MME WINTER INSTITUTE 2018
REDEFINING THE FUTURE RETIREMENT READINESS CHALLENGE FOR EMPLOYERS AND YOUR EMPLOYEES
Realize Retirement®
Building Better Outcomes

ENGAGE

BUILD

REALIZE
over 1.3 MILLION public sector accounts

$52.9 BILLION in public sector assets

over 9,600 employer plans nationally including over 750* in Michigan public sector plans

THE INTERSECTION
of agreement between employers and employees with the future retirement readiness challenge

- The importance of technology, automation, and education for new generations of employees
- A modern plan design which maximize the employee benefit in a variety of areas
- Effective training, retention and recruitment in the age of mobility and portability
- Future economic viability with shared sacrifice
Pension and Healthcare liabilities will continue to increase over time leading to further declines in the viability of DB plans.

Effective wellness education

Addressing generational equity

Plan Design

Keeping people engaged. A mobile workforce in the age of job hopping.
RETIREE MEDICAL EXPENSES
THE PROTECTING LOCAL GOVERNMENT RETIREMENT AND BENEFITS ACT
(DECEMBER 2017)

- Partially addresses OPEB concerns originally recommended in Retirement Reform for Local Government Task Force (7/17)
- Requires local government units to pay the normal costs (prefund instead of pay-as-you go) for employees hired after June 30, 2018, as well as retiree premiums due
- State treasurer determines under funding status
- Requires local units to submit annual retiree health care reports
- Creates Municipal Stability Board which will monitor compliance and take corrective action plans
- **IMPACT:** Begins to address underfunding. However, OPEB liabilities will continue to grow.
EXAMPLE OF BALANCE SHEET IMPACT
(10 YEAR PROJECTION)
ADDITIONAL BENEFITS OF OPEB FUNDING

- **INTERGENERATIONAL TAX EQUITY** – current taxpayers pay for current services

- **ENHANCED RETIREMENT SECURITY FOR EMPLOYEES** – OPEB generally viewed as “less protected” than pensions

- **MORE VALUABLE TO LOWER-PAID EMPLOYEES**
  OPEB benefits are generally not salary related
CLOSING THOUGHTS
FULL VS. PARTIAL VS. PAYGO CONSIDERATIONS

- Volatility is inescapable
  - **FUNDED:** capital market volatility, assets reported at market value (no smoothing)
  - **UNFUNDED:** changes in municipal bond index

- Ultimate long-term cost of plan
  - Investment earnings approximately 61% of all public pension revenues\(^1\)
  - PayGo costs will ultimately exceed funded costs

- Balance sheet impact

- Intergenerational equity

- Securing the benefit

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\(^{1}\) National Association of State Retirement Administrators, July 19, 2017
ICMA-RC RETIREE HEALTH CARE SOLUTIONS

PRE-FUNDED OPEB TRUST

EMPLOYER INVESTMENT PROGRAM (EIP)

HYBRID, PAIRED SOLUTIONS

DEFINED CONTRIBUTION SAVINGS VEHICLE

RETIREMENT HEALTH SAVINGS ACCOUNTS (RHS)
OR
401(H) RETIREE HEALTH ACCOUNTS
## PLAN DESIGN CONSIDERATIONS

### WHAT'S THE DIFFERENCE?

#### 457 Deferred Compensation vs. 401 Money Purchase Plans

<table>
<thead>
<tr>
<th></th>
<th>457 Deferred Compensation Plans</th>
<th>401(a) Money Purchase Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ELIGIBILITY</strong></td>
<td>Any employee; and any independent contractor who has been designated by the employer as eligible.</td>
<td>Eligible employee groups are specified by the employer in the plan’s adoption agreement.</td>
</tr>
<tr>
<td><strong>CONTRIBUTIONS</strong></td>
<td><strong>Normal Limit:</strong> $18,500&lt;br&gt;Catch-Up Age 50: $6,000 ($24,500 total) or&lt;br&gt;Pre-Retirement: $18,500 ($37,000 total). May be made during each of the three years prior to normal retirement age based on the extent to which maximum contributions were not made in previous years. Note: the “Age 50” and “Pre-Retirement” provisions may not both be used in the same calendar year.&lt;br&gt;Apply to the combination of pre-tax and Roth contributions, and employer and employee contributions.&lt;br&gt;Contributions do not impact 457 plan limits.</td>
<td><strong>Normal Limit:</strong> $5,500&lt;br&gt;Catch-Up Age 50: N/A or&lt;br&gt;Pre-Retirement: N/A&lt;br&gt;Apply to the combination of employer and employee contributions.&lt;br&gt;Contributions do not impact 401(a) plan limits.</td>
</tr>
</tbody>
</table>
**ROTH CONTRIBUTIONS 2018**

**MAXIMUM CONTRIBUTION (2018)**

**CONTRIBUTIONS REDUCE TAXABLE INCOME?**

<table>
<thead>
<tr>
<th>457</th>
<th>ROTH IRA</th>
</tr>
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<tbody>
<tr>
<td><strong>PRE-TAX</strong></td>
<td><strong>ROTH</strong></td>
</tr>
<tr>
<td>$18,500*</td>
<td>$5,500</td>
</tr>
<tr>
<td>Age 50 Catch-Up:</td>
<td>Age 50 Catch-Up:</td>
</tr>
<tr>
<td>+$6,000 ($24,500)</td>
<td>+$1,000 ($6,500)</td>
</tr>
<tr>
<td><strong>OR</strong></td>
<td></td>
</tr>
<tr>
<td>Pre-Retirement Catch-Up:</td>
<td></td>
</tr>
<tr>
<td>+$18,500 ($37,000)</td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

