TIAA

Price check

Factors to consider for effective fee management

BUILT TO PERFORM.
CREATED TO SERVE.

Pay only reasonable plan expenses

This simple statement reflects one of your core and most complex responsibilities as a plan fiduciary. How do you know if the fees are reasonable? It starts by understanding the connections between plan services, price, participants and outcomes.

This guide is designed to help you make these connections. It provides an overview of the key issues that impact fee management as well as TIAA's pricing capabilities to help you:

- Understand how plan services and design affect pricing
- Determine the most effective and equitable way to pay your plan's price
- Evaluate your price relative to the plan services being provided

Please note the TIAA group of companies does not provide legal or tax advice. Please consult your legal or tax advisor.

Variety of pricing factors

When it comes to retirement plans, it's all about choice. And the choices you make impact the price you pay. Things that influence a plan's price include:

- The market for comparable retirement services
- Plan design
- Number of employees and locations
- Administrative services
- Participant services

For example, a plan with multiple locations or a more complex plan design, such as unlimited loans or manual enrollment process, will generally have a higher price because it costs more to service it effectively. Our pricing approach is designed to provide a price that reflects your unique needs.

Three types of fees

Because of the many pricing variables, you may want to break down your fees into the following categories to understand what services are included and their related cost drivers.

Administrative services	Individual services	Investment services
Services necessary to keep the plan running Examples: ▪ Recordkeeping ▪ Legal and trustee services ▪ Website ▪ Customer service phone center ▪ Participant communications	Specific services and transactions used by employees Examples: ▪ Loans ▪ Wire transfers ▪ Individual advice and counseling	Services necessary to manage your plan's investment options Examples: ▪ Expense ratios ▪ Vary by type of investment, investment manager and the level of plan assets

Flexible payment methods

Once you've negotiated your administrative and recordkeeping fee, the next step is to decide how you will cover the cost (fee structure). When it comes to choosing a fee structure, there's no one-size-fits-all. The payment option or combination of options used varies based on an institution's objectives. You can use one or more of the following to pay your administrative and recordkeeping fees:

- Revenue generated from your plan's investment options (also known as plan services expense or revenue sharing)
- Plan participant fees
- Direct payments from you as the plan sponsor

The goal is to select a fee structure that not only covers your costs, but is also effective and equitable.

Evaluating the effectiveness of a fee structure

As you evaluate or re-evaluate your fee structure, it can be helpful to align with three main goals. Answering the following questions can help you determine whether or not your structure is right for your plan—or if changes may be needed.

Cover plan costs	Simple to administer and understand	Fair and equitable
▪ What costs and services should participant fees cover? ▪ How should a revenue shortfall be handled? ▪ Do you need additional money to cover fees? (Would your plan benefit from adopting a Revenue Credit Account?)	▪ How will fee leveling work with existing or new investment options? ▪ Do assets in individual annuity contracts need to be considered? ▪ How should small sum balances be handled? ▪ What are the administrative capabilities for collecting fees from participants? ▪ Is the structure you're considering easy to understand and document? (Information about how fees cover plan costs should be clear, readily available and simple to find.)	▪ Is there an existing or proposed philosophy on how fees should be assessed? (How are fees charged for other benefits, such as health insurance?)

Balancing effectiveness with fairness

If you decide to assess participant fees to cover all or some of your plan's costs, it's important to make sure that the fees don't place an unfair burden on some employees over others simply because of the investments they use or their account balance.

There are ways you can allocate administrative and recordkeeping fees to participants.

Pro rata	Per capita
Asset-based fees charged as a percentage of assets	Fixed-dollar amount charged per participant

Selecting the most equitable way to assess participant fees using one of these options requires careful consideration. What may seem like a fair approach for all may benefit some employees over others. The comparison below may help you visualize the potential impact of using each option. You'll need to define the level of fee sharing that is acceptable for your plan. Also, be sure to document the process you used to make your decision so you can show you acted prudently.

