



KNOX
COLLEGE

 **PlanPILOT**

Participant Education – Fund & Fee Changes

October 21 & 22, 2019



Knox Retirement Plan – Summary Information

■ 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

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?

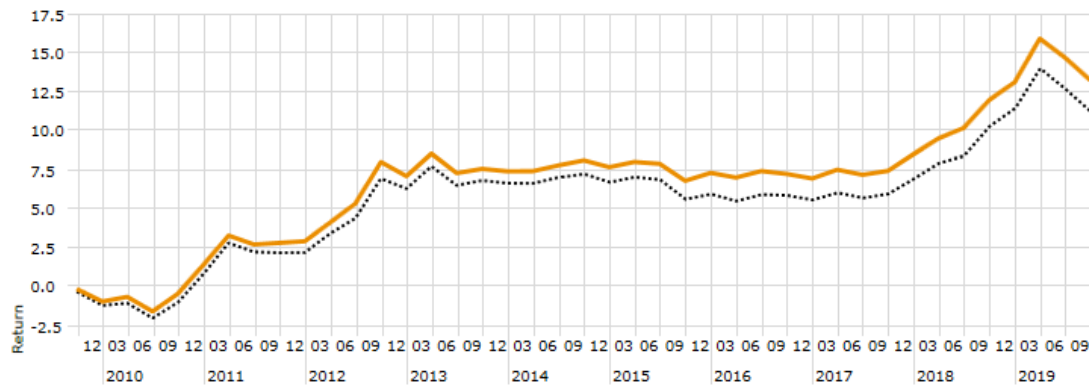
- Spouse is default beneficiary unless the right is waived
- Trusts or multiple individuals can otherwise be selected

