Print

Human Resources: WHOI Defined Contribution Retirement Plan

Frequently Asked Questions

Q: How will contributions be determined under the new Defined Contribution (DC) Plan
The DC Plan is points based, with points being determined by adding together an employee's age + years of service:

- Less than 60 points = 8% of pay*
- 60 < 70 points = 10% of pay*
- 70 or more points = 12% of pay*

**includes base pay and overtime*

In addition, those active employees who were hired prior to January 1, 2010 will receive an additional contribution based on age as part of a special transition benefit. This benefit will only be available for 10 years; January 1, 2011 – December 31, 2020:

- Age 50 < 60 = additional 2% of pay*
- Age 60 < 62 = additional 4% of pay*
- Age 62 or older = additional 6% of pay*

**includes base pay and overtime*

Q: Who manages the investments under the Defined Contribution (DC) Plan?
The Defined Contribution Retirement Plan Committee, working with fiduciary and investment consultants, chooses the funds that will be offered to employees through the DC Plan and is responsible for periodically monitoring those funds to ensure they continue to meet performance criteria. Occasionally, funds will be replaced. Employees choose the funds in which to invest their contributions and WHOI's contributions, and can make changes to their investments as needed. WHOI, in partnership with the Retirement Plan Provider, will provide the appropriate education and tools to help employees with their investment decisions. In addition, employees may wish to use a financial planner to help make decisions about retirement investments.

Q: Will the current, voluntary 403(b) Plan go away? If so, can I roll my account balance into the new Defined Contribution (DC) Plan?
Employees will be able to continue making voluntary contributions towards their retirement savings, but these contributions will now be handled through our new Retirement Plan Provider, *Diversified*. As of January 1, 2011, employees will no longer be able to make contributions *directly* to TIAA-CREF, Fidelity, or Vanguard through payroll deduction. However, employees will still have access to TIAA-CREF, Fidelity, and Vanguard funds through *Diversified*.

Employees who are currently participating in the voluntary 403(b) Plan can either leave their account balances with their current investment manager (e.g. TIAA-CREF, Fidelity, or Vanguard) or they can roll these balances over to *Diversified*.

Q: Why are we changing from three Retirement Plan Providers (TIAA-CREF, Fidelity, and Vanguard) to just one (*Diversified*)?
Recent changes in retirement plan laws require all non-profit organizations operating 403(b) plans with employer contributions to comply with the Employee Retirement Income Security Act (ERISA), a federal law that protects retirement plan assets for the benefit of employees. To comply with ERISA, we now have new regulations and responsibilities that we need to manage, which is more achievable through the use of one provider. Working with one provider will also enable the Defined Contribution Retirement Plan Committee to better manage the Institution's liability as a fiduciary in administration and monitoring investment options within the benefit plan.

Through the use of a single Retirement Plan Provider, your experience as a participant will be enhanced. In a multiple provider environment, investment managers compete with one another for each participant account. The experience becomes driven by sales, and not necessarily education. With a single Retirement Plan Provider, there is greater efficiency with transactions, compliance, and cost. Further, by pooling our retirement assets through one Retirement Plan Provider, we have greater purchasing power to negotiate fees and services, which ultimately benefits you, the participant.

Participants will have access to a central website (and participant statement) that will handle all contributions and exchanges. When there are multiple providers, it makes it challenging to fully utilize planning tools (e.g. calculators, gap analysis statements, financial planning, etc.). Furthermore, investment redundancy is more likely to occur under a multiple provider arrangement.

Q: Who is *Diversified* and why were they selected as our single Retirement Plan Provider?
Diversified is a national investment advisory firm that has been providing quality retirement plan services for over 50 years and currently services over $42 billion in retirement assets for over 1.5 million participants. Retirement plans are, and have always been, their only business. This singular focus enables them to dedicate all of their resources, talent and technology to meeting participants' retirement planning needs.

Diversified was selected after a detailed analysis, which included a review of seven (7) potential firms, several meetings, and a site visit. The firms were evaluated with a focus on flexibility of investment line-up, integration with our Defined Benefit valuations, education and communication tools, and fee structure. We ultimately chose Diversified because we believe they will provide Plan participants with a high level of comprehensive retirement plan services and education. *Diversified* also has the capability to support an investment line-up that includes an expansive menu of funds as well as a self-directed mutual fund only-brokerage account option.

Q: Does the move to a single Retirement Plan Provider, *Diversified*, mean that I will have less investment choice?
No, with *Diversified* you will actually have more investment options than you have now.

The investment line-up with *Diversified* will consist of four distinct strategies for employees to utilize:

1) Age and risk based target-date models for those who elect to have their money managed based upon a timeline by a third party;

2) A Core Fund Line-up consisting of eleven (11) “best in class” actively managed mutual funds from several leading mutual fund companies;

3) Four (4) low-cost Vanguard index funds and three (3) socially responsible funds; and

4) A self-directed mutual fund brokerage account to enable you to invest in any mutual fund of your choice.

The line-up includes one fund in each major asset class and contains very little overlap. While it is true that we currently offer over 200 fund options through Fidelity, TIAA CREF and Vanguard, only a handful of these funds are actually being utilized by participating employees and many of them have overlapping investment strategies. In addition, many are considered inappropriate for retirement plan investing or have underperformed their peer group and respective indices.

