

Frequently Asked Questions about Changes to the Retirement Program

Table of Contents

The Decision-Making Process

1. Why is SMU making this change?	2
2. What is a retirement plan recordkeeper?	2
3. What was the decision-making process?	2
4. Why will SMU have only one recordkeeper instead of the multiple options currently available? ..	3
5. Why was Diversified selected to be the University's new recordkeeper?	3
6. Were TIAA-CREF, Fidelity or Vanguard considered for the role of SMU's single recordkeeper?	3

Details and Benefits of the Change

7. What improvements can employees expect?	4
8. Will employees be able to invest with TIAA-CREF under the new plan?	4
9. What if I have a loan?	5
10. Will this change affect the contribution the university makes for each of us or the current vesting rules?	5
11. Why are TIAA-CREF investors allowed to leave their funds in TIAA-CREF but investors with Fidelity and Vanguard cannot?	5
12. What are the benefits of a group contract vs. individual contracts?	5
13. How will the transition to Diversified work?	6
14. How will the legal ownership of my plan account change in connection with the transfer to Diversified?	6

The New Fund Lineup and Self-Directed Accounts

15. What can you tell me about the new SMU Retirement Plan fund lineup?	6
16. What if I don't want to invest in the core SMU Retirement Plan fund lineup?	7
17. What fees are associated with a self-directed brokerage account?	8
18. Can you explain the difference between a transaction fee, a load fee, and a redemption fee?	8
19. I want to rebuild my current investment portfolio using a Schwab PCRA. Will my current funds be subject to any new fees under a PCRA?	9
20. How do I contribute to a Charles Schwab Personal Choice Retirement Account® (Tier Three)? May I direct my contributions straight to a Personal Choice Retirement Account®?	9

Where to Go for More Information

21. What guidance services will be available during the transition period?	9
22. Will the onsite Diversified representatives have all of my account information from all the companies I invest in when I meet with them?	10
23. How can I get more information?	10

Frequently Asked Questions about Changes to the Retirement Program

The Decision-Making Process

1. Why is SMU making this change?

After extensive review, SMU determined that the current retirement plan model is underperforming in terms of the investments that can be provided and the services you receive – and that many plan participants were not meeting their retirement savings goals.

Additionally, as a result of recent changes in IRS and Department of Labor regulations, employers will now have additional fiduciary responsibilities for the selection of the plan recordkeepers and the overall operation of the plan.

In order to better serve your retirement planning needs – and to comply with recent regulation changes – SMU is changing from three recordkeepers – Fidelity, TIAA-CREF, and Vanguard – to a single recordkeeper: Diversified.

2. What is a retirement plan recordkeeper?

A retirement plan recordkeeper is responsible for maintaining complete and accurate records of the plan and the accounts of its participants and processing any necessary transactions. Diversified's sole responsibility is recordkeeping.

A recordkeeper like Diversified also provides participants with the means to access their account, whether it is online, over the phone or through their account statement. Diversified will also provide education and support to help you meet your retirement planning goals.

3. What was the decision-making process?

The decision to move to a single recordkeeper involved a comprehensive and thorough process over the past five years. SMU's existing recordkeepers recommended going to a single recordkeeper as the best way to accomplish retirement planning and fiduciary objectives.

The administration worked with faculty/staff committees to examine the concept, and the Retirement Plans Advisory Council (RPAC) unanimously recommended going to a single recordkeeper and to Diversified as the recordkeeper of choice. Subsequently the concept was reviewed by an independent consultant, legal counsel, the President's Executive Council (PEC), and the Board of Trustees.

Frequently Asked Questions about Changes to the Retirement Program

4. Why will SMU have only one recordkeeper instead of the multiple options currently available?

There are several reasons to use a single recordkeeper for the retirement plan:

- Your experience will be streamlined. One recordkeeper means only one website you'll have to visit, one number you'll have to call, and one statement you'll have to review. Think of it as one-stop-shopping for all of your retirement planning needs.
- Consolidated assets allows us to increase our bargaining power and negotiate better terms, including **better services and lower fees**. Our bargaining power would be greatly diminished if we were to fragment these assets by contracting with multiple recordkeepers. This means **most** participants should see a reduction in expense ratios in their mutual funds.
- Working with one recordkeeper means you should see **a reduction in the fees** you pay.
- You will likely do a better job of retirement planning because you will be more focused by a single website that will better facilitate asset allocation and rebalancing decisions.

5. Why was Diversified selected to be the University's new recordkeeper?

- Diversified is a leading provider of educational, administrative and investment services to higher-education institutions and their employees.
- Diversified has been in the retirement plans business for more than 50 years, and it is the only thing they do.
- Diversified has the most user-friendly website and best educational tools.
- Diversified does not manage funds, they only recordkeep them, and therefore there are no built-in conflicts of interest.
- Diversified can offer investment options from all of the major fund families.
- Diversified offers comprehensive planning services to help you reach your goals.
- Diversified will have a local representative onsite at SMU to help you.
- Diversified offers a wide array of financial education seminars.
- Diversified has a strong history and proven implementation record that includes many conversions involving TIAA-CREF, Fidelity, and Vanguard funds.

