



**KNOX**  
COLLEGE

 **PlanPILOT**

**Participant Education – Fund & Fee Changes**

October 21 & 22, 2019



## Knox Retirement Plan – Summary Information

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### ■ Eligibility and Initial Enrollment

- Employee Deferrals: Immediate for all eligible employees
  - Limited to an annual maximum of \$19,000 for 2019
  - Mandatory 5% employee contribution beginning at age 35 AND after 6 years of service
- Employer Contributions: 2 Year Service Requirement
  - Eligible employees who have met the requirements and contribute 5% or more of eligible compensation **will receive a 6% employer matching contribution**
  - Opportunity for immediate 120% return on investment

# Three Participant Decisions

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1. How much will I contribute?

- When do I need to start saving for retirement?
- How much do I need to save to achieve my retirement goals?

2. How will I invest?

- “Do it for me” investment options
- “Do it myself” investment selection

3. Who will I list as my beneficiary?

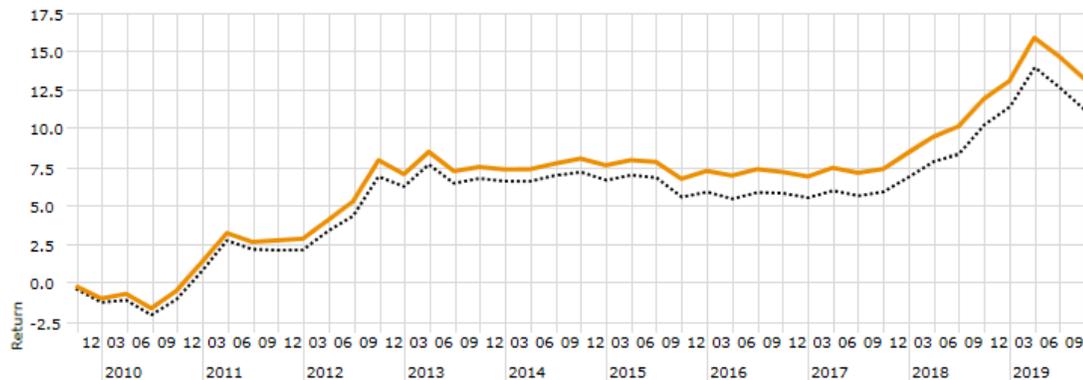
- Spouse is default beneficiary unless the right is waived
- Trusts or multiple individuals can otherwise be selected

# Overview of Fund Changes – Large-Cap Consolidation

- The average active large-cap manager has struggled to outpace the S&P 500
- The same holds true when adjusting performance to incorporate risk
  - Market efficiencies and improvements in transparency and data flow have both challenged active managers

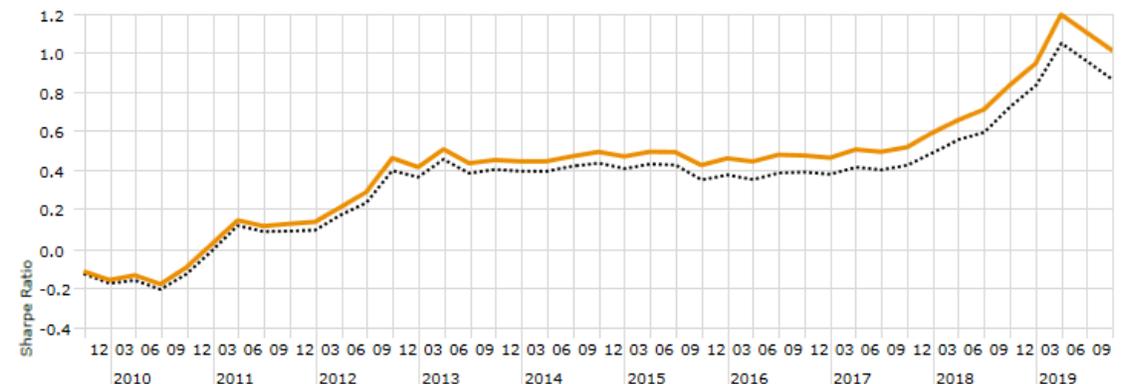
10-Year Rolling Return

Time Period: 10/1/1999 to 9/30/2019



10-Year Rolling Sharpe Ratio

Time Period: 10/1/1999 to 9/30/2019



— Vanguard 500 Index Admiral    ··· US Fund Large Blend

# Overview of Fund Changes – Index Funds

- More broadly, the number of index funds offered in the plan has been expanded
  - Index funds provide a low cost, efficient means of gaining exposure to the markets

