



# NSHE Retirement Program

Defined Contribution  
RecordKeeper Request for  
Proposal



# Discussion Topics

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- Provide Background
- Overview of Proposed Changes
- Obtain Input

**The purpose of today's Town Hall is to educate faculty and staff and give you a chance to speak and listen to others**



# What's Not Being Reviewed?

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## **There are several things that are not being reviewed:**

- Non-participation in Social Security
- Benefits provided to classified employees through the Public Employees Retirement System (PERS)
- Current benefit levels
  - Contribution rate set by the Nevada legislature, matching the PERS contribution
  - Participants are always 100% vested



# Current Circumstances - Assets

As of June 30, 2012

	NSHE
<b>Total Assets</b>	<b>\$1.8 billion</b>
<b>Participants with Balance</b>	<b>15,119</b>
<b>Average Participant Balance</b>	<b>\$121,075</b>
<b>Total Number of Investment Options</b>	<b>290</b>

- Three different investment sponsors (Fidelity, TIAA-CREF, and VALIC)
  - Two deselected vendors (American Century and T. Rowe Price)
- As of June 30, 2012, the majority of assets (75.6%) were held by TIAA-CREF

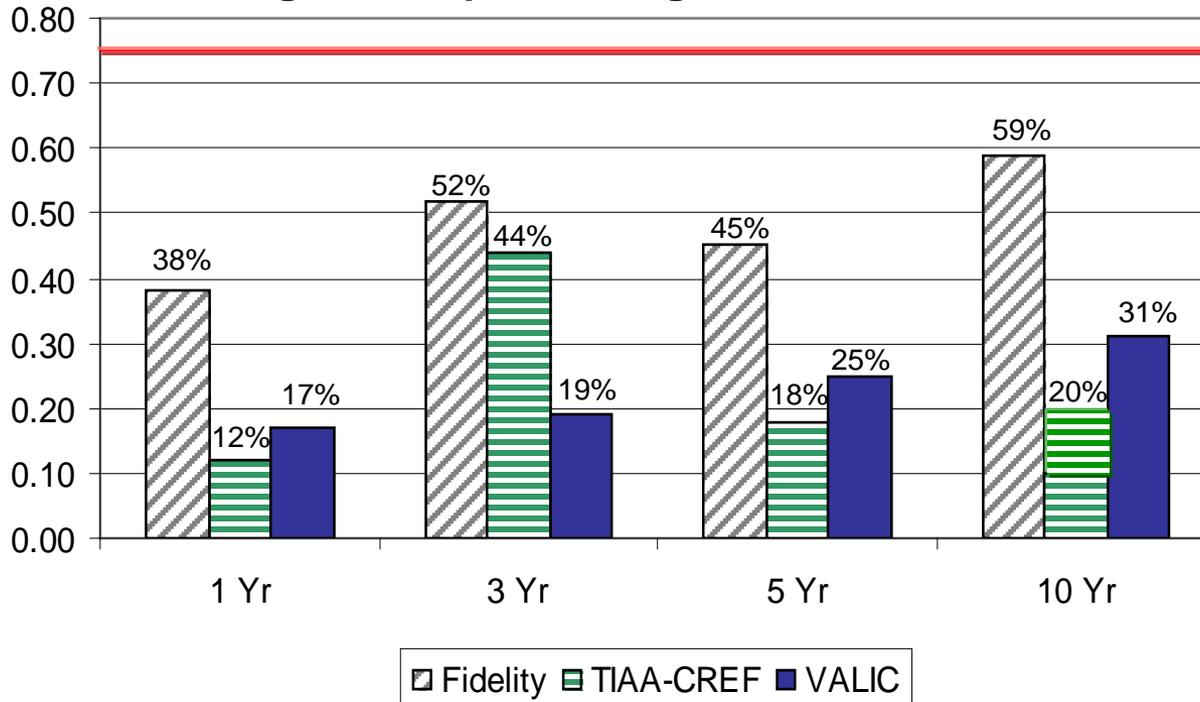
	Asset Allocation	Percentage of Total
<b>Fidelity Investments</b>	<b>\$274.3 million</b>	<b>15.0%</b>
<b>TIAA-CREF</b>	<b>\$1,383.9 million</b>	<b>75.6%</b>
<b>VALIC</b>	<b>\$172.3 million</b>	<b>9.4%</b>
<b>Total Plan Assets</b>	<b>\$1,830.5 million</b>	<b>100.0%</b>



