

# Retirement plan expenses, credits, and fees

## Plan administrative expenses

Every employer-sponsored retirement savings plan incurs administrative expenses associated with its operation. Administrative expenses such as recordkeeping, audits, and other plan and participant services are covered by a plan servicing fee. Currently, this fee is deducted from annuity investment credits, with remaining credits distributed to annuity investors annually. Under the new administrative fee structure, the plan servicing fee and any annuity investment credits will be listed on your quarterly account statements.

## Plan servicing fee

The chart below shows the quarterly plan servicing fee that will be effective April 1, 2020.

Yale 403(b) Retirement Savings Plans	Quarterly Plan Servicing Fee	Per Participant
Yale University Retirement Account Plan (YURAP) Yale University Matching Retirement Plan Yale University Tax-Deferred 403(b) Savings Plan	\$10.50	If you have balances in more than one Yale 403(b) plan, you will be assessed <u>only one plan servicing fee</u> .

## Annuity investment credits

Yale participants receive credits on balances invested in TIAA and CREF annuity investment options. These amounts are listed in the charts on page three. Currently, these annuity investment credits are distributed annually in the fourth quarter after plan servicing fees have been deducted. Beginning with your statement dated June 30, 2020, you will see quarterly annuity investment credits and plan servicing fees applied as follows:

**If you are invested in the new Yale Target-Date Plus Service or the new Core Lineup**, all credits generated by your annuity investment options will be credited back to your account on a quarterly basis as a plan servicing credit, and the plan servicing fee will be deducted from your account.

**If you are invested only in legacy annuity contracts**, your annuity investment credit will be reduced by your quarterly plan servicing fee, and any remaining credits will be applied to your account on a quarterly basis.

## Yale Target-Date Plus Service—model portfolio fees

Yale retains an independent fiduciary, Aon Hewitt Investment Consulting, Inc., to determine the appropriate benchmarking, asset allocation, and glidepath for each of the model portfolios in the Yale Target-Date Plus Service. Since inception, the fee for the independent fiduciary to manage the Service has been deducted from annuity credits.

Beginning April 1, 2020, if you are enrolled in the Yale Target-Date Plus Service, you will see a quarterly fee of 0.0045% for your balances managed by the Service. This fee will be deducted from your account each quarter (0.0045%, or 45¢ for each \$10,000 in your account(s)) and reflected in your statement beginning June 30, 2020.

## How will the fees and annuity credits affect your account each quarter?

Fees and credits are applied to your account depending on how you are invested and will be processed at the end of each quarter. The following are examples of the total fees and/or credits you might see on your statement. See the *Frequently asked questions* section for more details.

**Assume you were invested *only* in a Target-Date Plus model portfolio** with a total balance of \$100,000, including \$40,000 in TIAA Traditional. Your TIAA Traditional balance would generate an annuity investment credit of \$15.00. A plan servicing fee of \$10.50 and a model portfolio fee of \$4.50 would be deducted from your account.

Example	Details
Plan servicing fee	\$10.50 per participant
Target-Date Plus model portfolio fee	\$4.50 = \$100,000 × 0.0045%
Annuity investment credits	\$15.00 = (\$40,000 × 0.15%) ÷ 4

**Assume you were invested in *both* a Target-Date Plus model portfolio and legacy annuity investment options.**

You have a total balance of \$100,000, including \$40,000 in TIAA Traditional in your legacy annuity contracts and \$60,000 in a Target-Date Plus model portfolio. Your TIAA Traditional balance would generate an annuity investment credit of \$15.00. A plan servicing fee of \$10.50 and a model portfolio fee of \$2.70 would be deducted from your account.

Example	Details
Plan servicing fee	\$10.50 per participant
Target-Date Plus model portfolio fee	\$2.70 = \$60,000 × 0.0045%
Annuity investment credits	\$15.00 = (\$40,000 × 0.15%) ÷ 4

**Assume you were invested *only* in legacy annuity contracts** with a total balance of \$100,000, including \$50,000 in TIAA Traditional and \$50,000 in CREF Stock. Your annuity balance would generate a total credit of \$31.25. This amount would be reduced by the \$10.50 plan servicing fee, and the difference of \$20.75 would be posted to your account as annuity investment credits.

