



Indiana University Human Resources

Retirement Program Enhancements and Changes

October 1, 2019

Goals of Discussion

There are three questions related to the new Retirement Program enhancements we would like to address today:

- 1 Who made this decision, and was the decision made by the correct entity?
- 2 What was the decision process, and was it appropriate?
- 3 Why this decision, and is it the right decision?

Who Made This Decision?

Who Has the Right to Make the Decision?

- The **Board of Trustees**, as sponsor and administrator of the Retirement Plans, has authority to select service providers and investment options under the Plans.
- The Board of Trustees delegated that authority to the **Vice President of Human Resources** by written resolution, and it authorized the VP of HR to establish a committee and to delegate some or all of his authority to that committee.
- The VP of HR established the **Retirement Plans Investment Committee** and delegated his authority to that Committee.

The Retirement Plans Investment Committee has the authority to make this decision.

Retirement Plan Investment Committee

The Committee members brought a wide array of experience and expertise to the decision process. The members are:

- **John Whelan**, *Vice President for Human Resources, Chair*
- **Sreenivas Kamma**, *Arthur M. Weimer Faculty Fellow and Associate Professor of Finance, Kelley School of Business*
- **Jane Williams**, *Associate Dean of Academic Affairs and Strategic Initiatives and Associate Professor of Psychology, School of Sciences*
- **Donna Nagy**, *Executive Associate Dean and C. Ben Dutton Professor of Law, Maurer School of Law*
- **John Sejdinaj**, *Vice President and Chief Financial Officer*
- **Donald Lukes**, *Treasurer*
- **Carol Barnett**, *Senior Associate General Counsel*
- **Jim Sherman**, *Professor Emeritus, Psychological and Brain Sciences, (Non-voting Advisory Role)*

Fiduciary Responsibilities Delegated

Responsibilities delegated to the Committee include (among others):

- Responsibility to **evaluate and select the service providers**
- Responsibility to **evaluate, select, and monitor investment options** available to participants.

These are fiduciary responsibilities, and each Committee member is a fiduciary under the Internal Revenue Code and state law.

- Each member accepts fiduciary responsibility in writing.
- Each member may be held personally liable for breaching his/her fiduciary obligations.

Relevant Fiduciary Duties & Standards

1 Duty of Prudence

- Must act with the care, skill, prudence, and diligence of a prudent person familiar with such matters.
- Must provide a diverse array of options.

2 Duty of Loyalty

- Must act solely in the interest of participants and beneficiaries.
- Must act for the exclusive purpose of providing benefits and paying reasonable plan expenses.
- Must balance the interest of retired and active participants, and the interests of different groups of participants

Relevant Fiduciary Duties & Standards

3 Internal Revenue Code Exclusive Benefit Rule

- Internal Revenue Code imposes the following requirement with respect to each retirement plan:
 - The plan's assets must be held for the exclusive benefit of participants, and the decisions of plan fiduciaries must be for the exclusive benefit of the participants.
- This is a requirement to maintain the tax-advantaged status of a retirement plan.

**What Was the Decision
Process?**

Why Consider Retirement Plan Changes?

Desire to benefit participants by using Request for Proposal (RFP) to:



Lower Fees



Improved Services



Higher Performing
Investments

The **university will not see any financial savings** from this process. Participants benefit directly from lower fees and additional services.

What Was the Decision Process?

To fulfill its fiduciary obligations, the Committee initiated a Retirement Program review to:

- Evaluate the **current investment menu**,
- Evaluate the **multiple recordkeeper structure** of the Plans,
- Identify opportunities to **reduce participant fees**, and
- Identify **opportunities to enhance** the participant investment and retirement experience.

Aon Hewitt Investment Consulting was selected to assist with the review process.

What Was the Decision Process?

The Committee's search objective was to engage service providers that would provide:

1. Support for an **open architecture investment menu**, with no requirement of funds from a particular service provider, that will allow each participant to receive **unbiased financial advice** to invest according to his/her risk tolerance and time horizon;
2. Full **fee transparency** to participants and the university as plan sponsor;
3. Robust **participant and Plan sponsor websites**, including state-of-the-art educational, savings analysis, and Plan data reporting tools;
4. A **dedicated service team** that provides daily administrative services, investment advice, participant education, and relationship management; and
5. A **simplified administrative process**.