6. Were TIAA-CREF, Fidelity or Vanguard considered for the role of SMU's single recordkeeper?

Yes. Proposals from other recordkeepers were received, but Diversified's combination of services, expertise, and experience made them the clear choice for SMU's single recordkeeper. They also have no built-in conflict of interest, as noted above.

Frequently Asked Questions about Changes to the Retirement Program

Details and Benefits of the Change

7. What improvements can employees expect?

In addition to the benefits described above, here are just a few of the benefits you will see once the plan moves to Diversified:

- **Reduced costs and fees;**
- A more robust fund lineup that focuses your selection on fewer and better-performing funds;
- A dedicated, full-time onsite representative;
- More opportunities for retirement planning and education;
- Online enrollment and transactions;
- Access to web-based planning tools;
- Simplification of investment selections;
- One statement, one website and one phone number.

8. Will employees be able to invest with TIAA-CREF under the new plan?

TIAA-CREF has worked for SMU for a number of years and can continue to be an important part of your retirement saving strategy. Going forward, the TIAA-CREF options are as follows:

Current Investments: Any investments in mutual funds at TIAA-CREF will transfer to Diversified automatically. You can choose to keep your current annuity investments with TIAA-CREF. If you have money invested in TIAA-CREF annuities and want to transfer those investments to the new fund line-up at Diversified, you can do so, subject to any restrictions that may exist at TIAA-CREF.

Future Contributions: Beginning January 1, 2012, your contributions and SMU matching contributions will be sent to Diversified and can be directed to any options in the new investment lineup, including the TIAA-CREF mutual fund options that are available through a Schwab PCRA (please see question 16 for more information).

Frequently Asked Questions about Changes to the Retirement Program

9. What if I have a loan?

How loans transfer depend on where the loan is currently held:

Fidelity: Your loan will transfer to Diversified automatically, and repayments will continue with Diversified.

TIAA-CREF Mutual Funds: 110% of your remaining loan balance will remain at TIAA-CREF until your loan is repaid in full with TIAA-CREF.

TIAA-CREF Annuities: If you transfer your account to Diversified, 110% of your remaining loan balance will remain at TIAA-CREF until your loan is repaid in full with TIAA-CREF.

10. Will this change affect the contribution the university makes for each of us or the current vesting rules?

No. SMU's current age-based 8%/10% matching contribution will continue, and there are no changes in the vesting rules.

11. Why are TIAA-CREF investors allowed to leave their funds in TIAA-CREF but investors with Fidelity and Vanguard cannot?

Any balances held in mutual funds with TIAA-CREF will automatically transfer during the transition period in January 2012.

Current balances in annuities with TIAA-CREF will not transfer automatically because assets are individual contracts, which do not permit the University to move them to another recordkeeping platform. Fidelity and Vanguard contracts are group contracts, which do allow the University to direct those assets to the new recordkeeping platform automatically.

While participants with existing assets invested in TIAA-CREF annuities can move their funds to the new fund lineup or leave them where they are, all contributions made on or after January 1, 2012 will be sent to Diversified.

12. What are the benefits of a group contract vs. individual contracts?

Group contracts unite the purchasing power of individual participants. When we negotiate as a group, we can drive down costs, reduce or eliminate sales charges and **reduce account fees for all participants**. Given the growing complexities in today's regulatory environment and the burden of compliance, group contracts will allow the University to combine plan assets and **decrease fund fees** and administrative restrictions while increasing choice and resources for participants.

Frequently Asked Questions about Changes to the Retirement Program

13. How will the transition to Diversified work?

Some things that you can expect:

- Existing Fidelity, Vanguard, and TIAA-CREF mutual fund accounts will transfer to Diversified automatically.
- TIAA-CREF annuity accounts will not transfer to Diversified automatically. The annuity accounts can be transferred on an individual basis.
- Starting January 1, 2012, all new and ongoing contributions will be sent to Diversified.
- Prior to January 1, 2012, you can update your contribution amount with Diversified. You'll also be able to decide how you want your new Diversified account to be invested. The new fund lineup will include funds from TIAA-CREF, Fidelity, and Vanguard and several other fund families.