Example	Details
Net annuity investment credit	\$18.75 = TIAA Traditional (\$50,000 × 0.15%) ÷ 4
	\$12.50 = CREF Stock (\$50,000 × 0.10%) ÷ 4
	\$20.75 = (\$18.75 + \$12.50) - \$10.50

Note that the annuity investment credits and the Target-Date Plus model portfolio fee are calculated based on your average daily balance, and the examples above are for illustrative purposes.

## Core investment lineup

As a reminder, these investment options are available in the Retirement Choice (RC) and Retirement Choice Plus (RCP) contracts where all new contributions are currently directed. The annual annuity investment credits offered by TIAA for some investments are listed below.<sup>1</sup> The credits are included in the expense ratios listed below for each investment option.

Investment option	Ticker symbol	Annual gross expense ratio%	Annual annuity investment credit %
Vanguard Total Stock Market Index Institutional Plus	VSMPX	0.020	N/A
Vanguard Developed Markets Index Institutional Plus	VDIPX	0.040	N/A
Vanguard Emerging Markets Index Institutional Plus	VEMRX	0.080	N/A
Vanguard Real Estate Index Institutional	VGSNX	0.100	N/A
Vanguard Inflation-Protected Securities Institutional	VIPIX	0.070	N/A
Vanguard Total Bond Market Index Institutional	VBTIX	0.035	N/A
Vanguard Federal Money Market Investor	VMFXX	0.110	N/A
CREF Global Equities Account R3 (Variable annuity)	QCGLIX	0.270	0.100
CREF Social Choice Account R3 (Variable annuity)	QCSCIX	0.240	0.100
TIAA Real Estate Account (Variable annuity)	QREARX	0.830	0.240
TIAA Traditional Annuity (Guaranteed annuity)	N/A	N/A	0.150

## Legacy annuity accounts

These annuity investment options are available in the Retirement Annuity (RA), Group Retirement Annuity (GRA), Supplemental Retirement Annuity (SRA) and Group Supplemental Retirement Annuity (GSRA) contracts that were closed to new contributions on March 1, 2019. The annuity options in bold are also available in your RC and RCP contracts.

Investment option	Ticker symbol	Annual gross expense ratio%	Annual annuity investment credit %
CREF Bond Market Account R3 (Variable annuity)	QCBMIX	0.270	0.100
CREF Equity Index Account R3 (Variable annuity)	QCEQIX	0.215	0.100
CREF Growth Account R3 (Variable annuity)	QCGRIX	0.235	0.100
CREF Inflation-Linked Bond Account R3 (Variable annuity)	QCILIX	0.220	0.100
CREF Money Market Account R3 (Variable annuity)	QCM MIX	0.225	0.100
CREF Stock Account R3 (Variable annuity)	QCSTIX	0.300	0.100
<b>CREF Global Equities Account R3 (Variable annuity)</b>	<b>QCGLIX</b>	<b>0.270</b>	<b>0.100</b>
<b>CREF Social Choice Account R3 (Variable annuity)</b>	<b>QCSCIX</b>	<b>0.240</b>	<b>0.100</b>
<b>TIAA Real Estate Account (Variable annuity)</b>	<b>QREARX</b>	<b>0.830</b>	<b>0.240</b>
<b>TIAA Traditional Annuity (Guaranteed annuity)</b>	<b>N/A</b>	<b>N/A</b>	<b>0.150</b>

<sup>1</sup> Annuity investment credits are displayed on an annual basis but will be applied quarterly.

## Frequently asked questions and Glossary

### Frequently asked questions

#### 1. What do I need to do?

No action is required.

#### 2. What is happening?

Beginning April 1, 2020, we are changing how credits, fees and expenses necessary to operate our retirement savings program are applied to your accounts.

Every employer-sponsored retirement savings plan incurs administrative expenses, i.e., a plan servicing fee, associated with its operation. Administrative fees could include recordkeeping, consulting, audit, compliance, legal, and communication/education services.

Currently, administrative fees are paid using credits from annuity investment options, with remaining credits distributed annually to participants invested in annuity investment options. Not all participants invest in annuity investment options or pay the same amount. We are moving to a process that allows all participants to be charged the same plan servicing fee.

