansas, we know our employees are our most important asset and the University Retirement Plan is intended to provide employees with flexible retirement income options to fit their needs. After an extensive review by the University Retirement Plan Committee, which includes representatives of all University of Arkansas System campuses, the UA System is updating this benefit to ensure our offering is consistent with what is considered to be best-practice in the industry. As discussed below, the UA System is modifying the investment fund line-up in order to offer participants simpler and more cost effective choices.

In the next few weeks a transition guide will be mailed to all participants. In advance of that, we wanted to provide you with some commonly asked questions and answers to ensure a smooth transition (see below the signature). Additionally, Human Resources will be hosting information sessions presented by Fidelity and TIAA that will give you opportunities to learn more about these exciting new changes. These sessions will be:

<b><u>Friday, April 21, 2017</u></b>	<b><u>Monday, April 24, 2017</u></b>	<b><u>Thursday, April 27, 2017</u></b>
Arkansas Union 512-513	Arkansas Union 507-508	Arkansas Union 512-513
9:30 a.m.	9:30 a.m.	9:30 a.m.
11:30 a.m.	11:30 a.m.	11:30 a.m.
2:30 p.m.	2:30 p.m.	2:30 p.m.

We anticipate each session lasting about an hour, depending on questions. There is no need to attend multiple sessions – the same information will be presented each time.

Watch for more information as it is available. See below the signature of this email for additional information. We look forward to working with you as more details are communicated throughout the next few months.



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### **What is staying the same?**

#### ***Fidelity and TIAA will continue to be the investment providers for the UA System 403(b)/ 457(b) Retirement Plan.***

- TIAA and Fidelity will continue as the retirement plan investment providers. Enrollment with one or both of these investment providers will not change.
- The plan design and rules of the plan all remain unchanged.
- Vesting, contributions, eligibility, base and matching employer contributions, loan guidelines and distribution rules all remain the same.
- Current payroll contributions remain the same.
- Options to select funds, move accumulations and make changes in funds selections continue without change.
- Access to on-line, call center and in-person support from Fidelity and TIAA will continue without change.

### **What are the changes?**

#### ***Beginning May 10, 2017, participants will have access to a new, tiered fund line-up.***

- New funds from Vanguard, Eagle, Goldman Sachs, Mass Mutual, JPMorgan and others will be available in the core lineup through both Fidelity and TIAA.
- The current investment selection options with Fidelity and TIAA will be available through October 2, 2017. At that time, many options will no longer be available in the University's core offering.
- Most of those current TIAA and Fidelity investment options as well as hundreds more will be available through a self-directed brokerage account with TIAA and/or Fidelity.

### **How will the changes go into effect?**

#### ***There will be two phases of the plan changes.***

1. **On May 10, 2017 employees will gain access to new funds:** A transition brochure will be mailed out in the next few weeks that will include information on the new funds. Information regarding each investment option's risk, as well as its strategy and objective, including a prospectus or fact sheet, if available, can be obtained by going to [TIAA.org/uasys](http://TIAA.org/uasys) or [NetBenefits.com/UArk](http://NetBenefits.com/UArk). Information sessions will take place in person and online to give participants more information on the transition.
2. **October 2017:** If a participant has not chosen investment options from the new line up, his or her current account balances, payroll contributions and future investment elections will be mapped to the investment option that most closely aligns with his or her current investment choices. Look for information regarding this at [TIAA.org/uasys](http://TIAA.org/uasys) or [NetBenefits.com/UArk](http://NetBenefits.com/UArk). A copy of this will also be mailed to participants in late August.

### Why are these changes taking place?

#### *Our philosophy of offering modern, flexible and market-based benefits continues to be a priority.*

- We believe the changes will result in lower costs to participants which can lead to improved retirement savings in their accounts.
- The changes should/are intended to help to make selecting investment choices easier.
- The changes allow the University to identify best-in-class investment options and monitor that group of investments to provide participants with the best available options.

### What do participants need to do?

- **Nothing.** If participants are happy with the new fund line up and the movement of their current investments into the new lineup, everything will occur automatically for them.
- Fidelity and TIAA remain as the retirement plan investment providers.
- Participants do not have to enroll, re-enroll, make new fund selections or change their payroll contribution amount.