**CREF Equity Index  
(0.07% expense)**



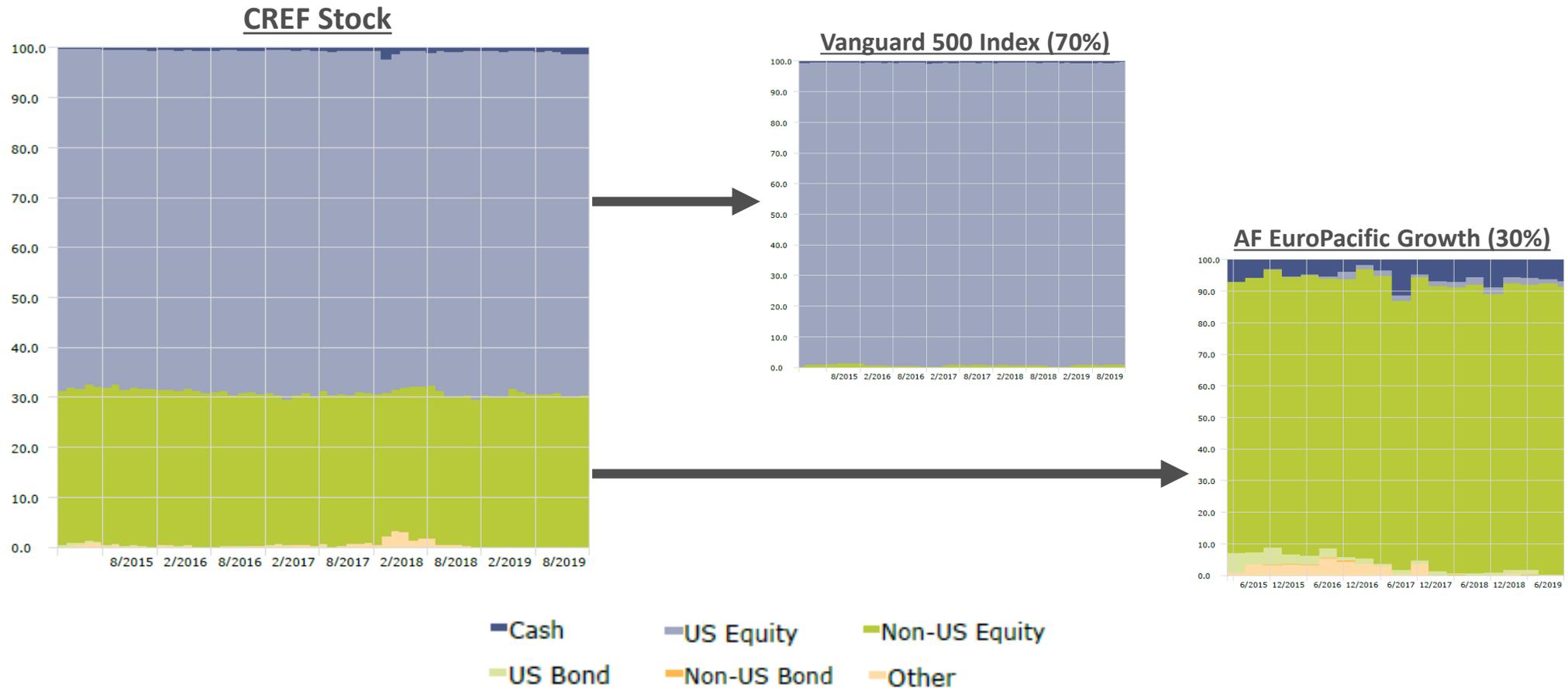
**Vanguard 500 Index (0.04% expense)**

**Vanguard Mid Cap Index (0.05% expense)**

**Vanguard Small Cap Index (0.04% expense)**

# Overview of Fund Changes – CREF Stock

- The mapping strategy for CREF Stock follows its underlying asset allocations



# Overview of Fund Changes – Target-Date

- Both TIAA's active Lifecycle and Lifecycle Index series follow the same glide path strategy
  - That said, TIAA has recently made enhancements to its glide path to better serve participants in retirement, which affect both series