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

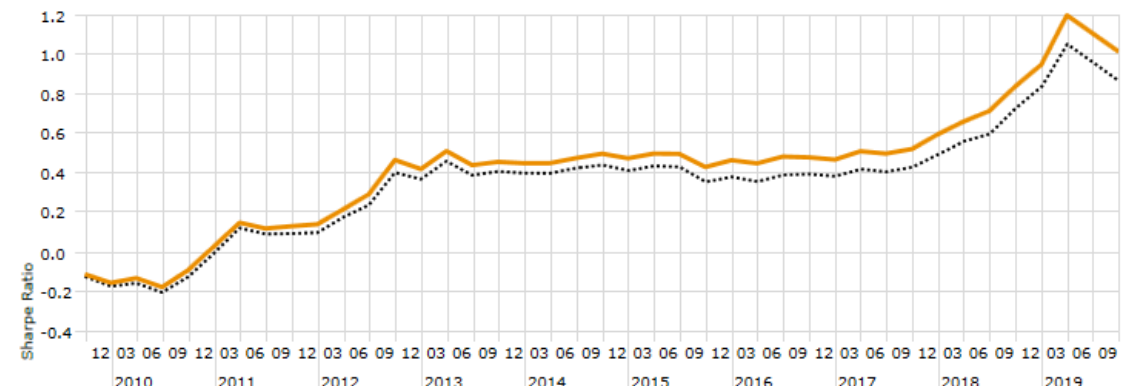
10-Year Rolling Return

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



10-Year Rolling Sharpe Ratio

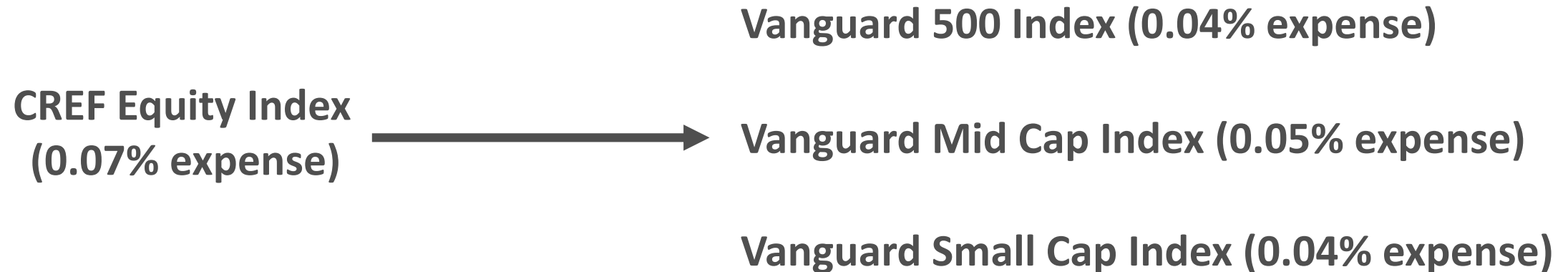
Time Period: 10/1/1999 to 9/30/2019



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

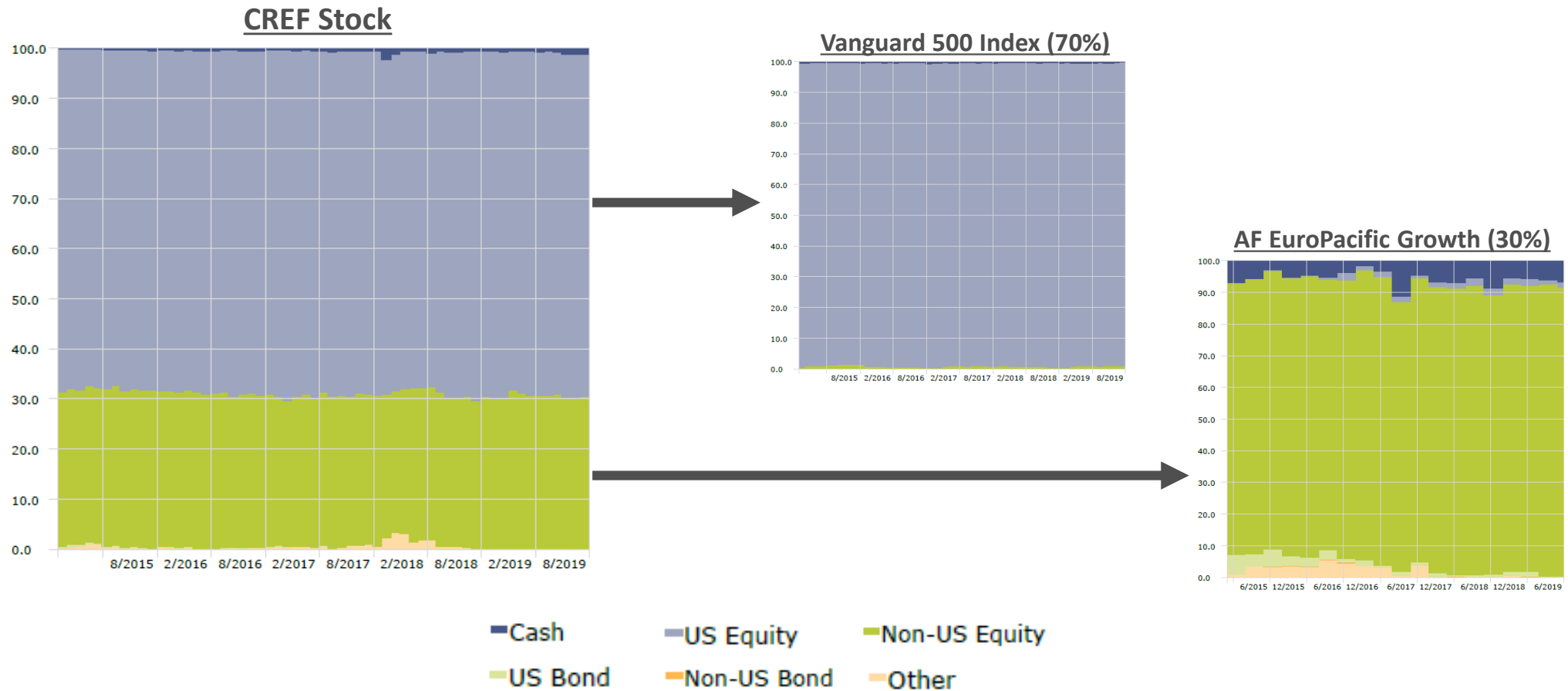
Overview of Fund Changes – Index Funds

- 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