Comparing participant fee options

Pro rata			Per capita	
Amount paid	of account balance		Amount paid	of account balance
$10	.10%	John, early career Account balance **$10,000**	$120	1.20%
$100	.10%	Sue, mid career Account balance **$100,000**	$120	.12%
$250	.10%	Mary, late career Account balance **$250,000**	$120	.05%

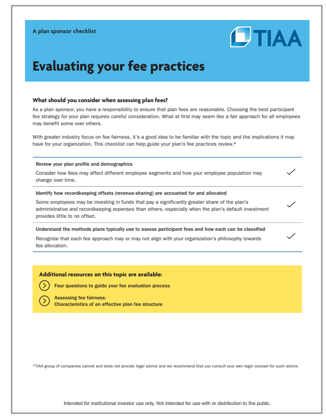
Setting a cap on fees

If you choose to assess plan-level fees to your participants on a pro rata basis, you have the option of setting a limit—or cap—on the dollar amount charged to your participants. With this option, we will collect fees from a participant only up to the cap.

While this capability is intended to address fee fairness issues affecting participants with high account balances, a minimum threshold may also be established to exclude fee collection from accounts with smaller balances. An amendment to the recordkeeping agreement is required.

Dive into the details

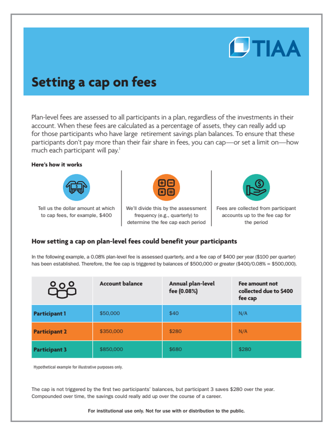
Evaluating your fee practices


A plan sponsor checklist
TIAA
Evaluating your fee practices

Fee equity: A two-pronged approach

- **Horizontal equity:** Similar fees for similar account balances
- **Vertical equity:** Same proportion of fees charged against all account balances

Setting a cap on fees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Setting a cap on fees

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Helping you find the balance

TIAA can work with you to design a strategy that meets the needs of your institution. We provide the flexibility to design a fee strategy that is equitable to participants and we offer different ways to allocate the fees across your participants. You can consider options such as:

- Investment-level fees
- Investment-level credits
- Plan-level fees (fixed-dollar amount or percentage of assets)
- A combination of the above

Your objective and investment menu may influence the participant fee strategy you choose. Click on the "Participant fees—understand your options" thumbnail to learn more.

Fee leveling

If you decide that participants should help cover plan costs, we offer several fee leveling strategies to help you allocate costs equitably among plan participants. These fee leveling strategies can be implemented with your plan's philosophy and investment options in mind, and can help you to meet your fiduciary responsibility to prudently allocate costs.

Plan reconciliation: Your checks and balances

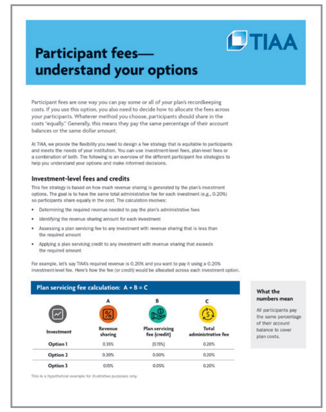
Once you understand your plan's price and have chosen your fee structure, you'll need to monitor it. Why? To address changes in the revenue generated by your plan due to market fluctuations, participant transactions and more.

To help you, we'll periodically compare your price (expected revenue) listed in your Recordkeeping Services Agreement to the fees collected during the reconciliation period (actual revenue) to make sure they are in balance. Once completed, you'll receive a **Plan Economics Reconciliation Report** that shows the calculations and results so you'll know where you stand and if any action is required.

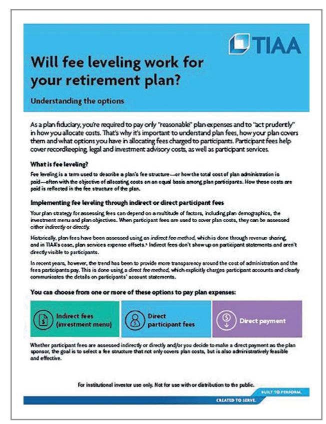
In balance Actual revenue–Expected revenue	**Excess** Actual revenue > Expected revenue	**Shortfall** Actual revenue < Expected revenue
No action is required.	Action is required to manage the excess. Possible solutions: ▪ Put it in a Revenue Credit Account ▪ Expand participant services ▪ Make changes to investment lineup	Action is required to eliminate the shortfall. Possible solutions: ▪ Assess participant fees ▪ Make changes to investment lineup or services offered ▪ Pay it directly

