Introducing the New York State Voluntary Defined Contribution Program

The new retirement option for New York State employees

A presentation for human resources and payroll professionals

Welcome

Today’s presenters

David M. Morrell
Director of University Benefits
The State University of New York (SUNY)

Helen O’Brien
Sr. Client Services Consultant
TIAA-CREF
Why are we hosting these workshops?

- New York State introduced a new retirement program on July 1, 2013 for certain New York State employees.
- You must understand the program and make it available to all new qualifying employees.
- Work is required by you to get your agency up and running (onboarded).
- You have new responsibilities as an employer.
- We want to make the onboarding process as smooth as possible.

Today's agenda

1. National retirement plan trends (a high-level overview)
2. Program history
3. What is the Voluntary Defined Contribution Program?
4. About TIAA-CREF
5. Services for employees
6. Services for administrators (onboarding and ongoing)
7. What's on your mind Q & A
National retirement plan trends

- Increased oversight
- Greater transparency
- Efforts to lower the cost of operating retirement plans
- Make investing simple – too many choices can tend to lower participation rates
- Need for employees to share the responsibility of saving for retirement
A mandate

- Signed into law on March 16, 2012
- It is a mandate and effective July 1, 2013
- Program is called the Voluntary Defined Contribution Program
- Plan Sponsor: The State University of New York (SUNY)
- Employees will be participating in SUNY Optional Retirement Plan
- Plan recordkeeper: TIAA-CREF
- Investment providers: Employees have the option of selecting
  - TIAA-CREF
  - ING
  - VALIC
  - MetLife

The SUNY Optional Retirement Plan

- Established in 1964 as an alternative to the New York State Employees’ Retirement System (ERS) and the New York State Teachers’ Retirement System (TRS).
- The SUNY ORP is one of the largest defined contribution public retirement plan in the country.
  - Over 50,000 participants
  - More than $15 billion in assets under management.¹

¹ As of December 2012
Who’s eligible?

- State employees who earn $75,000+
- Unrepresented by a union
- Hired on or after July 1, 2013

New York public agencies are required by law to communicate this program to all employees who meet the above requirements so they can make an informed decision.

When does it start?

July 1, 2013
A new retirement plan choice

A new retirement plan option
• An alternative to the current Defined Benefit (DB) plan
• Must be offered to each eligible employee
• Employee must choose between the DB plan and the VDC
• Decision must be made within 30 days of hire date

What makes the VDC Program a good choice for your agency?

• Flexible
• May help attract, retain employees with alternative choice
• Better manage plan cost
• Employees take an active role in managing their retirement plan
About TIAA-CREF

• With SUNY for almost 50 years
• Headquartered in New York City
• A Fortune 100 financial services company
• $542 billion in combined assets*
• Serving 3.9 million clients in institutional retirement plans
• 15,000 institutions
• TIAA, the insurance company, has the highest ratings for stability, claims-paying ability and overall financial strength†
• Specializes in serving the academic, medical, cultural, governmental and research fields

* As of 9/30/2013
† For its stability, claims-paying ability and overall financial strength, TIAA currently holds the highest in the United States currently awarded from the four leading insurance company rating agencies: A.M. Best (A++ as of 6/13), Fitch (AAA as of 6/13), Moody’s Investors Service (Aaa as of 6/13) and Standard & Poor’s (AA+ as of 6/13). Per S&P criteria, the downgrade of U.S. long-term government debt limits the highest rating of U.S. insurers to AA+ (the second-highest rating available). There is no guarantee that current ratings will be maintained. Ratings represent a company’s ability to meet policyholders’ obligations and do not apply to variable annuities, mutual funds or any other product or service not fully backed by TIAA’s claims-paying ability.
About TIAA-CREF

- Recordkeeper and program service provider
- Central point of contact
- Operate the recordkeeping system
- Help you onboard your agency
- Day-to-day operations contact
- Coordinate data transition and transmissions (including to all investment providers)
- Manage the employee enrollment
- Provide information and guidance to employees to help them enroll and understand the program

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What is the Voluntary Defined Contribution Program?

