Retirement Plan - Implementation of the Delayed New Investment Options
Fall 2021
Background

• Changes to the retirement plan had been planned for implementation in May 2020
  ➢ Review with Faculty Council, University Senate, Physician Compensation Committee, Fringe Benefits Committee, Employee Council, Emeritus College had taken place
  ➢ Communications process was under way to faculty and staff

• In March 2020 changes were delayed due to pandemic and the uncertainty of the financial environment

• Class action lawsuit settlement in March 2021 required several actions including:
  ➢ Retain an independent consultant
  ➢ Consultant to review investment structure and make recommendations
Retirement Plan Governance

- Emory has a fiduciary responsibility to oversee the retirement plans in the best interests of participants, in accordance with IRS and DOL rules.
- The Emory Pension Board, comprised of senior leadership of the University, Emory Healthcare and Emory Clinic, as appointed by the Board of Trustees, makes decisions for Emory’s Retirement Plans.
- The Pension Board has engaged CAPTRUST as a consultant to assist with plan structure, fund selection, and investment oversight.
  - CAPTRUST is an independent consultant who works with many higher ed and healthcare organizations.
  - CAPTRUST’s fees are paid by Emory and they do not receive funds from investment companies.
Current University 403(b) Plan

• Three Vendors – Fidelity, TIAA and Vanguard
• 72 investment options organized into Lifecycle, Core, Expanded and Brokerage Window
  ➢ Last major changes occurred in 2007 (although investments are regularly monitored)
  ➢ Several investment options per major asset class
• Investment options are vendor specific – Vanguard funds on Vanguard platform, Fidelity funds on Fidelity platform, TIAA funds on TIAA platform
• Participants must pick a vendor (or more than one), then select funds under that vendor
• The default vendor is Vanguard, and the default fund selection is the Vanguard Target Retirement fund with the maturity date closest to the year the participant turns 65
Why Change the 403(b) Plan?

- Primary goal: Better retirement preparation for faculty and staff through a fund menu that’s streamlined and easier to understand/navigate
- New “open architecture” vendor platforms enable offering the same options across all three vendors (with a few exceptions), not limited to the Fidelity, TIAA and Vanguard fund families
  - Previously, each vendor could only offer its own fund family
- More logical approach to the fund lineup
  - Organized by type of fund: target retirement/lifecycle, index funds, actively managed funds, brokerage window
  - Fewer funds overall, but covers all major asset classes
  - The selection process for each fund in an asset class included qualitative and quantitative review to select the most appropriate fund in each asset class regardless of the fund family
  - Selected and monitored by retirement plan investment experts at CAPTRUST
# Investment Tier Structure

Tier structure provides a solution for various types of plan participants from those preferring a more passive approach to those highly engaged.

<table>
<thead>
<tr>
<th>Potential Asset Classes</th>
<th>Allocation Tier</th>
<th>Passive Tier</th>
<th>Active Tier</th>
<th>Brokerage Window</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target Date / Life Cycle Funds</td>
<td>Intermediate Term Bond</td>
<td>Capital Preservation</td>
<td>Mutual Fund Window</td>
<td></td>
</tr>
<tr>
<td>Domestic Large Cap Equities</td>
<td>Domestic Mid/Small cap Equities</td>
<td>Intermediate Term Bond</td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Equities</td>
<td></td>
<td>Large Cap Value</td>
<td></td>
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<td></td>
<td>Large Cap Growth</td>
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<td></td>
<td></td>
<td>Mid Cap Value</td>
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<td></td>
<td>Mid Cap Growth</td>
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<tr>
<td></td>
<td></td>
<td>International Large Cap</td>
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<td></td>
<td>Small Cap Value</td>
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<td></td>
<td></td>
<td>Small Cap Growth</td>
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<tr>
<td></td>
<td></td>
<td>Real Estate</td>
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</tbody>
</table>

**Rationale**

- **For participants that desire a pre-made diversified portfolio (Do-It-For-Me)**
  - Can qualify as a QDIA option for auto-enrolled participants

- **For investors that do not wish to take on active management or want low-cost market exposure via a passive index fund**
  - All major asset classes are represented

- **For the investor that desires active management options**
  - Allows an engaged participant to create a fully diversified portfolio (Do-It-Yourself)

- **Satisfies desire of highly engaged investors to add specific funds, markets, or strategies to their portfolio**

