

# Dixie State University

## Important Updates to the Retirement Plans at TIAA

### Frequently Asked Questions on Fees

- 1. What is the Administration Fee?** TIAA charges an annual administrative fee to cover services such as recordkeeping, legal, accounting, investment advisory and other plan and participant services including the website, call center, etc.
  - Today the TIAA Administration Fee is 0.20% of plan assets annually.
  - The new TIAA Administration Fee will be 0.13% of plan assets annually (10/1/2021).
  - The “Administration Fee” will be divided by four and applied to your account quarterly.
- 2. What is the annual dollar amount of the administration fees?** Effective 10/1/2021 of 0.13%: for every \$10,000 invested the annual cost is \$13.00.

Account Balance	Annual Administration Fee \$
\$ 10,000.00	\$ 13.00
\$ 50,000.00	\$ 65.00
\$ 100,000.00	\$ 130.00

- 3. Does Dixie State University currently pay the administration fees?** Today participants pay the administration fees by the revenue generated from the investment expense ratios in the plan.
- 4. Can participants see the administration fees today broken out on their statements?**

The fees are not transparent to the participants today. The only fee they currently see is the investment expense ratios of the investment options they are invested. Today participants may assume that there are no administrative fees because they don't see them broken out of the investment expense ratios, but they are built inside of them. Effective October 1, 2021 the administration fees will be shown.

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5. **What is an investment expense ratio?** This is the fee the fund manager applies to the investment option, mutual fund, variable annuity etc. before reporting the performance or rate of return. This fee can be used to pay for the management and operations of the investment portfolio and can also be used to collect extra revenue to be used to cover plan administration or investment advisory fees.

6. **How are the administration fees paid today?** Most of the assets in the plan are invested in investment options that generate excess revenue from the investment expense ratios. This is revenue the fund manager does not need to manage the investment portfolio. TIAA is given a portion of the revenue collected from the investment expense ratios to offset the cost of the administration fees.

For example:

- The investment expense ratio may be listed as 0.45%.
- The participant rate of return is reduced by this amount before being reported to them on their statements.
- The fund manager only needs 0.30% to manage the investment portfolio.
- The fund manager gives a revenue credit of 0.15% back to TIAA to be applied towards the administration fees for the plan.
- The amount of excess revenue generated from the investment expense ratios varies by investment; today there is a range from 0.0% to 0.24%.
- The weighted average excess revenue collected from all the plan investment expense ratios covers the current annual administration fees.

7. **How do the administration fees get paid when the investment option does not generate any revenue to TIAA?** Currently some participants help to subsidize the costs for others. (this will change on 10/1, see below)

For example:

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- Participant A is in the fund that generates 0.15% of a revenue to TIAA for administration fees; and
- Participant B is in the fund that generates 0.0% of a revenue to TIAA for the administration fees;
- And the annual administration fee is 0.20% of plan assets;
- The average of the two accounts generates enough revenue to pay for the fees on both accounts.
- Participant A is essentially paying the annual fees for their own account and for Participant B.
- Neither participant is aware of this because it is not currently transparent.

#### 8. **What will be different with the changes on 10/1/2021?**

Using our example in the previous question:

- Participant A will receive a credit to their account for any excess revenue generated by the investment option. For example: Credit of 0.15% revenue and a debit of the administration fee of 0.13%.
- Participant B will now see the debit of the administration fee of 0.13% on their statement.
- Participant A will no longer be subsidizing the annual administrative fees for Participant B.
- TIAA will still receive the needed revenue to cover the administrative fees; these fees are being reduced from 0.20% to 0.13% of plan assets annually on 10/1/21.

#### 9. **Why are these changes being made?**

- The receive the reduction in the administration fees from TIAA (0.20% to 0.13% of plan assets annually).

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- Provide fee transparency at a participant level: Participant A & B will see the administration fees and revenue credits on their statements.
- To make the fees the same or equitable for all participants. Participant A and B will both pay 0.13% of their account balance annually. Participant A will no longer be subsidizing the cost of the plan for Participant B.