## **TIAA-CREF Lifecycle Index Funds – Holdings**

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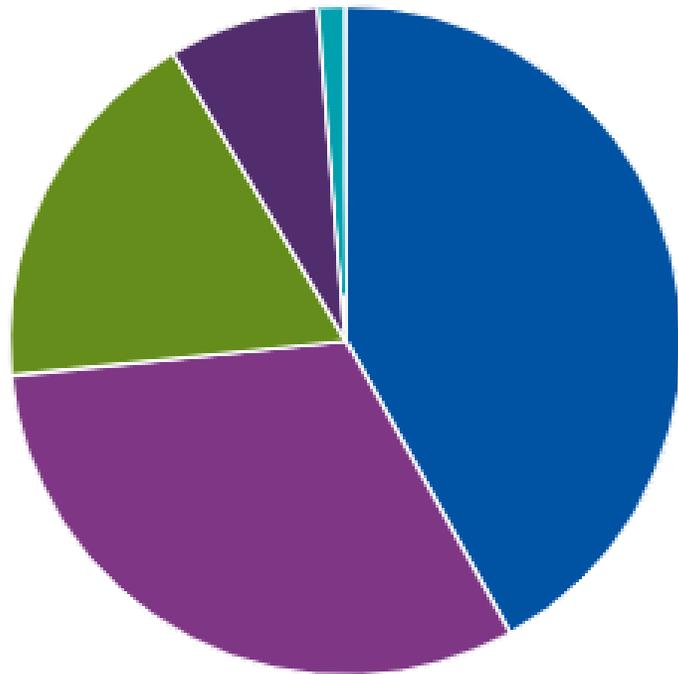
- US Equity
  - TIAA-CREF Equity Index
- International Equity
  - TIAA-CREF International Equity Index
  - TIAA-CREF Emerging Markets Equity Index
- Fixed Income
  - TIAA-CREF Bond Index
  - TIAA-CREF Short-Term Bond Index
- Inflation Protection
  - TIAA-CREF Inflation Linked Bond

# Overview of Fund Changes – ESG

- Environmental, Social, and Governance (ESG) options were consolidated to offer best-in-class managers that have both performed well and taken a proactive approach to ESG investing
  - TIAA-CREF Social Choice Bond (U.S. Fixed Income)
  - Parnassus Core Equity (U.S. Equity)



# CREF Social Choice



<b>ASSETS</b>	<b>% OF NET ASSETS</b>
U.S. Equity	41.89%
U.S. Fixed Income	31.49%
International Equity	18.03%
International Fixed Income	7.28%
Short-Term Investments, Other Assets & Liabilities, Net	1.31%

# Overview of Fee Changes

- Participants with exposure to the plan's mutual funds will notice changes in how investment fees are disclosed
  - The changes pertain to plan administration fees, a component of total investment fees

$$\begin{array}{ccccc} \text{Investment} & & \text{Plan} & & \text{Total Expense} \\ \text{Expense Ratio} & + & \text{Administration Fee} & = & \text{Ratio} \end{array}$$

- Participants may pay less for plan administration under the new structure, but will not pay any new/additional administrative fees; the presentation of fees will simply be different on statements
  - The updated fee structure creates additional fee transparency, so participants can better determine what fees they are paying and what those fees support

# Overview of Fee Changes - Example

Current Fund & Fee Structure	Investment Expense Ratio	Built In Plan Administration Fee	Separate Plan Administration Fee	Total Expense Ratio
Calvert International Equity	0.81%	0.45%	0.00%	1.26%
TIAA-CREF Lifecycle 2030	0.42%	0.25%	0.00%	0.67%

Movement to fee levelization

Updated Fund & Fee Structure	Investment Expense	Built In Plan Administration Fee	Separate Plan Administration Fee	Total Expense Ratio
American Funds EuroPacific Growth	0.49%	0.00%	0.25%	0.74%
TIAA-CREF Lifecycle Index 2030	0.10%	0.00%	0.25%	0.35%

# How Will I Invest – Pre-Tax Versus Roth

- The primary difference between Pre-Tax and Roth dollars is the tax treatment

	Pre-Tax	Roth
Federal & State Income Taxes	Paid at Retirement (when \$ is withdrawn)	Paid Now
Social Security & Medicare Taxes	Paid Now	Paid Now
Minimum Required Distributions	Age 70-½	None (if rolled into Roth IRA)