# Current Circumstances - Performance

- Many of the Plans' current investment managers have failed to outperform their respective market benchmarks
  - Higher than average fees have detracted from participant results
  - Proprietary investment menus have limited opportunities for success

**Percentage of Outperforming Funds as of June 30, 2012**



**Goal:**  
75% to 80% of  
the Plan's  
investment  
managers should  
be matching or  
outperforming  
their  
benchmarks



# Current Circumstances - Fees

- Administrative fees are currently “hidden” in fund expense ratios
  - Handicaps decision makers from defraying unreasonable expenses
- Costs are significantly above similar size peers or institutions that have recently restructured their defined contribution retirement programs

As of June 30, 2012<sup>1</sup>

Expense	Current	Peer Benchmarking*	Potential Savings
<b>Investment Costs</b>	0.30% of assets \$360 / participant	0.23% of assets \$249 / participant	0.07% of assets \$111 / participant
<b>Administration Costs<sup>2</sup></b>	0.10% of assets \$121 / participant	0.07% of assets \$81 / participant	0.03% of assets \$40 / participant
<b>Other Costs<sup>3</sup></b>	0.12% of assets \$149 / participant	-- --	-- --
<b>Total Plan Costs</b>	<b>0.52% of assets</b> <b>\$630 / participant</b>	0.30% of assets \$331 / participant	<b>0.22% of assets</b> <b>\$299 / participant</b>

<sup>1</sup> Based upon data from the 2011 Hewitt EnnisKnupp Defined Contribution Total Plan Cost Analysis

<sup>2</sup> Includes the impact of administrative reimbursements negotiated by NSHE

<sup>3</sup> Includes 12(b)(1), M&E, portfolio advisory services, etc.



# Changing Industry Practices

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Characteristic	Current Paradigm	Emerging Paradigm
<b>1. Plan Design</b>	Bundled	Decouple investments from administration
<b>2. Administration</b>	Service provider for each fund family	“Open Architecture”
<b>3. Investment Options</b>	More is better	Fewer, focused, tiered structure
<b>4. Fees</b>	“It’s free”	Transparent and equitable
<b>5. Communications</b>	Generic	Personalized, directive
<b>6. Investment Advice</b>	Informational	Unbiased, managed solutions
<b>7. Success Metrics</b>	Accumulation	Lifetime income



# Redesign Objectives

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## #1 Simplify the participant experience

- Enhanced purchasing power and lower administrative fees
- Customized and consistent enrollment and education materials
- Identify a master recordkeeper or reduce the number of recordkeepers

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## #2 Improve investment offerings

- Utilize open investment architecture for better performing funds
- Lower investment management fees by offering a limited number of “best-in-class” investments
- Simplified monitoring of investments

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## #3 Maximize faculty and staff engagement

- Transparent and equitable fees
  - Unbiased investment guidance and advice
  - Enhanced retirement planning and lifetime income features
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# Reasons for a Request for Proposal (RFP)

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- Simplification - The Retirement Plan structure is overly complex for the majority of employees
- Lower Expenses - Employees are paying too much for investment management and administrative services
- Best Practice - NSHE has not done an administrative service provider search for the Retirement Program since the early 90's



# What Does A Record Keeper Do?

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- Recordkeeping is a broad term used to refer to the following services:
  - Process participant activities
  - Create participant communications (i.e. statement)
  - Provide education and guidance
  - Monitor legal and regulatory requirements
  - Safeguard Plan assets

**Vendors have upgraded their systems and can now “unbundle” their recordkeeping services separate from their investment offerings**



# Why Reduce the Number of Recordkeepers?

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- Consolidating administrative services may offer a more centralized way to enhance the participant experience
  - Fee savings
  - Consolidated account statements
  - Enhanced educational resources
  - All assets considered when using tools like investment advice



# Why Simplify the Investment Menu?

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- Use size of NSHE Retirement Plan assets to negotiate better share classes with lower management fees
- Removal of duplicate investment options and poor performing funds
- Open architecture allows investment flexibility to utilize only “best-in-class” managers
- Investment “tiers” help guide participants in their investment decision making
- Mutual Fund window creates expanded choice