14. How will the legal ownership of my plan account change in connection with the transfer to Diversified?

Your investments under the plan's current group contracts with Fidelity and Vanguard, as well as your mutual fund investments with TIAA-CREF, are legally held and registered in Fidelity's, Vanguard's, and/or TIAA-CREF's name. They hold the plan assets, of course, for your benefit. Thus, Fidelity, Vanguard & TIAA-CREF are the legal / custodial owners of your current mutual fund account balances, and you are the beneficial owner. Fidelity, Vanguard, and TIAA-CREF will transfer legal / custodial ownership of these assets to Diversified in January 2012, who will then hold these assets in its name just as Fidelity, Vanguard, and TIAA-CREF did prior to the transfer. Of course, Diversified will hold these assets for your benefit, and you will remain the beneficial owner, just as before the transfer of plan administration. Thus, the transfer to Diversified will not change the current ownership structure of the plan assets and investments.

The New Fund Lineup and Self-Directed Accounts

15. What can you tell me about the new SMU Retirement Plan fund lineup?

SMU is committed to providing you with a competitive and diverse set of investment options, as well as the resources you need to take control of your financial future. SMU has selected a competitive and diverse set of investment options from major fund families that meet strict performance standards for both long-term and short-term investors. The fund lineup has also been organized into three investment tiers that are designed to meet the varying interests and needs of SMU participants.

Whether you are new to investing, a knowledgeable investor or a very sophisticated investor wanting to manage your own portfolio, the three-tiered investment lineup will help you meet your financial goals. You may invest in any or all of the tiers, transfer existing balances at any time, or change your investment elections for future contributions.

Frequently Asked Questions about Changes to the Retirement Program

Tier One is composed of target date funds. Target date funds are designed for the investor who wants an easy, “do-it-for-me” solution to saving for retirement. These funds provide diversification in a single fund, managed to a specific time horizon—usually a “targeted” retirement date. This type of investment automatically adjusts from aggressive to conservative investments as you near your retirement age.

Tier Two is a carefully reviewed and chosen list of funds from well-known fund families representing the major asset classes. If you’re a knowledgeable investor, you can create your own investment mix with the funds available under the plan. This can be a great way to make sure your investments suit your individual needs—and know you’re doing it with funds chosen for you by SMU with assistance from the SMU Retirement Plan Advisory Council. Be sure, though, to regularly review your portfolio and update it whenever necessary. The funds are managed by their individual fund families, not SMU or Diversified.

Tier Three is a self-directed brokerage account. If you have a sophisticated understanding of investment principles and the stock market, consider this option. A brokerage account allows you to invest your account in an even wider variety of mutual funds than what is offered under the plan. You are solely responsible for managing your brokerage account, so be sure that you have the resources to research and monitor your investments and that you’re comfortable with the additional risk involved. Diversified charges a \$50 annual fee for maintaining a self-directed brokerage account, but this will not be charged to you in 2012.

16. What if I don’t want to invest in the core SMU Retirement Plan fund lineup?

If you are a knowledgeable investor who wants complete control of and responsibility for the investments in your retirement account, consider using Tier Three and opening a self-directed brokerage account. The self-directed brokerage account will be offered through Charles Schwab & Co., Inc. (Member SIPC) and is known as a **Schwab Personal Choice Retirement Account**® (PCRA)¹. SMU is happy to offer this investment option because it will allow investors to build and customize their portfolio using thousands of mutual funds that are not available under the core SMU Retirement Plan fund lineup, either currently or after the move to Diversified.

SMU only monitors the funds in the core SMU Retirement Plan fund lineup. You are solely responsible for managing your self-directed brokerage account. Be sure you are comfortable with the additional risk involved. **Please note** there are fees associated with this option.

For more information, [click here](#). To sign up for a **Schwab PCRA**®, complete the necessary paperwork at a one-on-one meeting in October or November 2011. You can schedule a one-on-one meeting by clicking [here](#).

Frequently Asked Questions about Changes to the Retirement Program

17. What fees are associated with a self-directed brokerage account?

With a **Schwab PCRA**[®], you are able to invest in thousands of mutual funds **with no load or transaction fees**. Many other funds do charge transaction fees. In order to minimize the effect of the transition to Diversified, all **Schwab PCRA**[®] transaction fees will be waived during the first six months of 2012. This means you will not be charged a transaction fee as long as that transaction occurs no later than June 30, 2012.

More information, including [a list of which mutual funds do and do not have fees](#), can be found by [clicking here](#). Be sure to carefully review your options before investing.

Diversified charges an annual fee of \$50, beginning in 2013, to maintain a self-directed brokerage account through Schwab.

18. Can you explain the difference between a transaction fee, a load fee, and a redemption fee?

Here is a brief explanation of the types of fund-related fees that you may pay under Tiers One, Two, and Three of the new SMU Retirement Plan fund lineup. Be sure to carefully research each fund before you invest to ensure you are aware of whatever fees may apply.

