

RETIREMENT PLAN CHANGES FREQUENTLY ASKED QUESTIONS

WHAT IS CHANGING:

- There will no longer be 3 vendors administering the retirement plan.
- The Administration of the plan will be handled by TIAA-CREF. This includes providing the following services:
 - Processing of contributions, loans, and distributions for the mandatory retirement plan and the voluntary retirement plan (403B)
 - Generating quarterly statements
 - Providing financial guidance and advise services
 - On-line Account access
- The investment lineup is all new. The only fund that will be available in the core lineup that is currently available is the TIAA-Traditional
- Part of the investment lineup is access to a Mutual Fund Brokerage Window which would give you access to all mutual funds in the market. These mutual funds will primarily be “retail” focused and will include funds with various expense ratios, transaction fees and sales loads.
- The administrative fees that TIAA-CREF charges will go down from the current .11% to .04% for all asset (including legacy assets)

WHAT STAYS THE SAME:

- The plan still provides for immediate vesting
- The contribution rate remains the same at 13.25% with a 13.25% employer match on the mandatory retirement plan
- If you are on PERS, these changes will not impact your PERS
- All existing assets that you have will stay where they are unless you take action to move them.
- If you are participating in the 457 Deferred Compensation Program offered by the State through this change does not impact that plan, you will still be able to use ING and Hartford/MassMutual for that plan.

ACTION NEEDED:

- You will need to make a new investment selection for your contributions starting 1/1/2014.
- If you do not make an investment selection, your contributions starting 1/1/2014 will go into the default fund which is an age appropriate Target Date Retirement Fund with Vanguard.

OPTIONS FOR EXISTING ASSETS:

- Keep your existing assets with your current vendor
- Consolidate your existing assets under the new investment lineup and have it administered by TIAA-CREF (this will not be available until 1/1/2014, but TIAA-CREF can assist in completing the necessary paperwork beforehand so that the transfer occurs on 1/1/2014)

QUESTIONS:

Q: What plans does this change affect?

A: This change impacts the plans administered by NSHE including the Retirement Plan Alternative which is the mandatory plan for all faculty (those not enrolled in PERS), and the 403B supplemental retirement plan.

If you are on PERS, this change will not impact PERS.

If you are participating in the supplemental retirement plan under the 457 deferred compensation program, this change will not impact that plan. You will continue to be able to use ING and Hartford/MassMutual for those plans.

Q: Who is responsible for reviewing the plan?

A: There is a Retirement Plan Advisory Committee (RPAC) that is composed of representatives from each NSHE institution appointed by the Chancellor after consultation with the institution President. The Committee serves in an advisory capacity to the Chancellor. The RPAC reviews and makes recommendations to the Chancellor on past, current, and proposed policies related to the retirement plans offered by NSHE.

Q: Why did NSHE decide to make changes to the multiple provider service model that has served so well until now?

A: Plans typically go out to bid every five years to ensure that a plan is getting the best available services at reasonable costs; but the last time that the NSHE plan went out for an RFP was in the 1990s. Although the Retirement Plan Advisory Committee (RPAC) met on a regular basis with the vendors to conduct plan reviews, these plan reviews were presented by the vendors themselves. In 2011, the RPAC was able to hire an independent consultant (AON/Hewitt Ennis Knupp) to assist the RPAC in conducting a comprehensive review of the plan both from an investment and administrative perspective. This review resulted in the following:

- Out of 287 funds offered to participants, majority of participants are invested in only about 10% of the funds.
- Fees could be negotiated even lower with the vendors if NSHE goes out to bid for administrative services.
- There has been a change in the marketplace that now allows plans to offer non-proprietary funds in the investment lineup; thereby separating the administrative functions from the investment.
- NSHE was paying retail prices for account services and investment management even though we have \$1.9 billion in plan assets and over \$100 million/year in contributions.

Q: Why did NSHE decide to go to a single record keeper as opposed to keeping the multiple provider service model?

A: During the RFP process, it was discovered that there was no added benefit in a multiple vendor or master-record keeper arrangement compared to a single vendor arrangement. In addition, vendors were charging less for a single vendor arrangement, as opposed to a multiple vendor or master-record keeper arrangement.

Q: Why did NSHE decide to go with an all new investment lineup?

A: The retirement market has changed in recent years which resulted in plan sponsors, such as NSHE, having the ability to de-couple the administration of the plan from the investment lineup. Currently, the Plan's investment structure is "bundled" meaning that the investment funds in the lineup are proprietary offerings of our three administrative service providers.