# Tiered Investment Structure - Sample

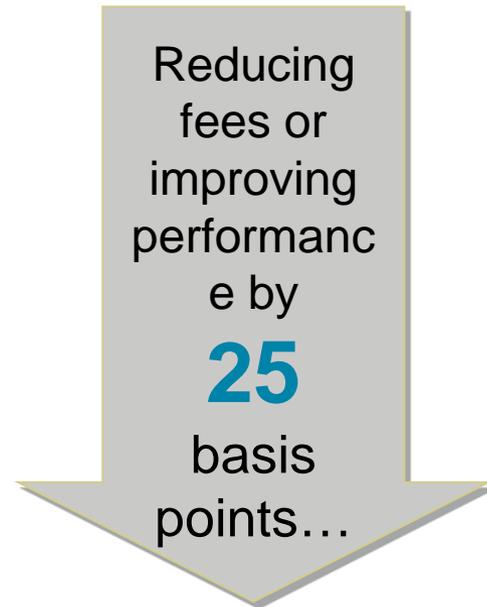
Tier	Investment Structure	
<b>Asset Allocation Funds</b>	<ul style="list-style-type: none"> <li>▪ Target Date Retirement Funds (20XX)</li> </ul>	
<b>Core Funds</b>	<ul style="list-style-type: none"> <li>▪ Money Market</li> <li>▪ Total U.S. Equity Index</li> </ul>	<ul style="list-style-type: none"> <li>▪ Total Bond Market Index</li> <li>▪ Total Non U.S. Equity Index</li> </ul>
<b>Specialty Funds</b>	<p><b><u>Index Options:</u></b></p> <ul style="list-style-type: none"> <li>▪ Short-term Fixed Income</li> <li>▪ Inflation Protected Fixed Income</li> <li>▪ Large Cap U.S. Equity</li> <li>▪ Small/Mid Cap U.S. Equity</li> <li>▪ Developed Non-U.S. Equity</li> <li>▪ Emerging Non-U.S. Equity</li> </ul>	<p><b><u>Active Options:</u></b></p> <ul style="list-style-type: none"> <li>▪ Stable Value / Guaranteed Interest</li> <li>▪ Diversified Fixed Income</li> <li>▪ High Yield Fixed Income</li> <li>▪ Large Cap Growth U.S. Equity</li> <li>▪ Large Cap Value U.S. Equity</li> <li>▪ Small/Mid Cap U.S. Equity</li> <li>▪ Non-U.S. Growth Equity</li> <li>▪ Non-U.S. Value Equity</li> <li>▪ Global Equity</li> <li>▪ Real Estate</li> </ul>
<b>Self-Directed Window</b>	<ul style="list-style-type: none"> <li>▪ Mutual Fund Window</li> </ul>	



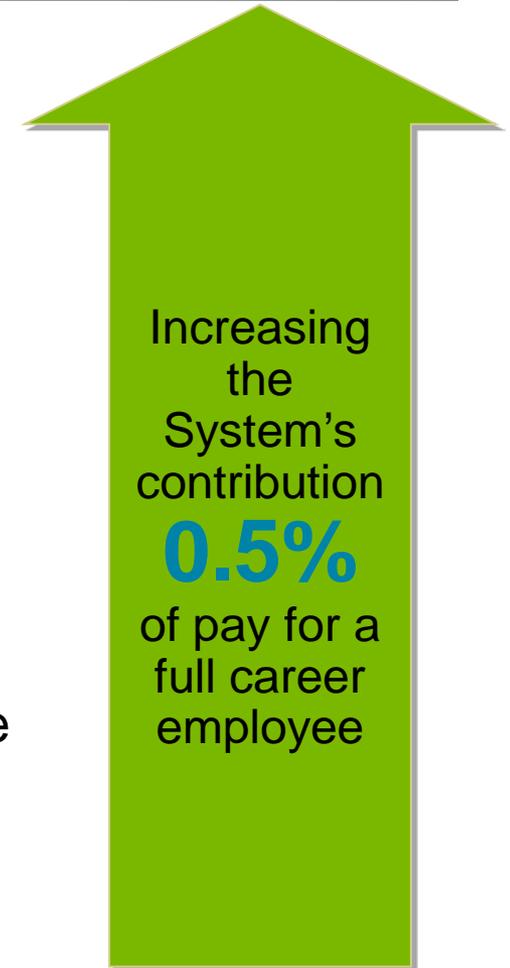
# Opportunity Knocks

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- NSHE can leverage its size to negotiate lower investment and administrative fees due to economies of scale
- All savings will go directly back into your pockets!



