

A photograph of the LSU clock tower at sunset. The tower is illuminated from below, and the sky is a mix of orange, purple, and blue. The text "BUSINESS MANAGER MEETING" and "DECEMBER 2014" is overlaid in the upper right. The LSU logo is in the bottom right.

BUSINESS MANAGER MEETING

DECEMBER 2014

LSU

Supplemental Retirement at LSU

- Opportunity for employees to save additional money for retirement
- Employees can enroll or change contributions at any time
- 2015 contribution limits:
 - \$18,000 (under age 50)
 - \$24,000 (age 50 and over)
- No employer match from LSU

* This presentation is not intended to provide any financial advice or recommend any particular investment vehicle or provider.

Retirement Savings

- Example: A 20 year old who saves \$200 a month until age 65 and earns exactly 6% on saved funds annually would have accumulated around \$550,000. But a 40 year old contributing the same amount each month at the same earnings rate would have accumulated only \$138,600 by age 65.
- Contribute \$200/month to age 65 at different hypothetical earnings rates

Earnings	Start at age 20	Start at age 30	Start at age 40	Start at age 50
2%	\$174,931	\$121,510	\$77,764	\$41,943
4%	\$301,894	\$182,746	\$102,826	\$49,218
6%	\$551,199	\$284,942	\$138,599	\$58,164
8%	\$1,054,908	\$458,776	\$190,205	\$69,208

Supplemental Retirement – 403(b)

- Two 403(b) options:
 - Traditional
 - Contributions are deducted pre-tax
 - Benefit: upfront tax savings and tax-deferred growth
 - Roth (**New to LSU!**)
 - Contributions are deducted after tax
 - Benefit: Tax free growth and distributions at retirement



Approved 403(b) Vendors

MetLife

VOYA
FINANCIAL™



Financial Services

 **Fidelity**
INVESTMENTS

VALIC

Supplemental Retirement – 457(b)

- Statewide plan managed by Great West
- Offers same pre-tax saving opportunities as 403(b)
- No early withdrawal penalties
- Roth (after tax) option available in 2015
- LSU researching possibility to allow competition within 457(b) plan



Bright tomorrows begin todaySM



Consultants Hired to Address LSU 403(b) Concerns

- November 2003
 - Gallagher Benefits Services completes preliminary update of their findings on current 403(b) Plan offerings

- August 2005
 - Challenges to the plan are identified and 3 initial goals are established
 - A significant cost savings to plan participants
 - A reduction in the number of and improvement in investment options
 - A significant spike in enrollments in the Plan (increased 15% to 25%)

- Unmet Goals
 - Offerings that inspire employees at all levels to enroll early, save more, invest wisely, and make the most of their retirement savings

Review of Plan Utilization



- Yearly metrics
- Vendor Availability System-wide
- Review of current products being offered (what's better?)
- Education and Tools Available

Investment Return Comparison

Average Total Returns

<u>Name</u>	<u>1 Month(%)</u>	<u>YTD(%)</u>	<u>3 Month(%)</u>	<u>1 Year(%)</u>	<u>3 Year(%)</u>	<u>5 Year(%)</u>
U.S. Equity Fund						
<u>Large Blend</u>	2.70	11.76	2.68	15.85	19.19	14.33
<u>Large Value</u>	2.35	10.93	1.84	14.99	18.78	13.79
<u>Large Growth</u>	2.87	10.77	2.97	15.16	18.89	14.74
<u>Mid-Cap Value</u>	1.85	9.06	0.21	13.15	19.55	15.60
<u>Mid-Cap Blend</u>	2.02	7.59	0.33	11.77	18.47	15.50
<u>Mid-Cap Growth</u>	2.53	6.87	1.28	11.04	16.95	15.46
<u>Small Blend</u>	0.97	2.46	0.14	6.17	17.07	15.22
<u>Small Value</u>	0.54	1.89	-1.35	5.81	17.08	14.47
<u>Small Growth</u>	1.96	1.02	1.85	4.93	16.66	16.17

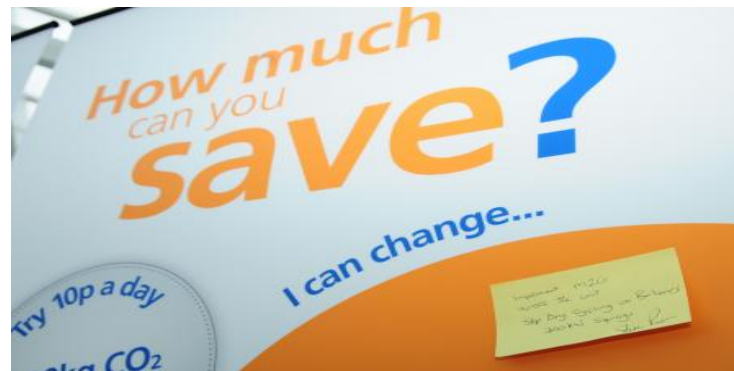


Enrollment Data

<u>Vendor</u>	<u>Participants</u>
DCCL	213
MetLife	58
VALIC	320
VOYA	697
TIAA CREF	323

Ways to Reduce Employee Cost

- Goal – Increased Account Balances
 - ▣ Increase competition
 - Lowered fees and expenses
 - Increased fund diversification
 - Improved quality of funds



403(b) Changes



- Added back to LSU lineup effective September 2014
- Roughly 200 LSU system employees with \$31 million in assets from previous LSU 403(b) plan
- Important player in the retirement industry

403(b) Plan Changes



- New fund lineup introduced

- Higher performing funds

- Administrative Fee reduced from 0.85% to 0.20%

- Average fund expenses remain at 0.89%

- (1.09% total fees and expenses)

403(b) Plan Changes

□ VALIC

▣ New fund lineup effective 1/1/2015

- Improved investment options

- Fees and expenses reduced from 1.10% to 0.72%

- New Qualifying Longevity Annuity Contracts (QLAC) options

 - Allows employees to purchase guaranteed lifetime income stream

403(b) Plan Changes



Financial Services

- Moving to a single-class structure effective 4/24/2015
 - Better align pricing structure based on institutions total assets as of 10/31/2014
 - LSU considered a medium-sized plan; cost will remain about the same
 - CREF will continue to administer plan at cost even for plans that experience increased expenses

Questions?