#### 3. How will this work?

The new structure takes effect April 1, 2020, with the first fee and/or credit applied to your account(s) on the last business day of June 2020 (covering the three-month period beginning April 1 and ending June 30). Depending on how you are invested, you may see up to three different types of transactions on your account(s) and quarterly statements.

##### **Plan servicing fee**

The plan servicing fee will be prorated across investment options and deducted from your account(s) through a sale of assets. If you have balances in more than one Yale 403(b) Plan, only one plan servicing fee will be assessed and prorated across your 403(b) Plans. The administrative fee will be identified on confirmation and quarterly account statements as a *TIAA Plan Servicing Fee*.

##### **Annuity investment credit**

The annuity investment credit will be applied directly to your annuity investment options each quarter. It will be identified as a *Plan Servicing Credit* on confirmation and quarterly account statements. To estimate the amount of your credit, multiply the balance in each annuity investment option by the amount of the annuity investment credit listed in the charts on the previous page. For example, if you had \$30,000 in TIAA Traditional, you would multiply  $\$30,000 \times 0.15\% = \$45.00$  annually, which results in a quarterly credit of \$11.25. (See question five if you are invested only in legacy annuity contracts investment options.)

##### **Target-Date Plus model portfolio fee**

The Target-Date Plus model portfolio fee of 0.0045% will be prorated across investment options and deducted from your account(s) through a sale of assets each quarter. It will be identified as a *RetirePlus Pro<sup>®</sup> Fee* on your confirmation and quarterly account statements. To estimate the amount of the fee that will be assessed, multiply the balance managed by the Service by the quarterly fee of 0.0045%. For example, if you had \$100,000 managed by the Service, your estimated quarterly fee would be  $\$100,000 \times 0.0045\% = \$4.50$ .<sup>1</sup>

<sup>1</sup> On the fee disclosure and model portfolio fact sheets, this Target-Date Plus model portfolio fee will be shown as 0.02% annually due to system rounding. However you will only be charged 0.0045% per quarter.

**4. If I have balances managed by the Yale Target-Date Plus Service in more than one plan, will I be paying more?**

No. The fee is based on the total assets managed by the Yale Target-Date Plus Service.

**5. What if I am invested only in legacy annuity contracts?**

If you are invested only in legacy annuity contracts (RA, GRA, SRA, GSRA), your annuity investment credit(s) will be reduced by the amount of the plan servicing fee, and any remaining credits will be applied to your account(s). The net annuity investment credit will be identified as a *Plan Servicing Credit* on confirmation and quarterly account statements. No annuity credit will be applied if the plan servicing fee is greater than your annuity credit.

**6. Are all accounts affected?**

No plan servicing fee will be applied to participants with total assets of less than \$1,000. Once a participant's total assets reach \$1,000, credits and fees will be applied. The Target-Date Plus model portfolio fee applies to all balances managed by the Service.

**7. I have balances in more than one plan. Will I pay more than one plan servicing fee?**

No. It is a per participant fee and not a per plan fee.

**8. What's the difference between legacy annuity contracts and the new RC/RCP contracts?**

Any current legacy annuity contracts (RA, GRA, SRA, GSRA) in your account are individually owned and controlled by you. The new Retirement Choice (RC) and Retirement Choice Plus (RCP) contracts are group contracts controlled by the plan sponsor. The group contracts provide Yale more flexibility to monitor investments and expenses, add and/or remove investment options, and transfer balances, including annuity account balances, to alternate investment options in the plan. Please note that all assets and any earnings in your plan account are fully vested and always belong to you.

To find out more, contact TIAA at **855-250-5424**, weekdays, 8 a.m. to 10 p.m., and Saturday, 9 a.m. to 6 p.m. (ET).

**9. Can I transfer my balances from my legacy annuity contracts to the new investment lineup?**

Yes. You can transfer some or all of your balances in legacy annuity investment options to the new core lineup or the Yale Target-Date Plus Service in the RC/RCP contracts. Before transferring a TIAA Traditional balance from a current legacy contract to a new RC/RCP contract, contact TIAA to discuss your options. A decision to transfer is permanent, and money cannot be moved back to a legacy contract.