# Savings/Investment Analysis

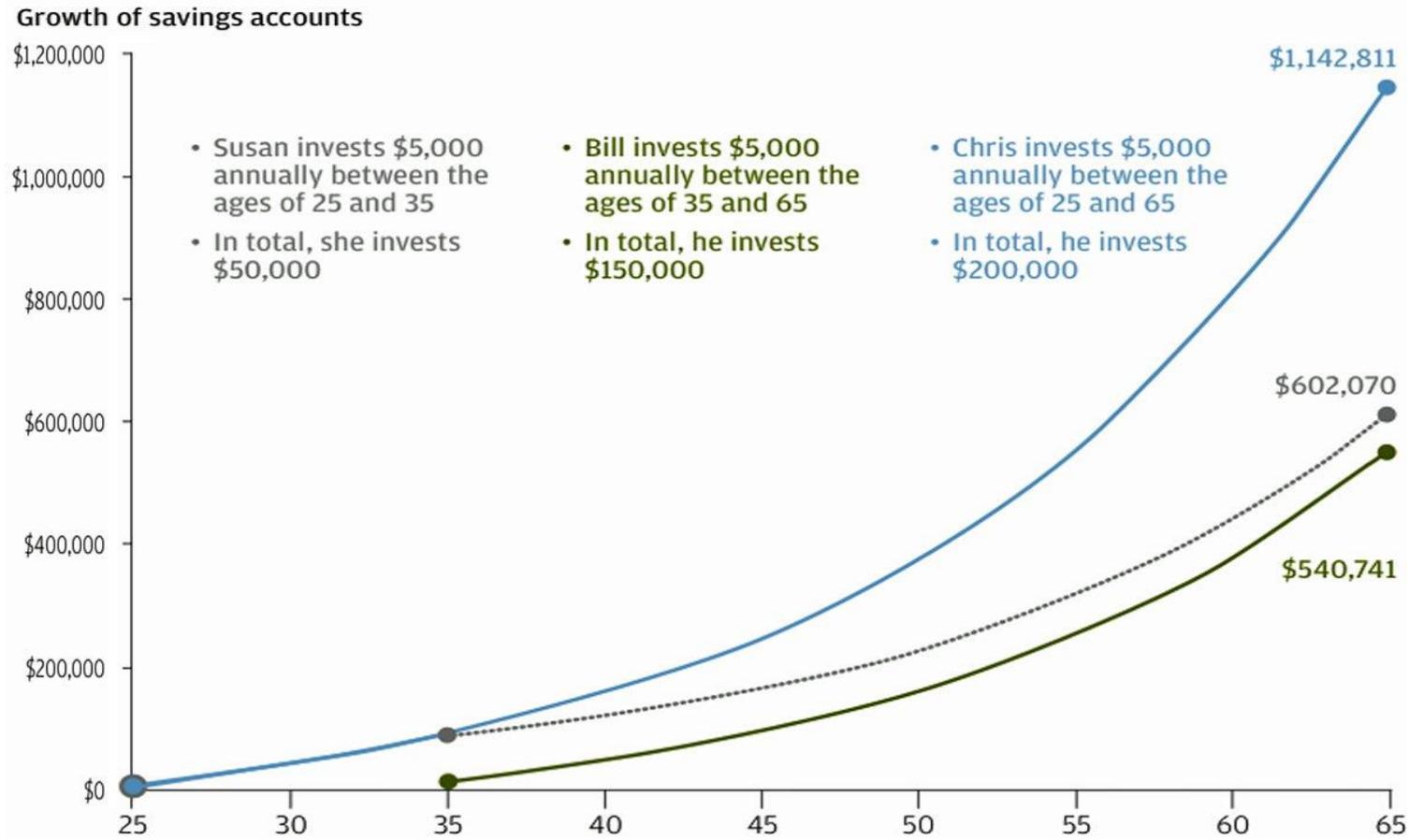
Savings Example – 4% Real Returns (in excess of inflation)

Yrs of Saving	11% Saved/Yr	13% Saved/Yr	16% Saved/Yr
15	2.25x	2.66x	3.27x
20	3.35x	3.95x	4.87x
25	4.68x	5.53x	6.81x
30	6.31x	7.45x	9.17x
35	8.28x	9.78x	12.04x
40	10.68x	12.62x	15.53x

 = **Success!!**

NOTES: Savings rates assumed to include employer contributions.  
Go to <http://www.bankrate.com/calculators/retirement/401-k-retirement-calculator.aspx> to run your own calculations.

# Savings Example – The Power of Compounding



*The above example is for illustrative purposes only and not indicative of any investment.  
Account values in the example assume a 7% annual compounding return.*

# Helpful Resources

[TIAA.org/tools](https://TIAA.org/tools)

## Retirement Advisor

Offers a more comprehensive look at your retirement savings plan

**TIAA Retirement Advisor**  
Answer your most important retirement questions and find out how to reach your goal.

Is my money invested appropriately?

[Watch the overview video to learn more](#)

**Take action in four easy steps.** [Continue as a Guest](#) [Log In to Get Started](#)

If you have a TIAA retirement account, we recommend that you log in so we can give you more personalized advice and actionable information.

- 1 Set Your Goal
- 2 Enter Information
- 3 Pick Your Strategy
- 4 Reallocate Portfolio

# Contact a Financial Consultant

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Call

**800-842-2252**

Weekdays, 9 a.m. to 9 p.m.; Saturdays 10 a.m. to 5 p.m. (CT)  
to schedule a one-on-one session with a TIAA Financial Consultant



Schedule online at:

**[TIAA.org/schedulenow](https://www.tiaa.org/schedulenow)**