Dear Colleagues:

This Frequently Asked Questions guide provides you with answers to commonly asked questions regarding the changes to the Carnegie Mellon University Faculty and Staff Retirement Plan ("FSRP"), the Tax-Deferred Annuities Plan ("TDA") and 401(k) Plan (collectively, the “Plans”), which will become effective starting on April 1, 2015.

IS CMU CHANGING THE CONTRIBUTION LEVEL?

1. Is CMU changing the contribution level that is in place today?

There is **no** change in the contribution level of the Plans.

WHAT DO I NEED TO DO?

2. Assess your position and take action.

Beginning on April 1, 2015, you will begin to see the “new” investment options listed on both the TIAA-CREF and Vanguard websites. See INFORMATION ABOUT THE NEW INVESTMENT OPTIONS section below in this Frequently Asked Questions guide.

During April 1 through May 15 at 4:00 p.m., you should do the following:


- **Investment Allocations.** Review the current investment allocation of your contributions and determine how you would like to change your future contributions based on the new investment line-up. Make any desired changes through your vendor’s (TIAA-CREF or Vanguard) website. TIAA-CREF’s website is located at [http://www1.tiaa-cref.org/tcm/carnegiemellon/](http://www1.tiaa-cref.org/tcm/carnegiemellon/). Vanguard’s website is located at [https://investor.vanguard.com/corporate-portal/](https://investor.vanguard.com/corporate-portal/).

- Review your current investment balances and determine how you would like to rebalance your accounts based on the new investment line-up. Make any desired transfers/rebalancing through your vendor’s (TIAA-CREF or Vanguard) website.

- Review your beneficiaries. Make any desired changes through your vendor’s (TIAA-CREF or Vanguard) website.
• If you would like, meet with a TIAA-CREF or Vanguard representative to discuss your options and help you determine the best approach for your unique circumstances.

CAN I KEEP MY SELF-DIRECTED OPTIONS?

If you want all or part of your current balances in and/or future contributions to eliminated funds (i.e., funds that will not be available for future contributions or existing balances after May 15) to be invested in or contributed to those same funds on and after May 15 through Vanguard’s self-directed brokerage mutual fund window, you must enroll in the self-directed brokerage mutual fund window with Vanguard between April 1 and April 24, 2015. Likewise, if you want all or part of your current balances in eliminated funds and/or future contributions to eliminated or frozen funds to be invested in or contributed to those same funds on and after May 15 through TIAA-CREF’s self-directed brokerage fund window, you must enroll in the self-directed brokerage mutual fund window with TIAA-CREF between April 1 and May 15 at 4:00 p.m.

You can always open a self-directed brokerage mutual fund window at any time with Vanguard or TIAA-CREF, even after May 15, but if you don’t open a self-directed brokerage mutual fund window within the time frames specified above, your current balances in eliminated funds, and future employee and employer contributions to eliminated and frozen funds will be automatically invested in the legally-required “qualified default investment alternative,” commonly referred to as the “QDIA”. See Question 3 immediately below.

More information about the self-directed brokerage mutual fund window can be found in the INFORMATION ABOUT THE NEW INVESTMENT OPTIONS section below in this Frequently Asked Questions guide.

3. What happens if I do NOT take action?

On May 15, 2015 at 4:00 p.m., if you have taken no action, all of your current balances in eliminated funds, and future employee and employer contributions directed towards eliminated and frozen funds, will begin to be automatically invested in the QDIA, which is the Tier 1 – the Vanguard target retirement date fund closest to your 65th birthday (the default fund). If you are over 65, the default fund will be the Vanguard Target Retirement Income Fund.

Important Caution: Some funds have 60-day or similar waiting periods which may delay when a fund in which a participant was previously invested may be repurchased. In addition, some funds that are currently closed to new investments may no longer be open for investment. As a result, if you desire to remain invested in these funds on and after May 15, 2015 at 4:00 p.m. you should take action.

If you are invested in or contributing to a fund that isn’t frozen or eliminated (i.e., you are invested in or contributing to a fund that is part of the new core line-up of options), and you take no action, your balance in that fund will remain in that fund and you will be permitted to continue making future contributions to that fund. But, your balance in that fund will automatically be moved to the new, less expensive institutional share class for that fund.
4. If I do not take action and my balances in and/or contributions to frozen or eliminated funds are directed to and automatically invested in the QDIA - target retirement date fund like Question 3 above indicates, can I transfer my funds later?

Yes, you always have the right to transfer your balances at any time in the future to other funds, but obviously at the fund price in effect at the time of transfer.

