Retirement Plans Review

Robyn Fergus, Vice President for Human Resources and CHRO
Joseph DiVerdi, Associate Professor, Chemistry and Committee Chair

hr.colostate.edu/retirement-plans-review
A Brief History

• The Defined Contribution Plan (DCP) was implemented in 1993
• Design reflected the norm in higher education plans at the time
  – consolidate recordkeepers, open fund line-up,
    27 total fund choices then → 331 in 2019
• The environment and landscape has changed:
  – e.g. moving to a single recordkeeper, offering *limited fund choices*
• Retirement Plan Review was launched to improve retirement preparedness for university employees
Retirement Plans Review

- Begun in Spring 2020 to update plans and take advantage of changes in recordkeeping services
- Focus is on the DCP but also includes the voluntary 403(b) and Student Employee Retirement Plan (SERP)
- Driven by the Retirement Plan Review Committee with the assistance of consultants from Innovest
- Committee is comprised of faculty and staff leaders, the chairs of Faculty Council, Administrative Professional Council, and the University Benefits Committee, and others with relevant backgrounds
- Committee worked diligently for over two years before making their recommendation to the administration
- Work was informed by the results of:
  - a detailed participant survey,
  - three virtual employee educational workshops,
  - responses to a Request for Qualification (RFQ), issued under the guidance of CSU Procurement
  - advice and environmental research by Innovest
Procurement Rules

• Potential of adding or deleting the recordkeeper(s) authorized to provide such services means Procurement rules must be adhered to

• Master Plan Document for the DCP requires Governing Bord approval of plan recordkeepers

• Once the Board of Governors formally acts on the recommendations, the successful bidder(s) and plan participants will be notified

• Information such as the organizations responding to the RFQ and the recommendation of the recordkeeper(s) going forward cannot be shared until a successful bidder(s) has been officially notified
Retirement Plan Experts
• Consult to 120+ retirement plan clients
• Higher Education expertise
• Streamlined investment menus and thoughtful plan design
• Extensive experience benchmarking fees
• Coordinated education solutions to help participants become retirement ready

Team-based
• Consultants average 20+ years of experience
• Partners lead client relationships
• 56 employees, including 16 partners

Investment research-focused
• Deep independent research team performs rigorous qualitative and quantitative due diligence

Completely Independent
• No conflicts of interest
• No proprietary products
• No monetization of participants
Fiduciary Responsibilities

The University has the ultimate fiduciary responsibility. Responsibility can be delegated, but not abdicated.

Government plans, like the DCP are not subject to ERISA but ERISA provides a useful guide in prudent plan oversight.

Fiduciary duties include:

- Duty of Loyalty
- Duty of Prudence
- Duty of Diversification
- Duty to Follow Plan Documents

Prudence and loyalty apply to all fiduciary decisions made by fiduciaries, but they’re most important when selecting service providers and choosing investments.
Process - Request for Qualifications

RFQ responses were analyzed on several factors such as:

- Employee services, education, and communications
- Organizational stability, focus, and experience
- Cyber and Data security
- Quality of recordkeeping compliance and plan sponsor services
- Service staff background, experience, credentials, and client load
- Proposed participant fees
Process – Employee Survey

1,361 responses were received.

Major themes in the responses include:

• Respondents desire more communication regarding the plans
• Respondents want more individual assistance in navigating the investment options and the necessary steps in preparing for retirement
• Respondents do not fully understand their retirement plan options
• Respondents value lower cost over more services
• Respondents value quality of investment options over quantity
Higher Education Retirement Plan Environment

Higher education institutions face unique challenges when it comes to the management of their retirement plans

- Increasingly complex plan administration which may involve overseeing multiple providers
- Understanding complicated and ever-changing compliance requirements
- Selecting investment options for plan participants
- Managing heightened fiduciary responsibilities
- Helping faculty and staff plan for the future they envision
Higher Education Retirement Plan Environment

The strategic response has been to simplify retirement plans in an attempt to assist employees in their savings efforts

• Improve communication and engagement services
• Provide financial guidance through individual and self-directed interactions
• Streamline employee investment choices and utilize easy to use investment solutions
• Utilize the scale of the plans to access institutional funds
• Improved plan design through creating plan operation efficiencies
Reimagining the University’s Employee Retirement Plans

Joseph A. DiVerdi, PhD, MBA
Chair, Retirement Plan Review Committee
Colorado State University
Fort Collins, Colorado USA
Presented to Faculty Council on 6 September 2022
Fundamentals, in Brief

• CSU’s 401(a) plan, also known as the Defined Contribution Plan (DCP) for faculty and non-classified staff.