* “Normal retirement age,” as defined in the plan and based on extent to which maximum contributions not made in previous years. The two catch-up provisions cannot be combined in the same plan year.
INCOME SOLUTIONS THAT FIT ALL NEEDS

- Systematic Withdrawals
- Managed Payout Solutions
- In-Retirement Managed Accounts
- Lifetime Income (GMWB)
- Longevity Insurance
- Traditional Annuities

FLEXIBILITY NON-INSURED
- Control Flexibility

STABILITY INSURED
- Stability Predictability
- Certainty
- Guaranteed

ICMARC
BUILDING PUBLIC SECTOR
RETIREMENT SECURITY
THE RISE OF AUTOMATED PLAN FEATURES

1. ENROLL employees in plan
2. Increase CONTRIBUTIONS each year
3. REBALANCE investments
4. RE-ENROLL those who opt out

AUTOMATICALLY

ALLOW OPT OUT ANY TIME
AUTO BENEFITS

1. Can sharply **BOOST ENROLLMENTS**, few opt out

2. Enrollees more likely to keep **PARTICIPATING**...

3. And be **PROPERLY INVESTED**

4. You and provider can better focus on **IMPROVING OUTCOMES**
FUTURE CHALLENGES FOR LOCAL AND STATE GOVERNMENTS WITH AUTO FEATURES

- Employment contracts, state payroll statutes that PROHIBIT IT
- PREVALENCE of defined benefit pensions, mandatory contributions
- Employee fears of REDUCED PENSION benefits
OPEN ARCHITECTURE

Flexible investment platform

Access to over 120 fund families representing over 15,000 funds

Ability to use any manager that trades via NSCC or will meet our daily trading operational guidelines
HIGH TOUCH FIDUCIARY SUPPORT

STRATEGIC PLAN

Plan Name:

UNIQ-RX is dedicated to partnering with you to develop strategic plans to meet the financial wellness needs of your employees and address your strategic plan goals. We work with you to develop this Strategic Plan as a customized solution that will allow you to: 1) present the specific benefits most relevant to the needs of your plan and employees; and 2) define the education and communication strategies with those needs in mind.

As part of our commitment to the success of your plan, UNIQ-RX will work closely with you to develop, negotiate, and implement a comprehensive strategy that educates and communicates your plan to employees about how it will benefit them, as well as the broader financial landscape.

Your employees have a diverse set of financial needs and communication preferences. With this in mind, we provide education through a menu of flexible options that are personalized for employees with different stages in their financial and retirement lives.
CONTINUED IMPORTANCE OF HIGH TOUCH APPROACH

What are the best methods you’ve found to communicate with participants?

PUBLIC SECTOR EMPLOYEES
Top Participant Occupations

1. Police
2. Fire
3. Accountant
4. Bus Operator
5. Water Utility
6. Electric Utility
7. Corrections
8. HR
9. Dispatcher
10. Administrative
11. Mechanic
12. Public Works
13. City Manager
14. Custodian
15. Waste Management

Source: ICMA-RC Participant Database, June 2015
PLAN SPONSOR INITIATED WELLNESS PROGRAMS
PLAN SPONSORS PLAY A CRITICAL ROLE IN CURRICULUM SUCCESS…
FINANCIAL PLANNING BRINGS IT ALL TOGETHER

TRUE FINANCIAL WELLNESS

Savings | Investments | Taxes | Insurance | Estate Planning
MANY EMPLOYEES WANT IT

If financial planning programs are offered.

51% of employees will be more likely to accept a job with a new employer.

53% of employees will be more loyal to their current employer.

THE EMPLOYEE CHALLENGES

Do it for me (auto enrollment, auto escalation, auto diversification)

Mobile and push technology

Holistic understanding of how all benefits tie together

Running the numbers
RESEARCH
Past 30 months

KEY FINDINGS

- Do it for me
- Personalize it
- Keep it simple
- Engage me
- Mobile – Mobile – Mobile
- Compare/Show me how am I doing
- Rep is critical
RETIREMENT READINESS: GUIDED PATHWAYS®

Three levels of service designed to help participants plan for meeting their retirement goals through savings, investment and retirement date recommendations

<table>
<thead>
<tr>
<th>ASSET CLASS GUIDANCE</th>
<th>FUND ADVICE</th>
<th>MANAGED ACCOUNTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop retirement savings plan</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Determine asset class allocation</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Select appropriate funds</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Monitor fund performance</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Manage my portfolio on an ongoing basis</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

- No charge
- $20 annual fee**
- Asset-based fee*

* Investment and plan administration costs apply to underlying funds
** Waived for Premier Services members
For MILLENIALS, Youtube is “the television experience for the digital age.”

– Omid Kordestani, Google’s Chief Business Officer
MOBILE ENROLLMENTS

THANK YOU!