**Important Caution:** Some funds have 60-day or similar waiting periods which may delay when a fund in which a participant was previously invested may be repurchased. In addition, some funds that are currently closed to new investments may no longer be open for investment. As a result, **if you desire to remain invested in these funds on and after May 15, 2015 at 4:00 p.m. you should take action.**

**INFORMATION ABOUT THE NEW INVESTMENT OPTIONS**

5. Do I now have fewer investment choices?

The new tiered investment structure has a smaller number of diversified “core” investment funds (i.e., the new core line-up of options) found on the first three tiers – Tiers 1 through 3 - that will be monitored by the CMU’s Benefits Investment Committee, or “BIC”, for their continued viability and integrity. However, there is also now a new “self-directed brokerage mutual fund window” – Tier 4 - option that will give participants access to a universe of thousands of mutual funds from hundreds of mutual fund companies. This feature will appeal to those participants who want the flexibility to invest outside of the new “core” line-up of funds.

6. How will the “tiered” investment structure referenced in Question 4 be beneficial to participants?

The tiered investment structure will provide participants with a broad range of distinctive investment options, but not so many that, when faced with choices, they will have a difficult time structuring an investment portfolio. A tiered investment structure packages or categorizes investment options in a manner that guides participants through the investment decision-making process. Participants first select a path that is appropriate for them given their:

- Investment knowledge
- Time for managing their own investment portfolios
- Tolerance for risk
- Interest in making asset allocation decisions and selecting investment options

The tiers’ investment options and related participant education materials are then tailored to meet participants’ needs. For example, an investor who lacks the time for managing his/her own investment portfolios, or a novice investor who is uncomfortable making his/her own asset allocation decisions and selecting funds, may select a pre-mixed asset allocation in Tier I.

7. When are the new fund tiers available?
The new fund tiers will be available beginning April 1, 2015. At that time, employees may begin to make elections to contribute their payroll contributions and the employer contributions to the funds in the new core line-up of options. Also beginning April 1, employees and other plan participants will be able to transfer existing balances to the funds in the new core-line up of options.

The current funds will still be available until 4:00 p.m., May 15.

8. What is Tier 1 - Target Retirement Date Funds?

Tier 1 is a series of funds designed for investors expecting to retire around the year indicated in the fund name. The funds are managed by professional fund managers to become gradually more conservative over time as people move closer to retirement. The investment risk of each fund changes over time as it moves to more conservative investment options. The BIC monitors the performance and fees for Tier 1.

9. What is Tier 2 - Core Mutual Funds?

These are mutual funds chosen by the BIC, following the recommendation of HewittEnnisKnupp ("HEK"), an independent investment consultant, and represent highly rated funds within each of the key asset classes. The BIC monitors the performance and fees for Tier 2.

10. What is Tier 3 – Annuities?

Investment options in this Tier are insurance contracts issued by TIAA-CREF that let you accumulate money until retirement in investment accounts that resemble mutual funds. At retirement these investment options provide you with an opportunity to convert your account balances into an annuity or a series of regular payments (often monthly) for your lifetime. An annuity can be fixed or variable. A fixed annuity pays a fixed rate of interest on your investment dollars, which is adjusted periodically. A variable annuity pays an interest amount that will vary depending on the performance of the investment accounts you choose for the annuity. The BIC monitors the performance and fees for Tier 3. The Tier 3 – Annuities are available only through TIAA-CREF.

11. What is Tier 4 - Self-Directed Brokerage Mutual Fund Account?

This account provides a way to invest some or all of your retirement savings in a wide range of mutual funds from many different fund families. The brokerage account may be attractive to a participant who:

- has the knowledge and expertise to research and evaluate a broad universe of mutual funds;
- wants to take personal responsibility for monitoring the performance and fees of each fund he/she elects; and
- wishes to have greater choice than is available under the other three tiers.

Important information regarding the brokerage account option:

- There may be additional fees for investing in funds through the brokerage account.
The BIC is not responsible for monitoring investment performance or fees of any of the mutual funds accessed through the brokerage account.

Caution: only sophisticated investors should invest through a Tier 4 Self-Directed Brokerage Mutual Fund Account.

12. Will investing through the self-directed brokerage mutual fund window have extra costs?

Yes, some funds that you select and choose to invest in through the brokerage mutual fund window may have transaction fees or sales loads. You will have the option to search for funds in which to invest that do not have transactions fees or sales loads. However, it is important to remember that participants can avoid these extra charges by utilizing the funds in the “core” investment line-up, many of which will have low, institutional expense ratios while investments purchased in the brokerage window will likely be higher cost investments.

In addition, by investing through the brokerage mutual fund window, you are taking the responsibility for selecting and monitoring the investments you select within the brokerage mutual fund window. The BIC will not be reviewing and/or have any oversight on the investments you select within the window. Thus by utilizing the core options, the BIC will be regularly reviewing and evaluating the funds to affirm their appropriateness for the Plans or will replace a fund that the BIC no longer deems meeting its objectives.

13. What is happening to the investment fund choices that are currently available?

The investment fund choices that are currently available through TIAA-CREF and Vanguard will continue to be “active” or will be “frozen” or “eliminated”:

- Active: These are funds that will continue to be offered for future contributions, existing balances, and transfers in or out. They are part of the new core line-up of investment options (i.e., Tiers 1-3).
- Frozen: These are funds will not be available for future contributions or transfers after May 15, 2015, but existing balances may remain in place or be transferred to an alternative option ONLY if you elect to do so. See Question 14 below.
- Eliminated: These are funds that will not be available for future contributions or existing balances after May 15, 2015. See Question 15 below.