Transaction Fees. There are no transaction fees in Tiers One or Two, but there may be transaction fees in Tier Three. Transaction fees are, as the name suggests, charged when a buy/sell transaction is made from a specific fund. As mentioned in Question 16 above, many of the funds available under a Schwab PCRA have a transaction fee – and many do not. However, all PCRA transaction fees charged by Schwab will be waived as long as the transaction occurs no later than June 30, 2012.

Load Fees. There are no load fees associated with Tiers One or Two, but there may be load fees in Tier Three. A load fee can be in the form of a “front-end load” – meaning the fee is charged up front at the time of purchase, or a “back-end load” – meaning the fee is charged when you sell or redeem the shares/units.

Redemption Fees. Redemption fees may apply to a small number of investments in Tiers One, Two, and Three, and you should be aware of this when you make your investments decisions. SMU will absorb the cost of any redemption fees charged on December 30th as a result of the transition to Diversified. A mutual fund redemption fee, also referred to as a “short-term redemption fee,” “market timing fee,” or “short-term trading fee,” is a charge by a mutual fund company to discourage investors from making a short-term, “round-trip” investment (i.e. a purchase, typically a transfer, followed by a sale within a short period of time).

Frequently Asked Questions about Changes to the Retirement Program

19. I want to rebuild my current investment portfolio using a Schwab PCRA. Will my current funds be subject to any new fees under a PCRA?

All Fidelity and Vanguard mutual funds you are invested in today – and many of the TIAA-CREF mutual funds – will each impose a fee for every buy/sell transaction you make. As noted above, however, all transaction fees, including those on Fidelity, Vanguard, and TIAA-CREF mutual funds, will be waived between January 1, 2012 and June 30, 2012.

These transaction fees may impact your decision to continue investing in those funds after June 30, 2012. Please note that a self-directed brokerage account offers you a greater amount of investment flexibility than was previously available. With a self-directed brokerage account, you can choose from a wider variety of funds, many without any transaction fee or load, and many of which may have lower fees than your current investments.

[Click here](#) for more information on the mutual funds available under a PCRA, including any fees that may be applicable.

20. How do I contribute to a Charles Schwab Personal Choice Retirement Account® (Tier Three)? May I direct my contributions straight to a Personal Choice Retirement Account®?

You may invest in **Personal Choice Retirement Account®** by one of two ways:

- You may direct a portion – or all – of your future contributions straight to a **Schwab PCRA®**.
- You may also transfer existing assets from funds you hold in Tier One or Tier Two.

Where to Go for More Information

21. What guidance services will be available during the transition period?

- Every employee will be given the opportunity to schedule a confidential, individual meeting with a Diversified representative².
- The meetings will be conveniently located on campus with various times available.

You can sign up for a one-on-one meeting by clicking [here](#). Your spouse, partner, or financial planner are also welcome to join you during your one-on-one appointment.

Frequently Asked Questions about Changes to the Retirement Program

22. Will the onsite Diversified representatives have all of my account information from all the companies I invest in when I meet with them?

No.

- The Diversified representatives will be familiar with the investments in the SMU program and can assist you with selecting funds from the new lineup.
- They will not have access to your personal account information and balances at TIAA-CREF, Fidelity, and Vanguard.
- Please bring statements from all your retirement accounts – both in the SMU Retirement Plan and outside – if you would like to review them with the Diversified representative during this meeting. Your spouse, partner, or financial planner are also welcome to attend.

23. How can I get more information?

SMU and Diversified will both communicate with you on an ongoing basis.

- You have access to a website with information about the transition and retirement planning in general at smu.divinvest.com.
- The website is your first stop for more information about the transition to Diversified.
- Starting in January 2012, you'll also be able to use the website to access your new Diversified account.

Please send any questions to benefitsu@smu.edu or call Diversified at **888-676-5512**. Please keep in mind that Diversified's representatives will not have specific information regarding your account at this time and can only answer general transition questions.

¹ *Schwab Personal Choice Retirement Account® (PCRA) is not a fund but rather a participant self-directed brokerage account maintained at Charles Schwab & Co., Inc. Participants must individually apply for PCRA and are solely responsible for their fund selections made under the PCRA. Commissions and transaction fees may apply to fund trades placed outside of the Schwab Mutual Fund OneSource® program or trades on other investment vehicles available through Schwab. An annual fee of \$50 will be applied by Diversified if you invest in the Schwab PCRA. Securities purchased through the PCRA are available through Charles Schwab & Co. Inc., (Member SIPC). Charles Schwab & Co., Inc. is not affiliated with Diversified.*

² *The role of the onsite representative is to assist you with your savings and investment plan. There are no fees or commissions for meeting with your onsite representative. Onsite representatives are registered representatives with Diversified Investors Securities Corp., (DISC), 440 Mamaroneck Avenue, Harrison, NY 10528. Diversified and DISC are affiliated companies, but are not affiliated with Southern Methodist University.*