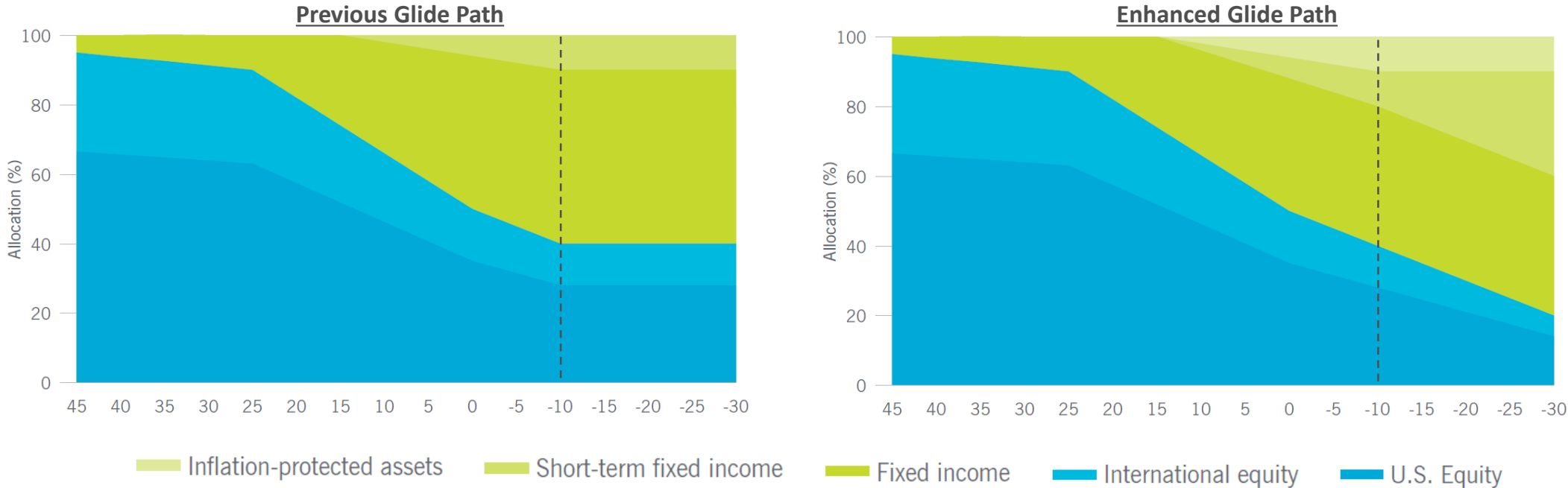
Overview of Fund Changes – CREF Stock

- 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

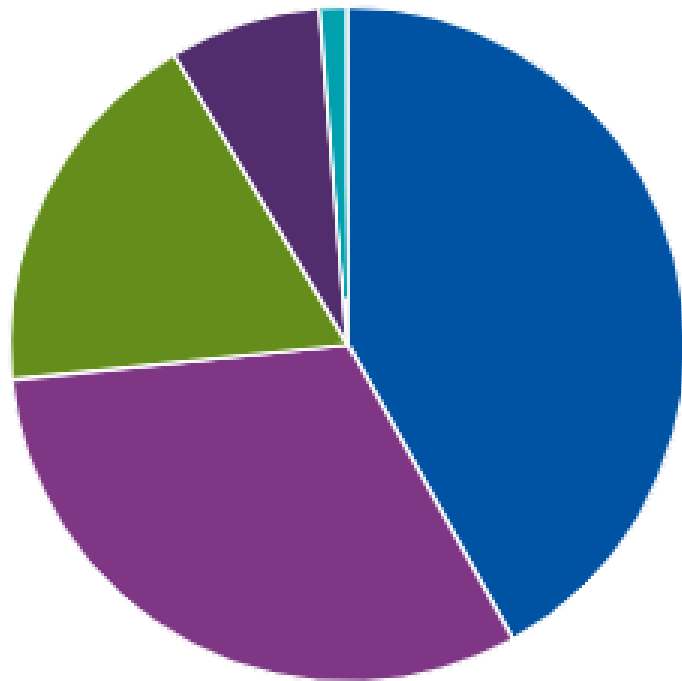
- US Equity
 - TIAA-CREF Equity Index
- International Equity
 - TIAA-CREF International Equity Index
 - TIAA-CREF Emerging Markets Equity Index
- Fixed Income
 - TIAA-CREF Bond Index
 - TIAA-CREF Short-Term Bond Index
- Inflation Protection
 - TIAA-CREF Inflation Linked Bond

