OSU/A&M Retirement Update – May 2013

Last spring, Vice President Joe Weaver appointed a Retirement Investments Committee to ensure that OSU/A&M is offering retirement investments that are beneficial to employees and meet employer fiduciary responsibilities. The committee is composed of faculty, staff, emeriti, and administrators. Because of the complexity of such reviews, use of a consultant with experience with retirement systems of large employers and universities was thought advisable.

Working with Purchasing, the Retirement Investments Committee selected Cammack LaRhette Consulting to assist in reviewing retirement investment offerings. Cammack’s review indicated:

- 97% of OSU/A&M retirement funds are with TIAA-CREF with the remaining 3% shared by nine additional vendors with a large number of investment options.
- Some of the vendors lacked adequate investment options, thus, limiting a participant’s ability to build a diversified portfolio.
- TIAA-CREF has the lowest average investment expense; some of the other vendors were 4 to 5 times more costly.
- Nearly all of the investments offered could be provided on a single platform at less expense without limiting investment opportunities from multiple vendors.
- Several vendors lacked uniform administration of plan provisions (loans, withdrawals, etc.) and recordkeeping which could potentially violate federal regulations.

Based on Cammack’s initial assessment, the Committee has made the following observations and recommendations for further actions.

SINGLE PROVIDER -- By using a single vendor, certain advantages can be obtained while retaining a wide array of investment options for employees and maintaining individual financial planning through a consultant of choice. A single vendor should be able to reduce costs, thus providing participants with opportunities for greater returns on investments. Participants would also have investment information from a single vendor. A single vendor also reduces chances of vendor mistakes or mismanagement, which could result in IRS/DOL penalties to individual employees and/or the institutions. Administrative expense would be reduced with contributions sent to a single provider. Since most vendors are able to offer multiple investment funds (including those from other vendors), the selection of a single vendor does not necessarily limit the investment options. The Committee recommends reducing administrative recordkeeping functions from ten to one vendor, emphasizing continued access to individual retirement options, offered by a variety of vendors for which the single provider would distribute contributions and maintain records.

NEGOTIATION OF REDUCTION IN COSTS -- With TIAA-CREF having 97% of investments and the lowest investment expense, Cammack indicated that they could negotiate with TIAA-CREF before considering the issuance of a Request for Proposals. The Committee requested more information regarding the best-in-class services that would be included as part of the negotiations to ensure participants have the same or even better services.

UPDATING INVESTMENT POLICY -- The Investment Policy Statement (IPS) developed in 2006/7 is in need of revision to include investment choices for the OSU 401(a) paid plans and the OSU/A&M 403(b) and 457(b) plans. The IPS establishes a framework for a best-in-class
array of investment offerings (for example, life-cycle funds, diverse selection in various investment classes, brokerage option in which participants have almost an unlimited choice of no-load funds available). The IPS does not specify individual investments which can be from multiple vendors, but establishes a framework for selection and on-going monitoring of individual investments. The Committee recommends a subcommittee revise the current the Investment Policy Statement for future consideration by the entire Committee.

While OSU has, through TIAA-CREF, offered a brokerage option, it has very low participation. Cammack indicated that the brokerage option is a good possibility for those participants who might change investment options. The annual cost of the brokerage option is $60, which the Committee recommends be eliminated.

As the Committee moves forward in recommending changes to provide OSU/A&M employees with best-in-class retirement offerings, the Committee wants communication and input from the campus communities. More information will be available in the fall after the revised Investment Policy Statement is drafted and Cammack has begun negotiations with TIAA-CREF.