• Employees (participants) are required to contribute 8% in lieu of Social Security
  – The university contributes 12% to those employees who are match eligible.
  – n.b., State law prohibits CSU participation in Social Security (using state funds)

• The 403(b) plan is a voluntary savings plan sponsored by the university
  – The same funds & service providers are available for both DCP and 403(b).

• The Student Employee Retirement Plan (SERP) will also be part of this project review process.
  – Many participants, detailed rules, e.g., some work study & GTAs
Committee Membership

Project Committee:

- **Chair**: Joseph DiVerdi, Non-Tenure Track Faculty Committee Member
  Associate Professor, Chemistry, College of Natural Sciences
- **Sue Doe**, Faculty Council Chair
  Professor, English, College of Liberal Arts
- **Catherine Douras**, Admin Pro Council Chair
  Senior Research Administrator, Office of Sponsored Programs
- **Bolivar Senior**, University Benefits Committee Chair, Associate Professor
  Construction Management, College of Health & Human Science (now retired)
- **Lacey Snyder**, Higher Ed ORP Review Committee Member
  Administrative Professional, Associate University Controller

Advisory Members:

**CSU Human Resources**

- **Robyn Fergus**, Vice President for Human Resources & CHRO
- **Bill Liley**, Special Assistant to CHRO & Retired HR Director
- **Teri Suhr**, Chief Total Rewards Officer

**Innovest Portfolio Solutions**

- **Wendy Dominguez**, Principal, President, & Co-Founder
- **Gordon Tewell**, Principal
- **Troy Jensen**, Vice-President

Many thanks are due to our dedicated colleagues for their dedicated service on behalf of us all.
Present Situation

- Although the retirement plans *are* routinely monitored and updated, an *extensive* refresh of the Plans has not been completed in over two decades
  - At the (distant) beginning a formal procurement process selected Fidelity Investments, TIAA and AIG (formerly known as VALIC).

- Nationally, the retirement financial landscape has changed significantly and substantially over this time
  - So have personal investment landscape options, strategies and fashions.

- The Plan characteristics have evolved over this time
  - The number of active funds has risen many-fold.
  - Administration costs have risen substantially.

- The project committee fully reviewed all aspects of plan administration to assure our colleagues of adequacy of plan choice, plan performance, service providers, education, competitive costs and required compliance.
  - With the able assistance of consultants Innovest Portfolio Solutions, LLC.
Guiding Light & Lodestar

Our Committee’s guiding question throughout this process has been:

What structures, processes and culture will provide the best framework for successful achievement of the mission and purpose of the University Retirement and align with the reality of how modern organizations operate in this space?

For all employees and for the coming years.
Tough committee work

Yet, it truly is a very worthwhile cause and we took the charge very seriously.
Aspirational Goals

- A modern, best-in-class lineup of investment choices
  - Best financial performance to participants (employees)

- Rationalized and simplified investment choices to:
  - Make it easy for early (career) starts to retirement investing
  - Offer a rich pallet of investments to match personal choices
  - Avail sophisticated investors of tools to fulfill their ambitions

- Lower participant administration fees to maximize investment returns

- Rationalized disparate employee category characteristics
  - Staff, faculty and students

- Increased education resources and guidance to assist participants
  - While avoiding distortions from mixing advice and sales

- Protect retired employee (participant) investments
Current Plan in Brief

Current

AIG, Fidelity, and TIAA as multiple recordkeepers

- There is no master administrator
- The DCP investment menu offers 359 investment options across the three recordkeepers
- The 403(b) Plan investment menu offers 380 investment options across the three recordkeepers
- The investment are proprietary with AIG recordkeeping offering AIG/VALIC investments, Fidelity recordkeeping offering Fidelity investments and TIAA recordkeeping offering TIAA/TIAA-CREF investment options

Total Costs for recordkeeping:
- DCP: $2,050,055
- 403(b): $892,365
- SERP participant: $37,515

Example from a recent year –
These costs are expended each year
For example ...
Employee Feedback is Significant

CSU Survey - What We Learned

Survey performed 1-23 Oct 2020

Summary

Employees expressed that they feel that they would benefit from better education around the options available to them for retirement plan savings, including CSU plans, PERA, and Social Security. They value low-cost investments and operational efficiency, but also believe that the greatest need and feature for improving their retirement readiness is (personal) expert guidance. Fidelity is used and referenced by the largest number of participants, while AIG is a distant third.

