2022 Retirement Plan Changes for the University of Nebraska Retirement Plans

Why is Nebraska making changes to the investment funds now?

Recent changes in the legal and regulatory environment have given us the opportunity to review the current investment options. As part of our goal to be an employer of choice, the University of Nebraska is committed to providing you with a competitive retirement program that helps you plan and invest for your future. During our review we found the number of options offered through the retirement savings plans is making it increasingly difficult to provide the necessary comprehensive oversight of plan investments.

The changes are designed to:

1. Allow those who wish to simplify their investment decision-making process easier by focusing on fewer carefully selected investment options and shedding more light on administrative and investment management fees, and
2. Provide a robust array of alternatives to those who wish to have more investment options.

We had nearly 200 investment funds to choose from and now we only have six. Why?

As plan fiduciaries, we felt that we needed to simplify investment choices for the less experienced investor yet provide expanded investment choices for those who are more experienced and willing to take additional risks. We created investment options that would cover this wide range of investment needs.

The six investment options in the Core Funds represent each type of investment option currently offered. If you do not want to be limited to the six Core Funds, you will have the opportunity to invest in virtually any of the mutual funds currently offered. In fact, an even wider range of mutual funds will be available through a self-directed brokerage service offered by TIAA and Fidelity.

Why is the University of Nebraska telling me what to do with my money?

The choice of how to invest your account is yours. However, the plan fiduciaries are required to select and update the investment options available under the plans in accordance with their fiduciary duties. Plan fiduciaries have a fiduciary responsibility to monitor plans and to make changes they determine are in the best interest of plan participants. Although, your current investment funds may not be listed in the new lineup, you could possibly continue to invest in these funds through the self-directed brokerage service.

Is there any changes to the 401(a) basic retirement plan matching contribution?

There will be no changes to the matching contributions rates or the tier elections.

If I am already retired, how does this affect me?

You will have the same choices as described in this FAQ. Any assets you have in accounts different than above will be transferred automatically to an age-appropriate retirement fund unless you select a different fund option.

If I don't have to do anything with my current investments, why are you announcing the changes now?

We wanted to provide you advance notice of our investment changes to give you the opportunity to take advantage of the financial education resources that are available. We encourage you to use the extra time to review your current investment choices and determine if they will meet your retirement goals.

What happens with my existing retirement plan balances?

For balances not in the investment funds listed below the investments will be initially migrated to the age-appropriate Vanguard target date retirement fund. Due to investment restrictions, the following investment funds will not be migrated to the target date retirement funds:

- *Any investment in Fidelity's 403b plans*
- CREF Bond Market
- CREF Equity Index
- CREF Global Equities
- CREF Growth
- CREF Inflation-Linked Bond
- CREF Money Market
- CREF Social Choice
- CREF Stock
- TIAA Real Estate
- TIAA Traditional

You will have an opportunity in the Fall of 2022 to change your investment allocation if you do not desire the age-appropriate target date retirement fund. If you do not take any action your funds will transfer to the age-appropriate target date retirement fund.

What if I do nothing?

The Vanguard Target Retirement Funds have been selected as the "default" investment option. This means that if you have not directed your future contributions into one or more of the new investment options at the time we make the change, generally your account balances and future contributions will go into Vanguard Target Retirement funds based on your age. After that, unless you make a different choice, all future contributions will go into the Vanguard Target Retirement fund.

Why are only Vanguard funds available under the Core Fund options?

Based on our research, we felt that providing low-cost, passively managed index funds would meet most participants' retirement savings objectives. Vanguard funds were selected because they are passively managed index funds with low management fees.

Will I work with a Vanguard financial consultant for retirement advice?

Although the University of Nebraska retirement savings plan will utilize Vanguard investments, plan participants will continue to contact Fidelity or TIAA for all questions regarding the University of Nebraska retirement plan.

Why is the university removing actively managed fund from the investment lineup?