Q: Under the *Diversified* platform, will I still have access to the investment options I use now?
Yes. Some of the most popular funds currently being utilized today by WHOI employees will be available in the Core Fund Line-up. If there is a mutual fund that you currently invest in today that is not included in the Core Fund Line-up, we urge you to first compare it to the new mutual fund in its respective asset class. If you still wish to invest in the fund you are in now, you can use the self-directed mutual fund brokerage account and continue to invest in it.

The self-directed mutual fund brokerage account offers all mutual fund options from TIAA-CREF, Fidelity, and Vanguard. The Variable Annuity options offered by TIAA-CREF are not available in the self-directed mutual fund brokerage account.

Q. What are the fees associated with investments made through *Diversified* and who pays for them?
The only fees associated with *Diversified* are the investment management fees charged by the mutual fund companies offering the funds. As we do now under the voluntary 403(b) Plan, employees pay these expenses. For instance, one of the funds available now through Vanguard, which will also be available through *Diversified*, is the Vanguard S&P 500 Index. This fund has an expense ratio of 0.18%. This means that for every $100 invested, Vanguard charges 18 cents, per year, for investment management. You will not specifically see this charge deducted from your account but it is factored in the daily Net Asset Value (NAV) or price each day.

Diversified does charge a $50 annual account fee for those employees using the self-directed mutual fund brokerage account, but WHOI will pay for this charge.

Q. I use Vanguard now because their fees are some of the lowest in the industry. Will I pay more to use Vanguard funds through *Diversified*?
No, in fact your costs will be lower since you will not have to pay the annual account maintenance fee that you are currently being charged by Vanguard. The new Defined Contribution Retirement Plan will offer five (5) Vanguard funds in the Core Fund Line-up. These funds will be offered at Net Asset Value (NAV) like they are to you now. If you wish to use a Vanguard fund other than those offered in the Core Fund Line-up, you can do so by using the self-directed mutual fund brokerage account.

Q: What are the key dates of the transition to *Diversified*?
If you were hired before January 1, 2010 and did not become a participant of the Defined Benefit Retirement Plan by December 31, 2009, you may become eligible to receive contributions from WHOI as of August 1, 2010. If you were hired before January 1, 2009 and are currently a participant of the Defined Benefit Retirement Plan, you will begin to receive contributions from WHOI as of January 1, 2011. If you were hired on or after January 1, 2010, you may become eligible to receive contributions from WHOI as of the first day of the month after completing one (1) year of service with 1,000 hours worked.

If you are currently participating in WHOI’s voluntary 403(b) Plan, your contributions will stop being directed to Fidelity, TIAA-CREF and/or Vanguard as of January 1, 2011 and redirected to *Diversified* at the same rate you are contributing now or 4%, whichever is greater. If you wish to start contributing to *Diversified* or want to transfer your current account balances over to *Diversified* before January 1, 2011, you will be able to do so anytime after August 1, 2010.

Q. What is ‘automatic enrollment’ and how will it impact me?
Effective January 1, 2011, WHOI is implementing Automatic Enrollment into the Defined Contribution Retirement Plan. WHOI will

automatically enroll all benefits-eligible employees to have 4% of their pay deducted from their bi-weekly paycheck, on a pre-tax basis, and deposited into a Defined Contribution Retirement Plan account with *Diversified*. Before employees are automatically enrolled, they will given the opportunity to opt-out or change their election amount to be contributed. For newly hired employees, a 45 day opt-out period will be provided. Of course, employees can opt-out or make changes to their election at any time.

Q. Can I leave the money that I have invested with my current retirement plan provider?
Yes, you can leave your current 403(b) account balances with your current provider (TIAA-CREF, Fidelity, and/or Vanguard) if you wish to do so. However, after we fully implement the new Defined Contribution Retirement Plan on January 1, 2011, you will not be able to make any new contributions to these accounts through payroll deductions. Alternatively, you can roll over your account balances to *Diversified*. There are no fees or tax implications to do so.

Q: How were the investment options chosen and how will they be monitored going forward?
The Defined Contribution Retirement Plan Committee works closely with consultants from the registered investment advisory firm, SageView Advisory Group. SageView helped select the new investment options by reviewing current investment patterns at WHOI and integrating best practices from the defined contribution industry. SageView utilizes a proprietary selection and monitoring process that encompasses both quantitative and qualitative research. SageView will continue to work with the Defined Contribution Retirement Plan Committee to monitor the investment options and recommend additional or replacement options when necessary.

Q: How does the Self-Directed Brokerage Account work under the *Diversified* platform?
The Self-Directed Brokerage Account (SDBA) is a vehicle for those who desire access to more investment choice than those offered in the Core Fund Line-up or through PortfolioXpress (lifecycle fund). Generally, employees with above average investment savvy or those working with a personal investment advisor tend to utilize this option. The SDBA is administered by Charles Schwab. There is a $50 annual account charge that WHOI will pay for if you elect to use it.

With the SDBA account you will have access to thousands of mutual funds. WHOI will not monitor these funds to ensure that they remain competitive. It will be your responsibility to research and monitor funds from this account if you choose to utilize it. Please be aware that some funds offered in the SDBA can charge additional fees (front or back end loads, redemption fees) that will not be paid for by WHOI.

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