1. Benefits may be derived from
   • Employer contributions
   • Employee contributions
   • Any investment earnings

2. Tax deferred

3. Participant-directed investments

What is the Voluntary Defined Contribution Program? (continued)

4. Vesting
   • Employee contributions always fully vested
   • Employer contributions vest after 366 days
   • Vesting immediate if employee has vested employer-funded retirement contracts through approved vendors from previous employment
   • Participant not entitled to nonvested employer balances
   • During the vesting period, funds held in escrow
   • Once vested, the agency adds 4% simple interest. Refer to Education Law Article 8-B section 392 for guidance on crediting interest rate
   • Determination of vesting status depends on history, validation
What is the Voluntary Defined Contribution Program? (continued)

5. It’s portable upon vesting
   • Take it from job to job
   • Can accrue earnings even after worker leaves Program
   • Vested account belongs to the employee, not the state

6. Control
   • It lets your employees take an active role in their retirement
     − Select investment options
     − Allocate among approved investment providers
     − Design payment stream
     − Access to professional guidance and advice
     − Design a retirement plan that can meet personal objectives
What is the Voluntary Defined Contribution Program? (continued)

Contributions

- The state contributes 8%
- Employee contribution rate is based on gross salary (wages):
  
<table>
<thead>
<tr>
<th>Wages</th>
<th>Contribution Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$75,000.01 and 100,000.00</td>
<td>5.75%</td>
</tr>
<tr>
<td>$75,000</td>
<td>4.5%</td>
</tr>
<tr>
<td>$100,000.01 and greater</td>
<td>6%</td>
</tr>
</tbody>
</table>

These are subject to change by legislation passed by New York State.

Plan distribution options

- Loans
- Survivor benefit options benefits
- Single and joint lifetime retirement income
- Systematic and/or lump-sum withdrawals
- Minimum distribution payments
- Interest payments
- Rollovers
- Employees are not required to make a distribution decision upon separation of service, they may leave funds on deposit to continue to accrue earnings

1For more information on the plan rules and vendor options, visit [www.vdc.ny.gov](http://www.vdc.ny.gov).
## Defined benefit vs. Defined contribution: A comparison

<table>
<thead>
<tr>
<th>Feature</th>
<th>Defined Benefit</th>
<th>VDC Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vesting</td>
<td>10 years.</td>
<td>Shorter vesting. After 360 days of employment.</td>
</tr>
<tr>
<td>Portability</td>
<td>If employee leaves before reaching the 10-year vesting period, employee contributions are refunded — employer contributions will be forfeited.</td>
<td>Portable. Employee contributions are always the assets of the employee. Employer contributions plus applicable earnings are the employee’s to keep after 360 days regardless of where their career takes them.</td>
</tr>
<tr>
<td>Control</td>
<td>Funds are managed for the employee to help meet current and future liabilities.</td>
<td>Employees have the flexibility to manage the investment of their funds based on the investment options available in the Program.</td>
</tr>
<tr>
<td>Expected income</td>
<td>Income is determined by a formula and depends on length of service, earnings, tier and age. The employee will receive a fixed monthly payment with annual cost-of-living adjustments.</td>
<td>Employee’s income is determined by the account balance — the employee has the opportunity for higher or lower retirement income based on investment decisions and the performance of the underlying investment options which include securities. The retirement income benefit will depend on several factors including salary, duration of contributions, investment earnings and age at retirement. Income is not guaranteed.</td>
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## A closer look at eligibility

<table>
<thead>
<tr>
<th>Eligibility</th>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definition</td>
<td>What are the basic criteria for eligibility?</td>
<td>An employee hired 7/1/13 or later who will earn at an annual rate of at least $75,000 and is unrepresented (not associated with a union), and whose immediately preceding employment was not with another New York State department, division, etc.</td>
</tr>
<tr>
<td>Determination</td>
<td>Who determines eligibility?</td>
<td>The agency determines eligibility (including vesting) based on the rules of the program and the information provided within retirement program history (within Retirement Program Election System).</td>
</tr>
<tr>
<td>ERS/TRS/BERS/ PFRS Program participant moves to a NYS agency</td>
<td>Is a member from a local municipality who transfers to a State Agency eligible to join the VDC?</td>
<td>Yes, as long as the immediate prior employment was not with a State Agency – the employee is able to join (assuming they meet requirements). However, if an employee goes from one State Agency to another State Agency, they are not eligible for VDC. If they move from a non-state, local municipality to another, they are not eligible.</td>
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A closer look at eligibility