...has the same value as...



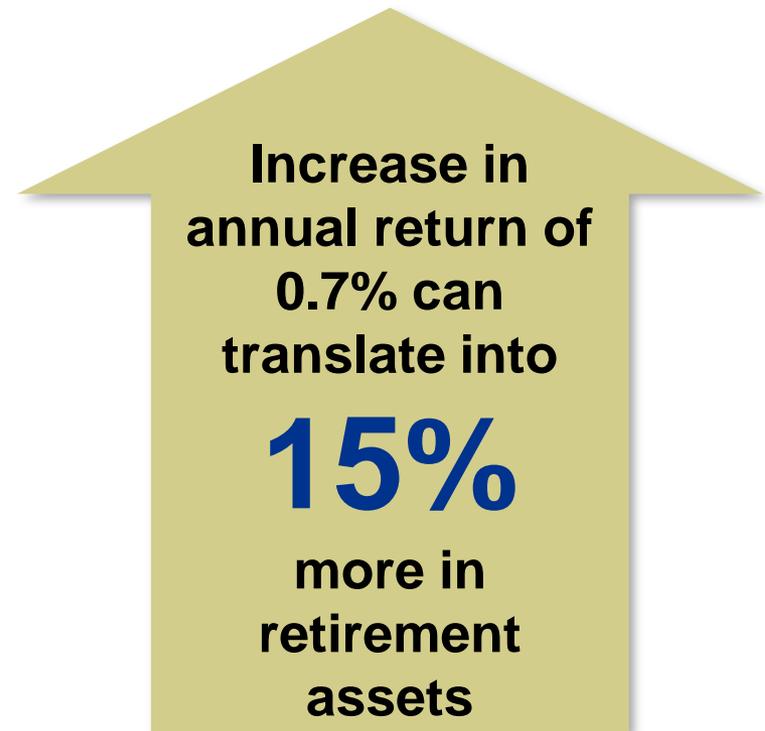
Source: Aon Hewitt 2011 Universe Benchmarks



# How Will You Benefit?

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- Lower administrative and investment fees by using economies of scale
- Easier selection of administrative service providers and investment options
- Improved remuneration through better investment decisions and utilization of “best in class” managers
- More investment choice for those who want it
  - Adding a mutual fund window

