



February 21, 2022

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.

For the past eight months, a university-wide committee has been carefully reviewing our retirement plan to identify improvements to help you achieve your retirement planning goals.

Our team has recommended – and 30-plus leading finance faculty from UNL, UNO and UNK have expressed support for – the following changes to our program, in line with best practices being adopted by universities across the country. Please note that the university’s contribution amounts to your retirement plan are **NOT** changing, and funds will continue to be fully vested right away. No action is necessary on your part at this time.

Beginning November 1, 2022, our team is recommending the following changes to our program, consistent with the best practices being adopted by universities and firms across the country:

- Significantly streamlining our investment menu, helping employees and retirees to more easily achieve a low-cost, age- and risk-appropriate asset allocation. Our proposed menu will be composed of a single best-in-class mutual fund for each broad asset class, as well as “Target Date Funds”. The investment menu will be identical for both Fidelity and TIAA participants with the exception of the TIAA Traditional annuity option, which will only be available on the TIAA platform.
  - The proposed investment menu – comprising low-cost Vanguard index mutual funds – leverages economies of scale to achieve best-in-class fees. The low-fee nature of our proposed menu will ensure that investors are maximizing their returns going forward.
  - We expect the vast majority of our plan participants will be best served by the Vanguard “*Target Date Funds*” (TDFs), which are designed to be an all-in-one investment solution for investors. These TDFs have several key advantages:
    - These Vanguard TDFs will be very low cost (~0.045%), helping investors will maximize their earnings going forward.
    - These Vanguard TDFs are very well-diversified, holding more than 10,000 stocks across the U.S. and abroad, as well as over 16,000 bonds across the U.S. and abroad.
    - These Vanguard TDFs automatically adjust the risk profile of your portfolio as you age. For example, they invest more heavily in stocks when you are young. As you approach retirement (and beyond), the TDF will invest more conservatively by increasing its bond holdings. Consequently, they are designed to potentially be the only investment product that you will ever need to own. The only thing an investor needs to do is select their appropriate retirement date (e.g. 2040), or if retired already, to select the “Target Retirement Income” Fund.
- Following a comprehensive review and competitive bidding process, we have decided to transition to a simple and transparent fixed-dollar recordkeeping fee. Recordkeeping fees are charged by TIAA and Fidelity for managing and assisting your participation in your retirement plan. Whereas our previous plan embedded these costs directly into the underlying fees (e.g., “expense ratios”) of our funds, our new plan

will charge a simple, transparent fixed annual fee per plan participant, regardless of your account balance or the number of investment accounts you hold.

- At Fidelity, this fee will be \$29/year.
  - At TIAA, this fee will be \$38/year.
  - If you have balances at Fidelity and TIAA, this fee will be \$67/year (i.e. \$29/year + \$38/year).
    - Going forward, you may find it beneficial to consolidate to a single recordkeeper.
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- More experienced investors who desire additional investment options beyond our proposed menu will be able to open a *brokerage account* to access more than 8,000 mutual funds available on TIAA's or Fidelity's platform. This feature provides significantly more options than the 200 currently available to our plan participants. This brokerage account will ensure continued access to any mutual fund you currently have access to.
  - The TIAA Traditional annuity investment option will be transitioning to a new contract beginning November 1. The new TIAA Traditional annuity investment has improved liquidity and recently has produced better crediting rates. A comparison of the old and new TIAA Traditional annuity can be found [here](#), (link to comparisons of TIAA traditional products).

Given that the vast majority of our plan participants will be best served by Vanguard's low-cost Target Date Funds (TDFs), we are planning on transferring all available assets to age-appropriate TDFs in November of 2022. There are a few important caveats:

- We acknowledge that not everyone will want to invest in Vanguard's new TDF lineup. For those who wish to invest in something other than Vanguard's TDFs, you will have a several week window in September-October this fall to achieve your desired asset allocation, - including any mutual fund you currently own. Participants electing this option acknowledge that they are solely responsible for determining the suitability and appropriateness of any selected investment.
- If you currently hold TIAA/CREF annuities or variable annuities, these investments **will not** transfer to the new menu. If you desire to convert these holdings to enjoy the new low-cost menu, you must do so manually any time after the transfer window opens in September-October this fall or at a future date after the transition. TIAA/CREF annuities or variable annuities other than TIAA Traditional will not be available for future contributions beginning November 1<sup>st</sup>.
- Any investments currently held in a Fidelity 403b **will not** automatically transfer to the new menu. If you desire to convert these holdings to enjoy the new low-cost menu, you must do so manually any time after the transfer window opens in October-September of 2022.

In total, we project the changes above will yield about \$11 million in savings each year for university employees and retirees. This money goes directly back to you, our plan participants, not to the university.

**You do not need to take any action at this time.** We plan to implement these improvements to our retirement program later this year. This fall, we'll send additional communication on how to customize your investments if you so choose. For those who prefer the streamlined targeted date retirement funds – which we expect to be the vast majority of our plan participants – we will transition their retirement funds to the new menu automatically. Thus, most plan participants will not need to take any action as part of these changes.

In the meantime, we invite you to participate in one of two all-university Zoom forums to learn more and ask questions of our finance and benefits experts and faculty who have been engaged in this process. Details on the sessions are as follows:

- Wednesday, February 23 at 2 p.m.: <https://nebraska.zoom.us/j/94206804617>
- Thursday, March 3<sup>rd</sup> at 9 a.m.: <https://nebraska.zoom.us/j/94206804617>

Both sessions will be recorded and posted at [www.Nebraska.edu/RetirementEnhancements](http://www.Nebraska.edu/RetirementEnhancements) for your convenience. Additionally, more detailed information and an FAQ are available [HERE.]

Please feel free to email [benefits@nebraska.edu](mailto:benefits@nebraska.edu) with questions, or leave your feedback at the website [www.Nebraska.edu/RetirementEnhancements](http://www.Nebraska.edu/RetirementEnhancements):

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