Reimagining the University’s Employee Retirement Plans

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Chair, Retirement Plan Review Committee
Colorado State University
Fort Collins, Colorado USA
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.

• 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.
  – Required of all employed, for example, work study students.
Present Situation

• An extensive review of the Plans has not been completed in over two decades
  – At the 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 will fully review 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 assistance of consultants Innovest Portfolio Solutions, Inc.
• 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 of the University Retirement and match the reality of how modern organizations operate in this space?

For all employees and for the coming years.
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 administration fees to maximize investment returns.

- Rationalize 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: $2,979,935
- DCP: $2,050,055
- 403(b): $892,365
- SERP participant: $37,515
<table>
<thead>
<tr>
<th>TIAA</th>
<th>Fidelity</th>
<th>AGF</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TIAA</strong></td>
<td><strong>Fidelity</strong></td>
<td><strong>AGF</strong></td>
</tr>
<tr>
<td><strong># Active or with Balance - DCP</strong></td>
<td>6,396</td>
<td><strong># Active or with Balance - DCP</strong></td>
</tr>
<tr>
<td><strong># Active or with Balance - 403(b)</strong></td>
<td>1,438</td>
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</tr>
<tr>
<td><strong>Total # of Investment Funds</strong></td>
<td>115</td>
<td></td>
</tr>
<tr>
<td><strong>Total # of Investment Funds</strong></td>
<td>140</td>
<td></td>
</tr>
<tr>
<td><strong>Total # of Investment Funds</strong></td>
<td>934,388,000</td>
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### INVESTMENT FUND

<table>
<thead>
<tr>
<th>Fund</th>
<th>Total # of Investment Funds</th>
<th>Total # of Investment Funds</th>
<th>Total # of Investment Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong># ACTIVE or with Balance - DCP</strong></td>
<td>115</td>
<td></td>
<td>138</td>
</tr>
<tr>
<td><strong># ACTIVE or with Balance - 403(b)</strong></td>
<td>115</td>
<td></td>
<td>138</td>
</tr>
</tbody>
</table>

### Fund Participation by Vendor

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Total # of Investment Funds</th>
<th>Total # of Investment Funds</th>
<th>Total # of Investment Funds</th>
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</thead>
<tbody>
<tr>
<td><strong>TIAA</strong></td>
<td>34</td>
<td></td>
<td>18</td>
</tr>
<tr>
<td><strong>Fidelity</strong></td>
<td>5,316</td>
<td></td>
<td>156</td>
</tr>
<tr>
<td><strong>AGF</strong></td>
<td>1,166</td>
<td></td>
<td>150</td>
</tr>
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</table>

### Table Data

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Total # of Investment Funds</th>
<th>Total # of Investment Funds</th>
<th>Total # of Investment Funds</th>
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</thead>
<tbody>
<tr>
<td><strong>TIAA</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fidelity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>AGF</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Table Rows

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Total # of Investment Funds</th>
<th>Total # of Investment Funds</th>
<th>Total # of Investment Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TIAA</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fidelity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>AGF</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Employee Feedback is Significant

Survey performed on 1-23 oct 2020

CSU Survey - What We Learned

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>268</td>
<td>29.31%</td>
<td>Prior Employer Used Them, Convenient, Have Other Account There</td>
</tr>
<tr>
<td>Recommended by Others</td>
<td>65</td>
<td>7.25%</td>
<td>Adviser Recommended; Co-workers Recommended</td>
</tr>
<tr>
<td>Provider Name / Reputation</td>
<td>115</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>240</td>
<td>26.79%</td>
<td>Investment Options; Fees; Website; Service Personnel</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>896</strong></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 6:** 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>8.26%</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</td>
<td>5</td>
<td>4.13%</td>
<td>or Investment Options</td>
</tr>
<tr>
<td>Lack of Extra Money to Invest Supplemental</td>
<td>5</td>
<td>4.13%</td>
<td>Plan Currently</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><strong>121</strong></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 15% 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>Count</th>
<th>For Instance</th>
</tr>
</thead>
<tbody>
<tr>
<td>All of the Above</td>
<td>3</td>
<td>3.09%</td>
<td>Help understanding options; More access to knowledgerable reps/advisers; Info in plain english</td>
</tr>
<tr>
<td>Better Communication/Education/Service</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A -- Access to individual financial advice</td>
<td>25</td>
<td>25.77%</td>
<td>Help understanding options; More access to knowledgerable reps/advisers; Info in plain english</td>
</tr>
<tr>
<td>B -- Access to presentations on preparing to retire</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C -- Online retirement and financial planning tools</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D -- Easy plan enrollment process</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Better and/or More Investment Options</td>
<td>15</td>
<td>15.46%</td>
<td>Lower Expense Ratios; 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 Benefit;</td>
</tr>
<tr>
<td>More Money and/or Time</td>
<td>18</td>
<td>18.56%</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>24.74%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>97</strong></td>
<td><strong>100.00%</strong></td>
<td></td>
</tr>
</tbody>
</table>

We received 97 comments from the 8% 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.
Ways of 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.
Ways of the Future

• The Plan must be modernized to reduce the administrative costs.
  • These costs are borne exclusively by employees (participants)
  • They compete with financial performance of the investments.

• The Plan must be simplified 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
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 because of factors created by the COVID pandemic.

• The current projection for Committee Recommendation submission is mid-fall 2021 semester.
  • It will be submitted to Administration for final decision.
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
- **Bollvar Senior**, University Benefits Committee Chair, Associate Professor
  Construction Management, College of Health & Human Science
- **Lacey Snyder**, Higher Ed ORP Review Committee Member
  Administrative Professional, Associate University Controller

Advisory Members:

CSU Human Resources

- **Robyn Fergus**, Executive Director & 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.
Information on HR Web Site

CSU Faculty Council
7 Sep 2021

News and Events

COVID-19 FAQs Regarding Faculty and Staff Guidance
CSU Human Resources FAQs answer common questions for faculty, staff and student employees about the impacts of COVID-19 on leave, work arrangements and other concerns.

New Colorado Leave Benefits
The State of Colorado implemented three new leave options for State employees effective January 1, 2021. This includes leave under the Healthy Families & Workplaces Act and Paid Family Medical Leave.

Fraudulent Unemployment Claims
Due to the rise in unemployment insurance claims related to COVID-19, there has been a rise in fraudulent unemployment claims and other instances of fraud. Resources are available for employees who have been a victim of such fraud.

Voluntary Retirement Incentive Plans
Colorado State University is pleased to offer the second voluntary retirement incentive plans for eligible faculty, administrative professionals and classified staff. Eligible employees may apply for the Plan from June 1, 2021 until June 30, 2021, 5 p.m., MT

Retirement Plans Comparative Review Processa
CSU recently kicked-off the implementation of a research-based approach to improve retirement preparedness for university employees. Through this endeavor, a retirement plans comparative review process will be performed.
Employee Education is Important

For every employee (participant) to understand the ramifications and significance of this figure to their personal wealth is a goal.
This has not been easy work

Silicate chemistry is second nature to us geochemists, so it’s easy to forget that the average person probably only knows the formulas for olivine and one or two feldspars.

And quartz, of course.

Of course.

Even when they’re trying to compensate for it, experts in anything wildly overestimate the average person’s familiarity with their field.

Yet, it truly is worthwhile.