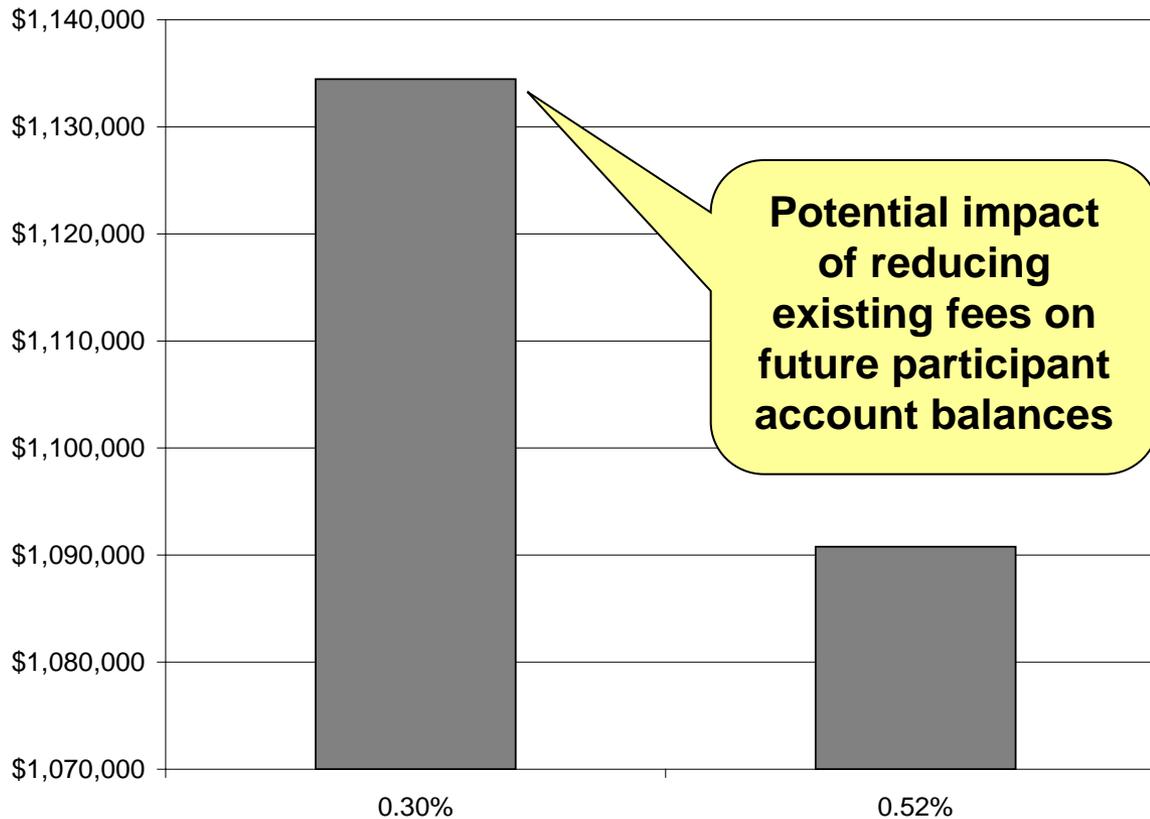


Source: Aon Hewitt 2011 Universe Benchmarks



# Example – Opportunity to Increase Balances

## Projected Account Balance with Varied Expenses



**Assumptions:** Participant receives 12.5% per year from employer and saves another 12.5% per year starting at age 30, investment return of 5.0%, starting salary is \$60,000 that increases to \$90,000, retirement at age 60.



# NSHE Is Not Alone...

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## Institutions Who Are Enacting Similar Changes based on Best Practice

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



# Shared Governance - What Happens Next?

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- We are soliciting your input and concerns today
- Approximate timeline of future communications to the NSHE community are as follows:

Timing	Activities
May – June 2012	<b>Meetings</b> with the <b>Board of Regents, Chief Financial Officers, Chief Human Resource Officers, and Chairs of Faculty Senates</b> to discuss the proposed enhancements and plans to roll out to faculty and staff
July – October 2012	<b>Meetings</b> with the <b>Faculty Senates</b> to discuss the proposed enhancements and plans to roll out to faculty and staff
November – January 2012	<b>Town Halls</b> at all institutions to provide <b>faculty, professional staff, retirees, etc.</b> with additional information and provide a forum for feedback. <b>Participant Survey</b> to solicit input on service enhancements and investment options
March 2013	Administrative search to establish optimal <b>relationship between cost and services</b> provided by <b>service provider(s)</b>

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# RPAC Committee Members

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- RPAC committee members include:
  - Robb Bay, CSN
  - Kent Ervin, UNR
  - Carla Henson, Retiree
  - Patricia Hughes, DRI
  - Michelle Kelley, Chair, BCN
  - Spencer Stewart, NSC
  - Frank Daniels, GBC
  - Mike Hardie, WNC
  - Pat LaPutt, BCS, UNLV
  - Hank Stone, Delegated Authority, NSHE
  - Steven Streeper, TMCC
  - Alan Schlottmann, Faculty Senate Chairs Rep (UNLV)

**The mission of the NSHE Retirement Program is to provide opportunities for employees to accumulate a reasonable level of savings towards retirement income through engagement, education, guidance, and investment choices**



# Discussion, Feedback, and Questions

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Please ask questions now or submit via email to  
[george\\_dombroski@nshe.nevada.edu](mailto:george_dombroski@nshe.nevada.edu)  
[pat.laputt@unlv.edu](mailto:pat.laputt@unlv.edu)  
[kelleym@unr.edu](mailto:kelleym@unr.edu)



# Need More Information?

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<http://tinyurl.com/retirementenhanceprogram>

**OR**

[www.nevada.edu](http://www.nevada.edu)

Administration

Human Resources

Retirement Plan

Current Initiatives to Enhance Program