Communications Regarding Process

The Committee did not disclose specific details regarding the RFP response and deliberations because:

1. The service providers **demanded confidentiality** regarding RFP responses and fee offers.
2. Lack of confidentiality would **harm the university's bargaining position** with the service providers responding to the RFP.
3. Committee members had a fiduciary responsibility to **act for the exclusive benefit of all participants**.

Three faculty members with retirement plan and financial expertise participated as Committee members.

Timeline for Review Process

- **September 10, 2018:** RFP process began
- **September 21, 2018:** Announcement of RFP process to employees
- **October 2, 2018:** Faculty Council Meeting to present on RFP and process
- **October 8, 2018:** RFP was opened for service provider bids
- **December 2018 – January 2019:** Bid responses were received and analyzed
 - Aon compiled bid submissions in coordination with IU Purchasing
 - The RFP report compared the capabilities of service providers, providing both a quantitative and qualitative analysis of the information in the responses
- **February 14, 2019:** Finalist service providers presented to the Committee
- **March 2019 – September 2019:** Committee decision and service provider contracting
- **September 26, 2019:** Announcement of RFP decision to employees
- **January 1, 2020:** Target Transition Date

Timeline for Review Process

- This was a **year long process**, with each Committee member devoting over 100 hours to the review.
- The Committee **met regularly** over the course of the year, with each meeting lasting 4–7 hours in length, to allow for review and analysis of all data and information.
- During this time, **IU HR met with the BFC Benefits Committee on a monthly basis** to provide updates on the process and share as much information as possible.
 - The Benefits Committee conducted a due diligence review and provided information to IU HR from multiple institutions who recently completed this process.

**Why This Decision – And is It
the Right Decision?**

Why Move to a Single Recordkeeper?

The Committee chose to move to a single recordkeeper in part for the following reasons:

- Lowers overall administration fees
- Permits the addition of education and other participant services not previously available
- Reduces participant confusion by having one service provider contact
- Simplifies enrollment and plan administration
- Facilitates compliance, including between active and legacy service providers, which reduces the cost caused by errors

Why was Fidelity Selected as the Sole Recordkeeper?

The Committee's reasons for selecting Fidelity as the sole recordkeeper include in part:

- Fidelity's responsiveness and willingness to work with IU
- Fidelity provides a robust service offering, including compliance and coordination continuity services
- Fidelity costs are reasonable and aligned with level of service provided
- Fidelity's willingness to support open investment architecture
- TIAA was not able to support an open investment architecture, because its fees are dependent on proprietary products

IU is Not Alone

These peer institutions have already reviewed recordkeepers, investment menus, and reduced fees for Faculty and Staff:

- Arizona University Systems
- Caltech
- George Washington University
- Harvard University
- Johns Hopkins University
- Loyola Marymount University
- Minnesota State Colleges & Universities
- Michigan State University
- Northwestern University
- Oregon University System
- Pepperdine University
- Purdue University
- Stanford University
- University of Colorado
- University of Miami
- University of Minnesota
- University of Notre Dame
- University of Oklahoma
- University of Pittsburgh
- University of Utah
- University of Washington
- Yale University

Retirement Plan Enhancements and Changes

New Tiered Investment Structure

Tier	Investment Example	Investment Knowledge	Desired Level of Engagement
1 Target Date Funds	Target Date Retirement Funds (20XX)	Low	Low
2 Passive Funds	Total U.S. Bond Market Index Fund Total U.S. Stock Index S&P 500 Index Fund U.S. Small/Mid Cap Stock Index Fund International Stock Index Fund	Low-Medium	Low-Medium
3 Active Funds	Social Responsibility Funds Guaranteed Fixed Annuity Core-Plus Fixed Income Large Cap U.S. Stock Fund Small/Mid Cap Stock Fund Non-U.S. Stock Fund Real Estate Fund	Medium-High	Medium-High
4 Self-Directed Window	Mutual Fund Window	High	High

New Investment Menu

1. Tiered Investment structure **allows different levels of investor knowledge**
2. Investment menu is non-proprietary – there are **no funds from Fidelity or TIAA** included
3. The Committee selected the **best in class, highest performing fund options** after closely monitoring over time
4. Fees have been **reduced and are more transparent:**
 - Fixed flat dollar administrative fees, charged on a quarterly basis
 - Investment management expenses under the IU retirement plans have been reduced from an average of 0.57% to an average of 0.26%



New Best-in-Class Options



Rollovers to the Supplemental Plans



Roth Option in the Supplemental Plans



Self-Directed Brokerage Window



200 YEARS

INDIANA UNIVERSITY
BICENTENNIAL