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



ASSETS	% OF NET ASSETS
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

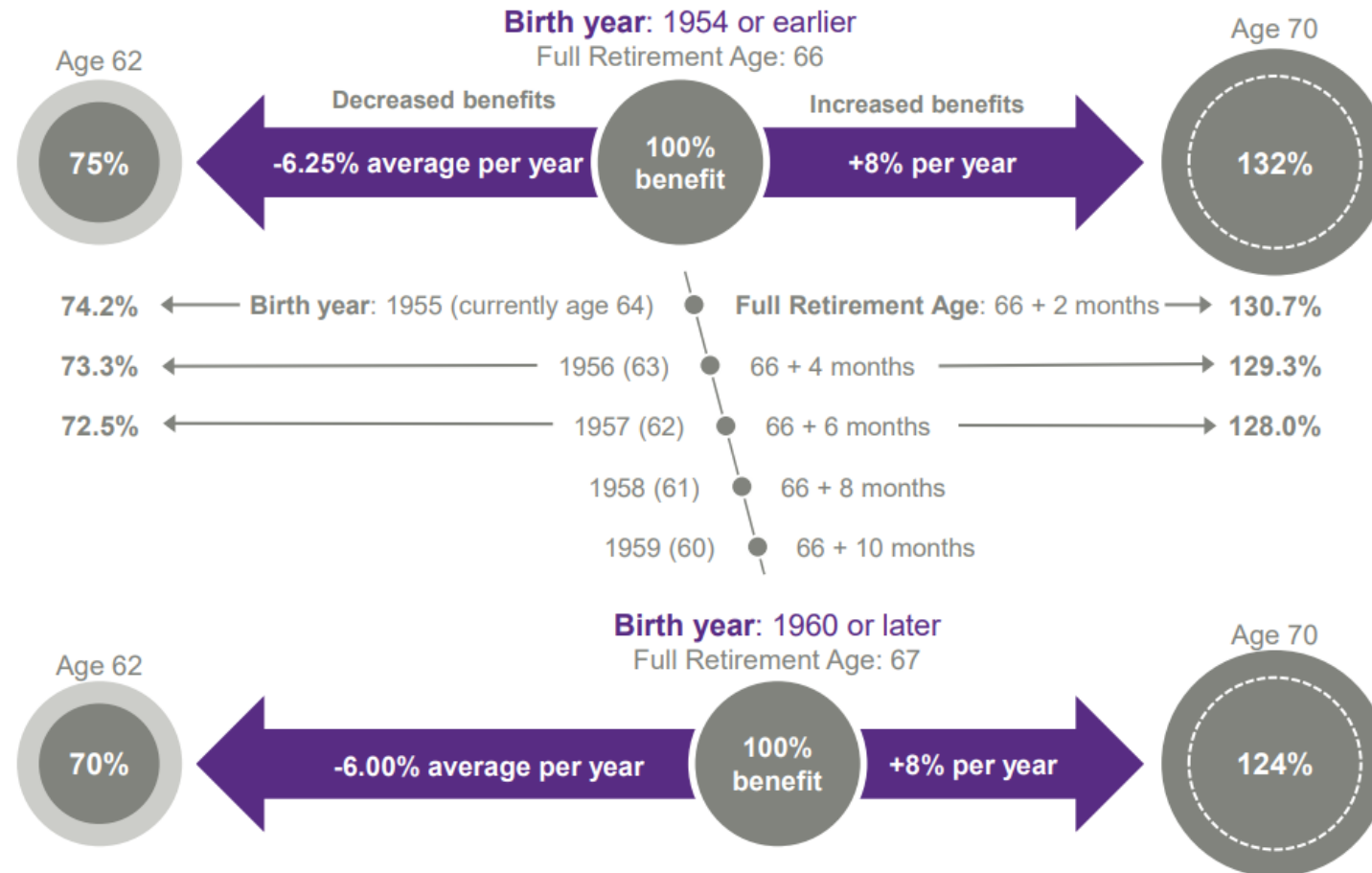
- The primary difference between Pre-Tax and Roth dollars is the tax treatment

	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)