Dive into the details

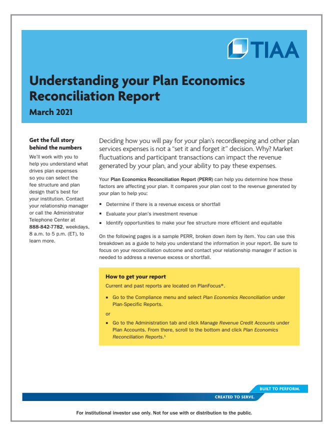
Participant fees—Understand your options



Will fee leveling work for your retirement plan?



Plan Economics Reconciliation Report fact sheet



The ultimate test for fees: Better outcomes

While you have a fiduciary duty to pay only reasonable plan expenses, reasonable doesn't always mean choosing the lowest cost option. It means what's prudent for your plan and your participants.

At TIAA, our competitive total cost reflects the services we provide to help you optimize four key drivers of retirement readiness. Here's a sampling of what we offer.

Retirement readiness category	Highlights
Plan design	▪ Online Plan Review and report with detailed analytics ▪ Education and thought leadership
Employee engagement	▪ Communications, education and advice (CE&A) delivered through multiple channels ▪ Woman2Woman and GenY toolkits
Investment solutions	▪ Lower cost investment alternatives[1] ▪ Award-winning performance[2] ▪ Open architecture platform; ability to select investments from most mutual fund companies
Plan management	▪ PlanFocus®, our number-one ranked plan sponsor website[3] ▪ Governance toolkit and regulatory updates ▪ Compliance monitoring and reporting

Learn more

Managing your plan fees is an important responsibility that involves many factors. Contact your TIAA representative or call the Administrator Telephone Center at **888-842-7782**, weekdays, 8 a.m. to 8 p.m. (ET) for more information.

[1] Applies to mutual fund and variable annuity expense ratios. Source: Morningstar Direct, June 30, 2021. 67% of TIAA-CREF mutual fund products and variable annuity accounts have expense ratios that are in the bottom quartile (or 90.50% are below median) of their respective Morningstar category. Our mutual fund and variable annuity products are subject to various fees and expenses, including but not limited to management, administrative, and distribution fees; our variable annuity products have an additional mortality and expense risk charge.

[2] Awarded Refinitiv Lipper 2020 Best Mixed Assets Large Fund Company United States for the 5th consecutive year. The Refinitiv Lipper Fund Awards are based on the Lipper Leader for Consistent Return rating, which is a risk-adjusted performance measure calculated over 36, 60, and 120 months. Lipper Leaders fund ratings do not constitute and are not intended to constitute investment advice or an offer to sell or the solicitation of an offer to buy any security of any entity in any jurisdiction. For more information, see lipperfundawards.com. Lipper Fund Awards from Refinitiv, ©2020 Refinitiv. All rights reserved. Used under license. The Award is based on a review of risk-adjusted performance of 39 companies for 2016, 36 for 2017, 35 for 2018 & 2019, and 30 for 2020. The award pertains only to the TIAA-CREF mutual funds in the mixed-asset category. Without such waivers ratings could be lower. Past performance does not guarantee future results. For current performance, rankings and prospectuses, please visit **TIAA.org**. The investment advisory services, strategies and expertise of TIAA Investments, a division of Nuveen, are provided by Teachers Advisors, LLC and TIAA-CREF Investment Management, LLC. TIAA-CREF Individual & Institutional Services, LLC, Teachers Personal Investors Services, Inc., and Nuveen Securities, LLC, Members FINRA and SIPC, distribute securities products.

[3] Our website for plan sponsors is No. 1 in the defined contribution (DC) plan sponsor category. TIAA's secure website for plan sponsors, PlanFocus, is ranked No. 1 since 2014 (through Q4 2020) in the defined contribution (DC) plan sponsor category by DALBAR. **http://www.dalbar.com/Awards/WebMonitorRankings**

You should consider the investment objectives, risks, charges, and expenses carefully before investing. Please call 877-518-9161 or log in to TIAA.org for current product and fund prospectuses that contain this and other information. Please read the prospectuses carefully before investing.

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