- Total Responses = 1,361
- Participating in DCP = 994 (73%)
- Employment Status:
  - Admin. Professional or Post-Doctoral Fellow = 56%
  - State Classified = 18%
  - Tenured/Tenure Track Faculty = 15%
  - Non-Tenure Track Faculty = 7%
## Employee Survey

### Comment Analysis

**Question 4:** If you selected AIG, Fidelity or TIAA in question #3, please describe what makes them your preferred selection?

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Percent</th>
<th>For instance</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Clear Reason</td>
<td>207</td>
<td>23.10%</td>
<td>Random, Only Option, Don't Remember</td>
</tr>
<tr>
<td>Prior Experience with Provider</td>
<td>288</td>
<td>31.51%</td>
<td>Prior Employer Used Them, Convenient, Have Other Account There</td>
</tr>
<tr>
<td>Recommended by Others</td>
<td>65</td>
<td>7.55%</td>
<td>Advisor Recommended, Co-workers Recommended</td>
</tr>
<tr>
<td>Provider Name/Reputation</td>
<td>116</td>
<td>12.95%</td>
<td>History, Name Recognition, Reputation; Heard they were XYZ</td>
</tr>
<tr>
<td>Product/Service (i.e. Fund Selection, Fees, Meetings)</td>
<td>246</td>
<td>27.70%</td>
<td>Investment Options; Fees; Website; Service Personnel</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>876</td>
<td><strong>100.00%</strong></td>
<td></td>
</tr>
</tbody>
</table>

We received 851 answers to this question, some of which touch on multiple topics. Two main factors are previous personal/household experience with the vendor and specific, active assessment of the choices. Among the latter, common drivers were feeling of better investment options, lower fees, a better online experience, or better service/people.

**Question 5:** If you currently do not contribute to the CSU 403(b) plan or Voluntary PERA Plans, why not?

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Percent</th>
<th>For instance</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Clear Reason</td>
<td>10</td>
<td>9.26%</td>
<td></td>
</tr>
<tr>
<td>Choose to Save in Other Ways Instead</td>
<td>63</td>
<td>52.07%</td>
<td>Contribute to IRA;</td>
</tr>
<tr>
<td>Lack of Time/Opportunity to Sign Up</td>
<td>4</td>
<td>3.31%</td>
<td>It takes too much time/effort to figure out;</td>
</tr>
<tr>
<td>Lack of Understanding About the Provider or Investment Options</td>
<td>5</td>
<td>4.33%</td>
<td></td>
</tr>
<tr>
<td>Lack of Extra Money to Invest Supplemental Plan Currently</td>
<td>5</td>
<td>4.33%</td>
<td></td>
</tr>
<tr>
<td>Lack of Awareness About the Plans or Eligibility</td>
<td>16</td>
<td>13.22%</td>
<td>Did not think I was eligible; Lack of advertising;</td>
</tr>
<tr>
<td>Do Not Want To Contribute to Plan(s)</td>
<td>18</td>
<td>14.88%</td>
<td>Not interested, No match, It's on my To-Do List;</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>121</td>
<td><strong>100.00%</strong></td>
<td></td>
</tr>
</tbody>
</table>

We received 121 comments from the 23.6% of responses that chose "Other". A little over half of the comments mention choosing to save for retirement in other ways or accounts. About 25% are additive to some of the other options provided, such as lack of awareness about options or eligibility or lack of time or money. About 13% stated they do not wish to contribute.