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*Desired level of investment engagement*
<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Fidelity and Vanguard</th>
<th>TIAA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Allocation Funds</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target Date Series</td>
<td>Vanguard Institutional Series</td>
<td>Vanguard Institutional Series</td>
</tr>
<tr>
<td>Allocation~50% to 70% Equity</td>
<td>-</td>
<td>CREF Social Choice</td>
</tr>
<tr>
<td>World Allocation</td>
<td>-</td>
<td>CREF Stock</td>
</tr>
<tr>
<td><strong>Passive Tier</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intermediate-Term Bond</td>
<td>Vanguard Total Bond Market Index I</td>
<td>Vanguard Total Bond Market Index I</td>
</tr>
<tr>
<td>Large Blend</td>
<td>Vanguard Institutional Index Instl Pl</td>
<td>Vanguard Institutional Index Instl Pl</td>
</tr>
<tr>
<td>Mid-Cap Blend</td>
<td>Vanguard Mid Cap Index Institutional</td>
<td>Vanguard Mid Cap Index Institutional</td>
</tr>
<tr>
<td>Foreign Large Blend</td>
<td>Vanguard Total Intl Stock Index I</td>
<td>Vanguard Total Intl Stock Index I</td>
</tr>
<tr>
<td>Small Blend</td>
<td>Vanguard Small Cap Index I</td>
<td>Vanguard Small Cap Index I</td>
</tr>
<tr>
<td>Real Estate</td>
<td>Vanguard Real Estate Index Admiral</td>
<td>Vanguard Real Estate Index Admiral*</td>
</tr>
<tr>
<td><strong>Active Tier</strong></td>
<td></td>
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</tr>
<tr>
<td>Capital Preservation</td>
<td>Prudential Guaranteed Income Fund</td>
<td>TIAA Traditional</td>
</tr>
<tr>
<td>Intermediate -Term Bond</td>
<td>PGIM Total Return Bond R6</td>
<td>PGIM Total Return Bond R6</td>
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<tr>
<td>Large Value</td>
<td>John Hancock Disciplined Value R6</td>
<td>John Hancock Disciplined Value R6</td>
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<tr>
<td>Large Growth</td>
<td>Harbor Capital Appreciation</td>
<td>Harbor Capital Appreciation</td>
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<tr>
<td>Large Blend</td>
<td>Vanguard PRIMECAP Adm</td>
<td>Vanguard PRIMECAP Adm</td>
</tr>
<tr>
<td>Mid-Cap Value</td>
<td>MFS Mid Cap Value R6*</td>
<td>MFS Mid Cap Value R6*</td>
</tr>
<tr>
<td>Mid-Cap Growth</td>
<td>BlackRock Mid-Cap Growth Equity K*</td>
<td>BlackRock Mid-Cap Growth Equity K*</td>
</tr>
<tr>
<td>Foreign Large Blend</td>
<td>American EuroPacific Growth R6</td>
<td>American EuroPacific Growth R6</td>
</tr>
<tr>
<td>Small Value</td>
<td>Goldman Sachs Small Cap Value R6</td>
<td>Goldman Sachs Small Cap Value R6</td>
</tr>
<tr>
<td>Small Growth</td>
<td>Loomis Sayles Small Cap Growth Fund N</td>
<td>Loomis Sayles Small Cap Growth Fund N</td>
</tr>
<tr>
<td>Real Estate</td>
<td>-</td>
<td>TIAA Real Estate</td>
</tr>
</tbody>
</table>

*Change from the previously approved menu.*
Transition to New Menu

Participant options to transition their funds:

• Proactively select where to invest in new investment menu
• If a current fund is not available in new menu you may use the brokerage window
• If a participant does not take any action the funds will be mapped to similar funds in new design on November 1, 2021
Next Steps for Faculty and Staff

• Review detailed information on the website
• If you are happy with the way your investments will change, you do not need to do anything
  ➢ This is a good time to look at your beneficiaries and make sure they are up to date on your vendor’s website
• If you have questions about or want to discuss your investment strategy, call your vendor – Fidelity, Vanguard or TIAA
• If you want to keep a specific investment that has been eliminated, you will need to open a brokerage window
  ➢ Instructions are available on the HR website, or by calling your vendor
  ➢ Note: Investments in the brokerage are not monitored by the Pension Board
• If you have an investment advisor, share the new fund lineup with them
New Fee Structure

• Today the “expense ratios” for each investment fund include two types of expenses and vary by investment fund:
  ➢ Investment fees paid for the managing the investments in the fund
  ➢ Recordkeeping fees paid to the vendor for administration of the plan (accounting, issuing statements, providing website, etc.)
• Beginning in October 2021 the expense ratio will change and only include the investment fees paid for fund management.
• There will be flat recordkeeping fees, charged quarterly and shown as a line-item on your statement. Therefore, the cost for administration does not increase as your balance increases. The fees will be:
  • Fidelity $9.75 per quarter
  • TIAA $9.75 per quarter
  • Vanguard $8.50 per quarter
• If you have assets at multiple vendors you might consider moving all your assets to one where you are only paying one fee per quarter.
Timeline

• August 2021 – Newsletters mailed to home / website live
• October 1, 2021 - New investment options available
• November 1, 2021 – Mapping of balances remaining in investment options that have been eliminated to new options in similar “asset class” or to Target Date Funds is a similar asset class does not exist in the new line-up.