Dear Colleagues,

As we have conducted information sessions over the last two weeks, we thought it would be helpful to provide information to answer the most frequent questions we received. You can find additional information in the frequently asked questions on the Retirement Transition website.

**JPMorgan Target Date Funds**

Target date funds offer a one-fund solution for investors who want a mutual fund that provides diversification while adjusting over time to reduce risk closer to retirement. Behind this simplicity is a glide path which is unique to each target date fund that maps out how that fund adjusts its investments over time as part of its investment strategy.

The target date funds that will be available after the transition were chosen by the Retirement Plan Governance Committee (RPGC) which serves as the fiduciary for the Plan. In this role, the RPGC took a broader perspective on the University’s retirement plans and considered the performance and benefits of particular investments in addition to the cost. The target date funds in the new investment lineup were carefully researched by the Office of Investments and Banking to ensure their performance and approach are sound.

University participants are financially savvy and a few have asked why the new target date funds have slightly higher fees than the Vanguard target date funds currently available in some plans. Currently, Vanguard fees are around 0.07%-0.09% and JPMorgan are 0.23%-0.27%. Both Vanguard and JPMorgan target date funds have fees that rank in the top 25% of institutional target date and both institutions’ fees are well below the median of 0.49% for similar funds.

While fees are important, the RPGC carefully considered more factors and benefits in choosing the target date funds as part of its fiduciary role. In the end, the RPGC decided that the JPMorgan funds provide the most favorable option for University participants. The key reasons are:

- **Better Aligned with University Faculty and Staff Needs.** The RPGC compared the glide paths of many funds to savings levels for faculty and staff,
anticipated retirement income levels, withdrawal patterns, and retirement age trends. The glide paths for JPMorgan target date funds were a better match for University of Minnesota participants before, at, and during retirement. One example of this fit is JPMorgan’s management approach regarding risks such as inflation and market volatility.

- **Diversification of Asset Classes.** JPMorgan’s strategy is more diversified in its asset class and sub-asset class structure, something the RPGC believed was an important characteristic of a successful, long-term focused investment strategy.

- **Strong Track Record.** JPMorgan’s strategy has a strong performance track record both on its own and when compared to similar funds over time based on the net return minus fees.

- **Top 25% for Low Fees.** JPMorgan’s strategy makes it among the top quartile for low fees when compared to institutionally priced target date funds. Its use of primarily passive funds helps keep costs down.

- **University Fund Lineup Diversification.** The new retirement investment options will have two tiers: target date funds and the core investment lineup. By offering JPMorgan target date funds, the University can provide a more diversified fund lineup overall because the core investment lineup has seven Vanguard funds. Many of these same Vanguard funds are the building blocks for Vanguard’s target date offering.

- **Continued Access Through the Brokerage Window.** Participants who are still interested in investing in the Vanguard target date fund suite will have the option to invest in them through BrokerageLink®.

**Socially Responsible Investing Options**

The Core Investment Lineup will include two funds—Calvert U.S. Large-Cap Responsible Index Fund R6 and Calvert Bond Fund R6—for those looking for socially-conscious options.

While the terms “socially responsible investing” and “Environment, Social, and Corporate Governance (ESG)” investing both focus on the social impact of mutual funds, they approach the issue in two different ways. Socially responsible investing focuses on excluding particular industries from the mutual fund lineup. Sustainable investing considers three factors that impact the overall viability of a business from a socially conscious perspective:

- Environment: climate change, carbon emissions, air/water pollution, energy efficiency
- Social Issues: labor standards, supply chain management, health and safety, gender diversity
- Governance: Board and executive compensation, lobbying, business ethics, political contributions

**Roth and Rollover Options in the Optional Retirement**
Plan

Two exciting options will be added to the ORP starting April 1, 2020—a Roth contribution option and rollovers from qualifying accounts.

Roth 403(b) Option

In addition to the traditional pre-tax contribution option within the ORP, you will have an after-tax Roth option after the transition. A Roth contribution option allows you to make after-tax contributions to the ORP while taking your earnings tax-free at retirement as long as the withdrawal is a qualified one.

Rollovers Welcome Starting April 1, 2020

Starting in April, you will be able to roll over eligible pretax and Roth contributions from a former workplace savings plan account or an IRA. Call Fidelity at 800-343-0860 for more information or for assistance with a rollover.

Fidelity Brokerage Link®

We have had questions about transferring funds during the Early Choice period through the BrokerageLink® brokerage window. Due to several factors, it’s not possible to transfer funds directly to the brokerage window until after the blackout period.

Once the plans are live on Fidelity’s platform in mid-April, you will be able to use the brokerage window option. You may receive further information regarding funds available through BrokerageLink® by calling 800-343-0860.

Thank you,

Krisann McMahon
Retirement Programs Manager

This email was sent to all University employees eligible for the Faculty Retirement Plan, Optional Retirement Plan, or 457 Deferred Compensation Plan on behalf of Total Compensation within the Office of Human Resources on February 12, 2020, by the Office of Human Resources, 100 Donhowe Building, 319 15th Ave SE, Minneapolis, MN, 55455, USA. Read our privacy statement.