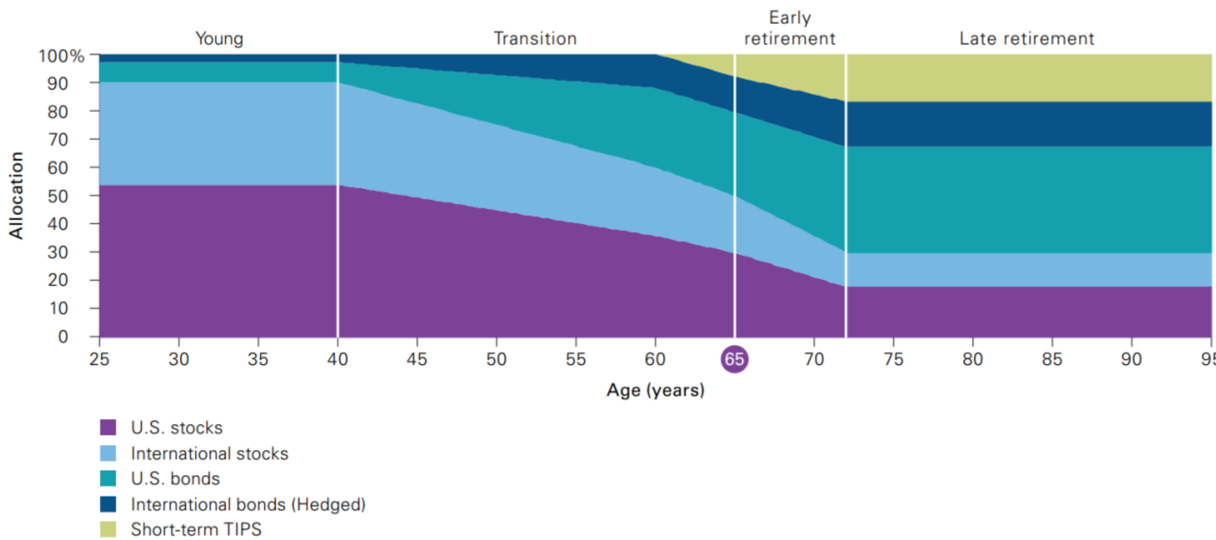
Decades of academic research in finance has concluded that higher investing fees lead, on average, to lower investment returns. Said differently, the lower the investing fees, the higher the expected returns for a given investment.

However, if you are an advanced investor who would like continued access to actively managed funds, you may do so through the *self-directed brokerage account* option at TIAA/Fidelity (see question immediately below for more details).

The vast majority of investment choices available through the *self-directed brokerage account* at TIAA/Fidelity are actively managed, with predictably higher investing expenses than their passive (index) counterparts.

How does a target retirement fund work and why move to Vanguard funds?

When you decide to invest in a target retirement fund, the fund is selected based upon the year in which you turn the age of 65. A target retirement fund is made up of a selection of stock and bond funds that gradually and automatically change to a more conservative mix of investments as you get closer to retirement, as shown in the figure below (source). Vanguard funds were selected because they invest in index funds, which typically incur lower expenses as compared to actively managed funds.



Why did you select the Target Retirement Funds as the default?

Target date funds provide an appropriate investment allocation based on a participant's age. They offer an easy way to own a diversified portfolio by making a single mutual fund selection. Each of the Target Retirement Funds invests in Vanguard's broadest index funds, giving you access to thousands of U.S. and international stocks and bonds. The funds' managers gradually shift each fund's asset allocation to fewer stocks and more bonds so the fund becomes more conservative as you get closer to retirement.

What if one of my favorite funds will no longer be available?

We are going to provide all plan participants with an opportunity to use the self-directed brokerage service. You can use this service to continue to invest in any mutual fund that is offered through the brokerage window. We will provide more information regarding the brokerage service later this year.

What is a Collective Investment Trust (CIT)? How does it differ from a mutual fund? Why are they on the investment menu?

A Collective Investment Trust is an investment vehicle similar to a mutual fund, but is only available to qualified retirement plans, such as 401(a) and 457 plans. Because a CIT doesn’t sell to retail investors, it is exempt from some regulatory requirements. Not having to deal with retail investors also makes the costs lower. By using CIT's, plan participants will save between 0.01%-0.035% in fees on their investments, depending on the particular fund. For example, the Target Retirement Funds held in a 401a or 457 save an additional 0.035% in fees by using CITs as opposed to mutual funds.

