



Introduction

The Idaho State Board of Education (ISBOE) is introducing updates to the Optional Retirement 401(a) Plan (ORP), Tax Deferred 403(b) Plan, and 457(b) Deferred Compensation Plan, including lower fees and a streamlined investment menu.

History

The Idaho State Board of Education Retirement Plan Committee (RPC) issued a Request for Quote (RFQ) in the Spring of 2017 for an evaluation of fees charged by ORP vendors (TIAA and AIG) providing service to the base 401(a) and associated 403(b) and 457(b) plans. This evaluation and subsequent fee negotiations have resulted in lower participant fees.

In the fall of 2018, the RPC issued a second RFQ to specifically analyze investment lineups offered by ORP vendors. The resulting analysis identified the following opportunities for plan improvement.

- Additional fee reductions
- Simplification of investment lineups
- Increased diversity of investment managers
- Additional index and mirrored investment options established in order to provide access to lower share classes
- Creation of a brokerage account option which will allow participants to acquire additional investment vehicles that may not be available in the core menu.

The RPC has worked in conjunction with Multnomah Group (external consultant hired through the RFQ process), and TIAA/AIG in order to incorporate the above improvements into retirement plans which will be effective September 26th, 2019. The below tables provide a summary of upcoming changes, and associated key action dates.

An overview of the changes, effective September 26, 2019

What's changing	What's not changing
New investment menus have been created with our providers	The plan design rules remain the same
Brokerage options will now be available through AIG and TIAA, providing thousands of additional mutual fund options	Many of the current investment options at AIG and TIAA will be retained
	You will continue to work with AIG and TIAA providers in the plan

Key dates	
Week of August 5	Change notices distributed to impacted participants

August	Vendor notices distributed to participants
August – September	Information sessions regarding the changes to the retirement plan investment structure. Please visit https://boardofed.idaho.gov/data-research/finance-administration/retirement-plans/ for a list of times and locations by campus.
September 25	Investment transfers to investment products no longer being used will cease
September 26	New investment options available and any mapping of investments from old options to new options will be concluded

Notices

Each participant impacted by the changes highlighted here will receive a notice directly from AIG or TIAA with further details regarding your account access.

New investment options beginning September 26, 2019

All funds, *aside from the brokerage options*, were selected with the help of Multnomah Group, an external firm that specializes in retirement programs, and with the approval of the RPC. These investments will be continually monitored for performance and overall value. If an investment is no longer performing up to established benchmarks and standards, the RPC may decide to replace it. If that happens, we will notify you prior to the change.

The new investment menus offer you several benefits

You will notice substantial similarities between the investment menus at AIG and TIAA. By using the same funds on both platforms, it allows the plan to purchase less expensive institutional shares that may not be available if we utilized different options on the two platforms.

- **Simplified menu and levels** – New investment “levels” provide you with help in making your investment choices. You can select investment products from as many investment levels as you wish.
- **Diversification** – The investments offered on the menu provide an array of investment across multiple asset classes and investment managers
- **Lower fees** – Since index funds are passively managed, their expenses tend to be much lower than other types of funds
- **Brokerage** – These options allow participants the ability to purchase thousands of additional mutual fund investment options for experienced investors

Investment levels

Level 1: Target date retirement funds

Using target date retirement funds, ISBOE provides you with access to diversified portfolios to meet your investment goals within a single fund. If you choose to invest using target date retirement funds, you will be placed into the fund with the year that most closely matches

the year you turn age 65. The investment within the funds automatically adjust to become more conservative as you move closer to retirement.

Level 2: Core array

This tier offers passive – or index – funds, which mimic a particular market index such as the S&P 500. If you’d like to build a portfolio with a focus on diversification and indexing at a lower cost, you can use the funds in this level to accomplish that. You should account for changes to your personal circumstances and adjust your portfolio as you approach retirement.

Level 3: Extended array

The investments in this array provide a wide range of mutual funds, socially responsible investment alternatives, and some guaranteed annuities. Investors who want access to specific asset classes and plan to actively manage their own portfolios may fit into this group. Their array focuses on choice and relies on investors to determine the risk and asset allocation that will meet their goals.

Level 4: Brokerage

This level is for the experienced investor who wants access to thousands of additional mutual fund investment options. These options are not monitored by the ISBOERC and therefore participants are responsible to conduct their own diligence and screening.

The new investment menu for TIAA and AIG is presented beneath. For more information on performance and costs please access your respective vendor account.

[New investment menu, effective September 26, 2019](#)

Tier 1: Vanguard Institutional Target Retirement Series					
Tier 2: Core Array					
Stable Principal	Fixed Income	U.S. Equity		International Equity	Specialty
Vanguard Federal Money Market	Vanguard Total Bond Market Index I	Vanguard Institutional Index I		Vanguard Total International Stock Index I	
		Vanguard Extended Index Market Index I			
		Vanguard Small Cap Value Index Adm	Vanguard Small Cap Growth Index Adm		
Tier 3: Extended Array					
Stable Principal	Fixed Income	U.S. Equity		International Equity	Specialty
TIAA Traditional Benefit Responsive & Non Benefit Responsive (TIAA ONLY)	DFA Inflation Protected Sec I	MFS Value R6	T. Rowe Price Blue Chip Growth I	American Funds EuroPacific Growth R6	Vanguard Real Estate Index I
		American Century Mid Cap Value R6	Carillon Eagle Mid Cap Growth R6		TIAA-CREF Social Choice Bond Instl
Valic Fixed Interest Option (VALIC ONLY)	TIAA-CREF Bond Plus Instl	Nuveen Small Cap Value R6	Conestoga Small Cap Instl	DFA Intl Small Company I	TIAA-CREF Social Choice Equity Instl
Tier 4: Self Directed Brokerage Account or Mutual Fund Window					

The only difference in available investment options will be either TIAA Traditional or Valic Fixed Interest Option based on the provider you select.

Your contributions as of September 26, 2019

The new investment menus will be used for all contributions after September 26, 2019. To see how your future contributions will be invested with each provider based on your current choices with them, please refer to the disclosure letter you will receive in August.

Existing balances may or may not be moved to new investment options as of the effective date. For details regarding asset movement, please consult the disclosure letter you will receive in August. Generally, at both AIG and TIAA money invested in mutual fund custodial accounts will be “mapped” (transferred to a new investment options) on the effective date. Investments that you may have made into variable annuity products are not eligible for mapping by the ISBOE. Those assets would include:

- AIG Portfolio Director Annuity Contracts
- CREF Variable Annuities (Money Market, Bond, Inflation-Linked Bond, Equity Index, Global Equities, Social Choice, Stock)
- TIAA Real Estate

Participants may elect to move money out of these investment options and may wish to meet with counselors from TIAA and AIG to determine whether these products continue to meet their needs considering the new options.

Additional Resources and Information

The Idaho State Board of Education has created a website with a Frequently Asked Question (FAQ) document and to provide updates on the change process. Additionally, there will be both live and recorded communication presentations for your reference. Please see <https://boardofed.idaho.gov/data-research/finance-administration/retirement-plans/> for a list of available education sessions, the FAQ document, and updates on the change process.

To receive help deciding how to build your portfolio with your chosen investment provider(s), please contact the corresponding vendor below.

AIG: 1-503-276-1400

TIAA: 1- 800-842-2252