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<td>Temporary employee hired</td>
<td>Will temporary employees hired before 7/1/13 who chose not to participate in the DB plan, be qualified to participate in the VDC on or after 7/1/13?</td>
<td>No. Legislation says hired ON or AFTER July 1, 2013. Moving from a part-time to a full-time position does not change the original hire date.</td>
</tr>
<tr>
<td>Unrepresented to represented</td>
<td>What about employees who move from unrepresented to a represented position?</td>
<td>Yes. If an unrepresented employee is in the VDC, and then moves to a represented position, he or she would be allowed to remain in VDC (because the employee had elected to be in the program). Once in the program, the employee can’t be forced out of the program. An employee cannot change programs during employment.</td>
</tr>
<tr>
<td>Existing employee prior to 7/1/2013</td>
<td>Is a current Tier 6 employee whose salary is greater than $75,000 able to participate in VDC on July 1, 2013?</td>
<td>No. To be eligible, the employee must have a qualifying change (e.g., moving from one ineligible position to an eligible position), and the employee has a one-time opportunity to change. Only employees hired on or after 7/1/2013 who have a subsequent status change would be eligible to switch to the VDC.</td>
</tr>
<tr>
<td>Qualifying employment change</td>
<td>If an employee has a qualifying change (e.g., moving from an ineligible position to an unrepresented one earning at the annual rate of at least $75,000), will the employee have a one-time opportunity to change?</td>
<td>It depends. The legislation is intended for newly hired on/after July 1, 2013. So, an existing employee, hired prior to July 1, 2013, is not eligible — unless there is a qualifying change or the individual leaves employment and returns. Otherwise an employee has to maintain your membership with DB plan; you do not have the option to switch.</td>
</tr>
</tbody>
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Your role and your resources

What’s your role?

As a payroll or human resources manager, you are considered a VDC program administrator. Your duties include:

• Determining eligibility
• Communicating the program to new employees
• Enrolling new employees
• Approving or declining participation in the program
• Remitting contribution data and funding
• Reporting
• Determining vesting
• Updating terminations
• Answering payroll-related questions
• Managing and processing escrow monies (unless centrally managed by OPA or OSC)
Telephone center

A dedicated New York State Voluntary Defined Contribution Program Telephone Center for Program Administrators of NY Public Agencies

If you have any questions, please call 888 984-0010. Hours of operation: 8 a.m. – 6 p.m. (ET) Monday–Friday

Program information

Find information at www.vdc.ny.gov:
• Background
• Plan description
• Implementation
• Enrollment & administration
• Contacts

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Implementation Resource Center


A convenient program administrator website

• Approve and decline new enrollments
• Employment status updates
• View contribution history
• Remittance file upload via File Exchange
• Reporting
• Demo available
• Must complete a program administrator website access form
The enrollment process

Provide the Enrollment Guide to qualifying employee

Enrollment Guide available in soft copy or hard copy
Provide the How To Enrollment Card to qualifying employee

The “How To Enroll Card” will provide employee with the Agency enrollment name to use with the online enrollment system.

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Enrollment steps for the new hire

1. VDC eligible EE directed to NYS VDC web page; clicks Enroll Online.
2. EE asked to select location.
3. Employee registers for Retirement@Work, not VDC.
4. Navigated to retirement management site.
5. EE fills in history information.
6. EE asked to continue with enrollment process.
7. EE asked to select location again.
8. Employee asks to select location again.
9. Employee provides phone number, title and retirement history.
10. Employee makes vendor election in Retirement@Work.
11. EE notified by each investment provider of successful enrollment.

NYS Administrator steps in the process

1. Hire NYS agency employee.
2. Identify new hire as VDC eligible.
3. Provide Enrollment Guide to direct employees to VDC website to enroll.
4. Employee enrolls in the VDC Program.
5. Receive email for pending enrollment requests.
6. Access Administrator web center.
7. View pending enrollment requests.
8. Approve/Decline enrollment requests.
9. Communicate the VDC Program participants to TIAA-CREF.
10. Send remittance file.

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Your next steps

The get-started checklist

OSC Supported Agencies

TIAA-CREF will assist you with the following onboarding activities.

1. Complete the program administrator website access form
2. Prepare to communicate to eligible new employees
Agency Actions for OSC Supported Agencies


To initiate enrollment into PayServ, refer to Payroll Bulletin # 1256 issued by the NY State Office of the State Comptroller, Bureau of State Payroll Services on June 21, 2013 pages 2 and 3.

Call today to get started

• To help you get ready, contact TIAA-CREF

888 984-0010
8 a.m. – 6 p.m. Monday – Friday
What’s on your mind Q&A

You should consider the investment objectives, risks, charges and expenses carefully before investing. Go to www.tiaa-cref.org/prospectuses for product and fund prospectuses that contain this and other information. Please read the prospectuses carefully before investing.

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