There are a few additional caveats to understand about CIT's:

- Current laws prohibit CIT's from being held in 403b accounts. As a result, your 403b will offer the mutual fund equivalent for each investment option. Legislation is pending to enable CIT's to be held in 403b accounts as well. Once this legislation passes (perhaps as soon as late 2022), the CIT's will be expanded to the 403b plan, enabling investors to save even more in investing fees.
- Conventional mutual funds distribute dividends to investors on a regular basis - either quarterly or annually. Upon receiving the dividend, the mutual fund investor will usually choose to reinvest the dividend, though this process is usually automated in retirement accounts. Rather than go through this two-step process of 1.) distributing the dividend to investors and 2.) having investors reinvest the dividend, the CIT simply reinvests any dividends received directly into the trust without first distributing them to the investors. This internal reinvestment of dividends by the CIT results in a higher Net Asset Value (NAV) of the fund. In other words, the CIT is structured so that you do not have to worry about the reinvestment of dividends. If you are an experienced investor that is used to seeing regular dividends from your mutual funds, you can be assured that the reinvestment of dividends within the CIT is occurring automatically behind the scenes, resulting in a higher NAV of the trust.
- Because CIT's are not available to retail investors, you cannot use resources like Morningstar to view their historical performance. For example, you won't be able to research the "Vanguard Target Retirement 2040 ***Trust***" on Morningstar's website. If you desire to use resources like this, you may look up the equivalent mutual fund version of each trust, such as the "Vanguard Target Retirement 2040 ***Fund***.*"* Since the portfolio of the trust will mimic that of the corresponding mutual fund, you can use the mutual fund version to benchmark historical returns. Just remember that, due to the lower fees, the CIT will outperform the corresponding mutual fund by the fee differential (e.g. 0.01%-0.035%).

What is a self-directed brokerage service and how does it work?

A self-directed brokerage service (also known as a brokerage window) allows retirement plans to offer more investment choices and diversification to their participants. Participants electing to invest in the self-directed brokerage window will acknowledge (a) that they understand and accept the risks associated with this selection; (b) that they understand and accept that none of the investment available in the self-directed option have been reviewed for suitability by the university; and (c) they are solely responsible for determining the suitability or appropriateness of any selected investment.

My current investment options are only available through the brokerage service, but I don't want to enroll in that. Since I no longer work for the University of Nebraska, do I have any other options?

If you no longer work for the University of Nebraska, you can request a distribution and rollover your retirement account into an IRA that offers the investment funds you want. You can contact Fidelity (800) 642-7131 or TIAA (800) 842-2252 for distribution forms.

I see there will now be a new fixed recordkeeping fee for my retirement plan account. Is this a new fee?

As a plan participant, you have always paid an administrative fee as part of the fees and expenses charged for each investment fund you participated in. We are migrating to fee transparency and equitability. All plan members will now be charged the same recordkeeping fee. Most plan participants will experience a reduction in the recordkeeping fee they pay under the new plan structure.

How do I know what administrative fees and investment fees I am currently paying?

You can either request a fund prospectus from your investment provider which will list the types of fees charged for a particular fund, or call your investment provider and ask about fund fees. Also, you can find fees for Fidelity and TIAA funds on the Fidelity and TIAA websites.

How do I transfer my existing investment balance from TIAA or Fidelity?

Call the investment company you want to transfer your funds into (e.g., TIAA and Fidelity) and they will provide a fund transfer form for you to complete and tell you of any restrictions they impose.

Are they any taxes involved in moving between funds?

No. As long as your account balance stays within the University of Nebraska retirement plans you will not be taxed for moving between funds. You will only be taxed if you take a distribution and do not rollover your money to an IRA or another employer plan.

Will I pay a higher fee for the same invest funds I have today?

If you select an investment fund through the self-directed brokerage window, you may pay a higher fee. The funds offered through the brokerage window do not offer discounted fees normally given to large plan sponsors.

What type of educational resources are available?

- There will be online presentations available at 2pm on Wednesday, February 23rd and 9am on Thursday, March 3rd. We will review the changes and provide the opportunity to ask questions.
- Individual investment consultation with Fidelity and TIAA
- Visit our benefits website at www.Nebraska.edu/RetirementEnhancements
- Email benefits@nebraka.edu with questions or feedback

Please explain why the University of Nebraska has decided to make these changes in such a volatile economy?

The changes to investment fund choices were the result of an 8-month review of the current 200+ investment choices allowed in the University of Nebraska's retirement savings plans. The review was conducted by a university-wide committee. They were assisted in their review by CapTrust, an industry leading 3rd party consultant. The committee determined that this course of action will benefit plan participants by offering lower administrative fees, simplifying the investment decision-making process, and making investment and administrative fees easier to understand. The state of the economy should not affect the benefits these changes will bring to plan participants.