**Question 16:** What would help you better plan and prepare for retirement?

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Percent</th>
<th>For instance</th>
</tr>
</thead>
<tbody>
<tr>
<td>All of the Above</td>
<td>3</td>
<td>3.03%</td>
<td></td>
</tr>
<tr>
<td>Better Communication/Education/Service</td>
<td>25</td>
<td>25.77%</td>
<td>Help understanding options; More access to knowledgeable reps/advisers; Info in plain english</td>
</tr>
<tr>
<td>A — Access to Individual Financial Advice (11)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B — Access to presentations on preparing to retire (2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C — Online retirement and financial planning tools and education (4)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D — Easy plan enrollment process (8)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Better and/or More Investment Options</td>
<td>15</td>
<td>15.46%</td>
<td>Lower Expanses Rates; Target Date Funds; SRI</td>
</tr>
<tr>
<td>Better Plan Features or Access to Other Plans</td>
<td>12</td>
<td>12.37%</td>
<td>Alternatives to PERA; Access to PERA; Match; Soc. Sec./Fixed Benefits;</td>
</tr>
<tr>
<td>More Money and/or Time</td>
<td>18</td>
<td>16.56%</td>
<td>Higher pay/median income; Finding time to deal with it; Less debt; Lower health ins. costs</td>
</tr>
<tr>
<td>Nothing</td>
<td>24</td>
<td>24.70%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>97</td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

We received 97 comments from the 9% of responses that chose "Other". About 25% of those add to responses supporting better or additional communication, education, and service. Responses also touched on desired changes to investment options (selection/cost), access to other plans or features (PERA or Matching), or simply needing more time and/or money.
Employee Education is Important

For every employee (participant) to understand the ramifications and significance of this figure to their personal wealth is a goal.
The Way to the Future

• Modernize the Plan to reduce participant administrative costs.
  • These costs are borne *exclusively by employees* (participants)
  • Costs compete with financial performance of the investments.

• Simplify the Plan to permit increased participant knowledge and foster increased active participation.

• The Plan must provide for an *adequate level* of participant choice.
  • Sales representatives of service providers have been variously effective in establishing customer loyalty.

• The Plan must protect current participant existing assets.
  • Including past employees
The Way to the Future

**Tier 1:**
Target date funds are for participants who want a broadly diversified portfolio for their retirement savings but don’t want to do the re-balancing themselves.

**Tier 2:**
Participants can construct their own diversified portfolios by allocate their contributions across 17 asset classes. Options include both actively managed funds and passive (index) funds.

**Tier 3:**
The brokerage window is for savvy investors who prefer to take an active responsibility in managing their investments.
Timeline

Project Timeline

Phase II (beginning May 22, 2020): Retirement Vendor Search/Request for Qualifications (RFQ) Services (beginning May 2020)

Under Committee Review:

- Employee retirement survey feedback results (beginning December 2020)
- RFQ record-keeper responses (beginning January 2021)

Phase III: Conversion Coordination – Investment Selection – Recordkeeper(s) Selection

Phase I (completed May 22, 2020): Benchmarking & Strategic Planning

- The timeline has been stretched out significantly because of factors created by the COVID pandemic.

- The current projections are
  - Board of Governors (BOG) decision: Q4 2022
  - Switchover: Q2 2023
Information on HR Web Site

News and Events

Public Student Loan Forgiveness

CSU is a qualified employer under the PSLF program which forgives the balance on your Direct Loans after you have met certain eligibility criteria.

Retirement Plans Review

The retirement plans comparative review is ongoing. Visit the project webpage to learn about the history, purpose, and to find updates.

Retirement and Savings Resources

Employees of CSU have access to personal retirement counseling through AIG, Fidelity, or TIAA. These vendors also offer numerous online resources to help you confidently navigate your financial future.

FY23 State Classified Pay and Leave Changes FAQ

The new fiscal year brought several changes to state classified policy, including shift differential definitions, premium pay for working on observed holidays, on call and call back changes, and annual leave accrual rate increases.

FAQs: Vaccine Requirements, Remote & Hybrid Work

Human Resources FAQs answer common questions for faculty, staff and student employees about the impacts of vaccine requirements, work environment adjustments, COVID protocols, supervisory and management guidance, flexible work arrangements, and dependent care.

Reuniting Campus

View guidance for supervisors and employees about fully remote and hybrid work at CSU, including policies, applications and MOUs, trainings, new parking options, and more.

View more current and past Human Resources news and events
Thank you