To discuss a transfer from legacy annuity contracts to the new investment options, call TIAA at **855-250-5424**, weekdays, 8 a.m. to 10 p.m., and Saturday, 9 a.m. to 6 p.m. (ET).

## **10. Is RetirePlus Pro® the same as Custom Portfolios?**

Yes, TIAA's RetirePlus Pro is the platform for Yale's Target-Date Plus Service. The Service provides a diversified investment portfolio, automatically rebalances your model portfolio to its target allocation each quarter, and adjusts each model portfolio along the intended glidepath annually. It also offers the opportunity for lifetime income in retirement. TIAA changed the name from Custom Portfolios Model Service to better reflect the opportunity for guaranteed lifetime income for participants.

## **11. What if I'm in the 457(b) plan?**

This document specifically describes how administrative expenses, credits, and model portfolio fees affect 403(b) plan balances. There is also a quarterly plan servicing fee of \$6.75 that will be applied to your Yale University 457(b) Deferred Compensation Plan account balances. If you have annuity investment options or are invested in the Yale Target-Date Plus Service in your 457(b) plan, you will receive annuity investment credits and be assessed a model portfolio fee. The calculation methodologies outlined in this document also apply to 457(b) plan balances, but the calculations for 457(b) plan accounts are made independent of calculations for 403(b) plan accounts.

## **Glossary**

### **Annuity investment credit**

Annuity investment credits, similar to the practice of revenue sharing, is the practice when investment providers help pay the recordkeeping and administrative costs for participants. These costs are typically factored in to the expense ratios rather than being a separate deduction to the expense ratios. Typically any excess annuity investment credits are credited back to participants.

### **Asset allocation**

Dividing an investment portfolio among different asset categories, such as stocks, bonds, and real estate. The goal is to balance financial risk and reward by apportioning investment dollars among the various asset classes. There is no guarantee that asset allocation reduces risk or increases returns. A diversified asset allocation does not eliminate the possibility of losses or guarantee that an investor's goal will be met.

### **Asset-based fee**

A fee that is a percentage of balances or assets.

### **Average daily balance calculation**

An average daily balance (ADB) is determined by adding each day's balance and then dividing that total by the number of days in the quarter. The ADB is then multiplied by the appropriate rate to determine the credit or fee to be applied.

### **Benchmarking**

A benchmark is a standard against which the performance of a security, mutual fund or investment manager can be measured. Generally, broad market and market-segment stock and bond indexes are used for this purpose.

**Expense ratio**

The amount you pay annually for investment fund management and operating fees to fund managers such as Vanguard and TIAA. The amount is expressed as a percentage of the total investment. The gross expense ratio includes all of an investment's expenses. The net expense ratio takes into account any current investment fee waivers and expense reductions, giving an indication of what is currently being charged.

**Glidepath**

A glidepath defines the asset allocation mix of a target-date investment option, based on the number of years to the target date, which is typically the projected year of retirement. The glidepath creates an asset allocation that typically becomes more conservative (i.e., includes more fixed-income assets and fewer equities) as the participant gets closer to and through the target date.

**Per participant fee**

A flat dollar amount that is charged to each participant, regardless of account balance or number of accounts.

**Rebalancing**

This process involves periodically buying or selling assets in a portfolio or fund to maintain a desired asset allocation.

**Share class**

Some mutual funds offer more than one type or group of shares, each of which is considered a class (e.g., "Class A," "Advisor," or "Institutional" shares). For mutual funds, each class has different fees and expenses, but all the classes invest in the same pool of securities and have the same investment objectives. Yale's new investment lineup includes investment options with Institutional, Institutional Plus, or the most favorable available share class.

**Ticker symbol**

An abbreviation assigned to a security for trading purposes. A security's ticker symbol is often used in newspapers and price-quotation services. It is also called a trading symbol or stock symbol.

## Have questions?

Call TIAA at **855-250-5424**, weekdays, 8 a.m. to 10 p.m., and Saturday, 9 a.m. to 6 p.m. (ET).

Schedule a one-on-one consultation with TIAA. Visit **TIAA.org/Yale** or call **800-732-8353**, weekdays, 8 a.m. to 8 p.m. (ET)

# Yale

The information provided herein does not replace the plan document. If there is any ambiguity between this document and the plan document, the terms of the plan document will prevail.

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