Social Security – Additional “Catch-Up” Option

Benefits differ by birth year and claim age

Full Retirement Age = 100% benefit

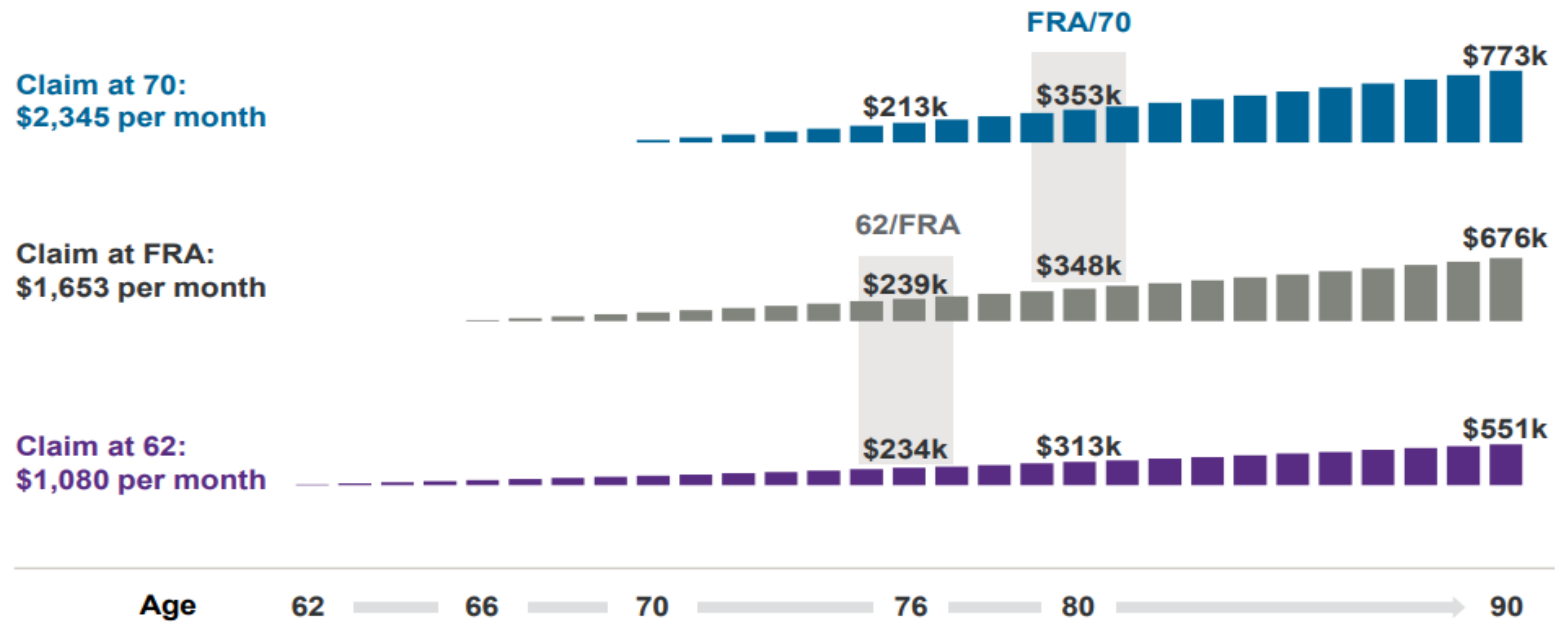


Source: “JP Morgan Guide to Retirement”, JP Morgan

Social Security – Additional “Catch-Up” Option

Cumulative individual median benefit by claim age

Full Retirement Age (FRA) = Age 66 & 6 months



Age	62	66	70	76	80	90
At age 62, probability of living to at least age:	100%	94%	87%	73%	60%	21%
Male (♂)	100%	97%	92%	81%	71%	32%
Female (♀)	100%	99%	99%	95%	88%	47%

Source: “JP Morgan Guide to Retirement”, JP Morgan



Social Security – Additional “Catch-Up” Option

- Spousal Benefits
 - Spouses are eligible to collect up to 50% of the benefit of their husband/wife
 - Working spouses will want to compare their own earned benefit against their available spousal benefit to ensure they receive the maximum available benefit
- Important Message: Study Your Social Security Options
 - There are many different solutions to be considered
 - Each person’s case and situation will be different
 - Consult with a financial advisor and your Social Security office as you approach retirement

Helpful Resources

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



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)