### Why does the investment process need to be simplified?

The University has improved its ability to monitor and review the performance of the funds by decreasing the number of funds available. In addition, participants have difficulty understanding all the investment choices and making their investment decision. While additional fund choices may be perceived as a benefit, numerous researchers have concluded that more fund alternatives typically leads to confusion and adverse portfolio choices among participants. More importantly, evidence has shown that these extra choices do not help participants form better portfolios or save for retirement. Decreasing the number of investment funds will reduce fund overlap, improve investment quality, and lower fees.

### Does the investment process simplification mean participants will have fewer investment choices?

Yes and no. The proposed tiered investment structure will have a limited number of diversified “core” investment funds that will be monitored by the Committee for their continued viability and integrity. However, **there will also be access to a self-directed mutual fund account that will give participants access to a universe of thousands of mutual funds from hundreds of mutual fund companies.** This feature will appeal to those participants who want the flexibility to invest outside of the “core” line-up of funds. The core “best-in-class” funds will be selected in an “open investment architecture” environment. Open architecture refers to the University’s ability to choose from the entire universe of options when deciding on its list of investment funds — not just those provided by the investment provider.

### How will the “tiered” investment structure be beneficial to participants?

The tiered investment structure will provide participants with a broad range of distinctive investment options, but not so many that, when faced with choices, they will have a difficult time structuring an investment portfolio. A tiered investment structure packages or categorizes investment options in a manner that guides participants through the investment decision-making process. Participants first select a path that is appropriate for them given their:

- Investment knowledge
- Time for managing their own investment portfolios
- Tolerance for risk

The tier’s investment options and participant education materials are then tailored to meet participants’ needs. For example, a disinterested investor who lacks the time for managing their own investment portfolios or a novice investor who is uncomfortable making their own asset allocation decisions and selecting funds may select a pre-mixed asset allocation in Tier I. The communication materials will then

assist the participant in selecting the appropriate Target Date Retirement Fund based primarily on their time horizon and/or risk tolerance.

By limiting the number of choices available to employees in the “core” line-up of funds, the Committee will be better able to monitor the funds offered to participants to ensure their continued viability and integrity, increasing the likelihood that employees will earn better long-term performance.

### **Besides investment process simplification, are there other reasons to consider changing the investment lineup?**

***There are two main reasons to reduce the number of funds in the plans:***

1. Research has shown that excessive choice in a retirement plan causes many participants to make adverse portfolio choices or postpone decision making regarding their investments.
2. By consolidating contributions into fewer funds with less redundancy, the University can increase its purchasing power and obtain institutional pricing with lower overall expense ratios for the collective benefit of all participants.

Streamlining the investment menu to reduce the number of funds with overlapping investment styles will reduce confusion in the fund selection process for participants. In addition, decreasing the number of investment funds will allow for more effective communication and monitoring of the individual investment options.

### **Will a self-directed mutual fund account have extra costs?**

Yes, while participants who elect to use the self-directed mutual fund account will not pay an annual account service fee, some funds may have transaction fees or sales loads. Participants will have the option to search for funds that do not have transactions fees or sales loads. However, it is important to remember that participants can avoid these extra charges by utilizing the funds in the “core” investment lineup, many of which will have low, institutional expense ratios.

### **How are retirees affected?**

Current retirees will be affected the same as all participants. They will have access to the new fund line-up beginning on May 10, 2017, and investments in Fidelity and TIAA mutual funds will be transferred into the new line-up on October 2, 2017.

### **What happens if a participant’s favorite investment fund is not available?**

The new investment menu will continue to offer a sufficient range of choice to allow participants to form well-diversified portfolios. Most or all of the mutual funds offered by the current record-keepers will be available on the redesigned investment menu or through the self-directed mutual fund account.

To help participants learn more about the new investment menu, there will be comprehensive education and communication in a variety of mediums to introduce all the benefits of the new 403(b)/457(b) Plan to Faculty and Staff as well as to provide further detail on the investment menu. For example, there will be numerous on-site seminars and meetings to provide education as well as written communications. Information will also be available at [NetBenefits.com/UArk](http://NetBenefits.com/UArk) or [TIAA.org/uasys](http://TIAA.org/uasys). Internet tools will also be available to help participants review investment funds and plan enhancements.

***In the next few weeks important details of this transition will be mailed to participants’ homes. We encourage participants to check their mailboxes and review the information carefully.***