The RPAC with the guidance of an investment consultant (AON/Hewitt Ennis Knupp) went through a thorough review process which lasted over a year. During that review process, the RPAC made the following decisions:

- Offer a four tier lineup that will be easy to explain to employee and allow employees with varying investment expertise the flexibility to choose funds within their risk tolerance
- Limit the number of funds in the core lineup for the following reasons:
 - By limiting the number of funds in the core lineup, NSHE can better leverage its size and negotiate lower fees
 - A limited fund lineup will allow NSHE to better fulfill its fiduciary responsibilities by conducting regular reviews
- Offer a Mutual Fund Window to allow more savvy investors the flexibility to invest in the Mutual Fund Market if the fund that they want to invest is not available in the core lineup.

Q: Has NSHE seen some savings?

A: NSHE has seen some savings and these savings were recently passed on to participants in the form of revenue credits. Participants at TIAA-CREF and Fidelity would have been revenue credits in their 3rd quarter statements.

With this change, NSHE will further recognize savings because TIAA-CREF has agreed to reduce the administrative charges from the current .11% to .04%.

Q: What happens to my existing assets in the plan?

A: You can keep your existing assets with your current vendor and investments. You will continue to receive quarterly statements from your current vendor. However, contributions starting on January 1, 2014, will go to the new investment lineup and will be administered by TIAA-CREF.

Q: Will I be able to continue to choose my investments with my current vendor?

A: It depends:

- You will continue to have access to the investment lineup offered by your current vendor, but only for your existing assets with that vendor.
- You can move your assets to any of the three existing vendors now or before 1/1/2014 if you wish, provided that you have accounts with those vendors
- After 1/1/2014, you can choose to keep your existing assets with your current vendor, but all contribution starting 1/1/2014 will have to go through the new investment lineup and be administered by TIAA-CREF.
- You can elect to move your assets to the new investment lineup or the Mutual Fund Window on or after 1/1/2014. Most proprietary funds offered by TIAA-CREF, Fidelity, and VALIC will be available in the Mutual Fund Window, but you will be paying additional fees. If you are investing in annuities (TIAA-CREF or VALIC), these funds are not available in either the core line up or the mutual fund window; however, it is likely that a near-equivalent mutual fund product will be available.

Q: If I want to move my existing funds from Fidelity and/or VALIC to TIAA-CREF can I do that now?

A: Yes you can consolidate your assets now at TIAA-CREF, but you will need to choose your investments from TIAA-CREF's current lineup. Or you can wait until 1/1/2014 to consolidate your assets and invest in the 1/1/2014 new lineup.

Q: If I wait to move my assets to TIAA-CREF after 1/1/2014, will I be able to move it to TIAA-CREF funds?

A: It depends. If you move your assets on or after 1/1/2014, you will need to choose an investment within the new lineup and the only TIAA-CREF fund available in the new lineup is TIAA-Traditional. If the TIAA-CREF fund that you would like to invest in is a mutual fund, then you can invest in that fund, but you will have to go through the Mutual Fund Window and will have to pay additional costs. Unfortunately, you will not be able to invest in any of the TIAA-CREF annuities.

Q: I don't want to move my funds from my existing vendor, do I have to?

A: No you do not have to move your existing funds. You can keep your existing assets with your current vendor. However, you will need to make a decision regarding your contributions beginning 1/1/2014, since those will need to be invested in the new investment lineup.

Q: I am currently contributing to all three vendors. Will I be able to move all my existing money to either Fidelity or VALIC?

A: If you move your money now or before 1/1/2014, yes you can.

Q: If I want to move my existing funds to the new line up, what do I need to do?

- A: TIAA-CREF will be sending out transition guidelines to all employees at the beginning of November. These guidelines will contain information on the options available to you. In addition, financial consultants will be available on campus starting the week of November 11 to assist employees with questions and transactions. Additional information regarding times and locations will be available shortly.
- Q: Is there an additional charge if I want to invest through the Mutual Fund Window
- A: Some funds may have transaction fees or sales loads. You will have the option to search for funds that do not have transaction fees or loads.
- Q: When I started at NSHE, I did not pick a vendor and I was defaulted to Fidelity into an age appropriate target date retirement fund. What happens to my money?
- A: Earlier this year, the RPAC recommended and the Chancellor approved that all defaulted accounts will be mapped into the new fund lineup into an age appropriate Vanguard Target Date Retirement fund. Unless you actively opt out of being mapped to the Vanguard Target Date Retirement fund, your existing assets will be mapped.
- Q: Can I withdraw my funds from the plan and move it somewhere else?
- A: In-service withdrawals are only permitted if you are over age 59 ½.
- Q: Can I rollover my funds from the plan to other vendors not associated with NSHE?
- A: Rollover outside of the plan is only permitted if you are still working and are over age 59 ½ or if you separated employment.