14. What if my favorite investment fund has been frozen?

Frozen funds are TIAA-CREF annuity funds that are not included in the new core line-up of options. They are “frozen” because the individual contracts underlying these funds do not give CMU, the plan sponsor, the right to transfer existing money out of these funds. Only the plan participant holding these funds can do so. Therefore, the existing money in these funds will remain unless the plan participant takes action to transfer it to another fund(s). However, no additional contributions can be directed to the frozen funds, nor can money be transferred into the frozen funds after 4:00 p.m., May 15, 2015. If you take no action, your additional contributions to frozen funds will be redirected to the QDIA. See WHAT DO I NEED TO DO? section above in this Frequently Asked Questions guide.

15. What happens if my investment fund has been eliminated?
Participants can transfer existing balances to the new core line-up and/or to other funds through the self-directed brokerage mutual fund window. If you want all or part of your current balances in and/or future contributions to eliminated funds to be invested in those same funds on and after May 15 through Vanguard’s self-directed brokerage mutual fund window, you must enroll in the self-directed brokerage mutual fund window with Vanguard between April 1 and April 24, 2015. Likewise, if you want all or part of your current balances in eliminated funds and/or future contributions to eliminated funds be invested in those same funds on and after May 15 through TIAA-CREF’s self-directed brokerage fund window, you must enroll in the self-directed brokerage mutual fund window with TIAA-CREF between April 1 and May 15 at 4:00 p.m. If you take no action, your existing account balances in eliminated funds will be transferred or redirected to the QDIA. See WHAT DO I NEED TO DO? section above in this Frequently Asked Questions guide.

WHY IS CMU MAKING CHANGES TO THE INVESTMENTS IN THE PLANS?

16. Why did CMU consider making changes to the investments in the Plans?

CMU considered making changes to the investments in the Plans as part of CMU’s ongoing effort to conform to best practices while being mindful of the changing legal and regulatory environment governing retirement plans.

As a result, in order to ensure that it was fulfilling its fiduciary obligations (among which are the duties to select and monitor Plans’ investments and ensure the fees charged participants for the management of the investments are reasonable), the BIC, working with HEK conducted a detailed review of the Plans’ investment options. The scope of this review included:

- An evaluation and report on the adequacy of existing investment options, number and types of funds offered and performance of the funds.
- A review of QDIA and the best vendor options for the QDIA.
- A benchmarking against peer policies and practices, and employee investment and contribution practices.
- The performance of a total plan cost (i.e., fees) analysis and negotiation of more favorable fee structures with vendors.

The BIC elected to engage the services of HEK to help manage the detailed review since working with an organization that knows and understands the many challenges and significant opportunities facing the higher education marketplace, and which does not represent any particular investment company’s interests, added an important independent perspective and expertise to the review process.

The resulting changes are consistent with what CMU’s peers have adopted and/or offer to their participants.

17. What were some of the key conclusions from the detailed review mentioned in Question 16?
The review conducted by the BIC and HEK supported the following “best practices” changes to the Plans:

- Fewer and less expensive core investment options that consistently perform in the top one-half of their peer group for all participants.

- Simplification of the investment process.

- Access to institutionally-priced index funds that provide broadest diversification by holding most of the securities in a particular index.

- Lower investment fees for participants.

18. Why did the investment process need to be simplified?

While additional fund choices may be perceived as a benefit, numerous researchers have concluded that more fund alternatives typically leads to confusion and adverse portfolio choices among participants. More importantly, evidence has shown that these extra choices do not help participants form better portfolios or save for retirement. Decreasing the number of investment funds will reduce fund overlap, improve investment quality and lower fees.

The current investment lineup in the Plans includes redundant investment options, higher fees, and too many choices. Eliminating investment options with overlapping investment styles will likely reduce confusion in the fund selection process for participants. In addition, decreasing the number of investment options will allow more effective communication and monitoring of the individual investment options. The new menu will provide participants with the ability to reduce overall expenses and diversify their portfolios from a broad spectrum of investment options.

19. What is the BIC?

The BIC serves as the named fiduciary of the Plans for the purpose of setting and overseeing investment strategies for the Plans. The BIC members are: Mary Beth Shaw, Assistant General Counsel and AVP; Jay Calhoun, Treasurer; Dan McNulty, Interim Associate VP for HR and Chief Human Resources Officer; and Joyce Heckmann, AVP, Benefits and Compensation.

OTHER IMPORTANT QUESTIONS

20. How are retirees affected?

Like all other participants in the Plans, these changes also apply to current retirees who currently have balances in the Plans.

21. If I transfer funds to Tier 4 - Self-Directed Brokerage Mutual Fund Account, will I have a taxable event?

No. The Tier 4 investments will still be held through the Plans. You will be able to view and change your investments on the TIAA-CREF or Vanguard websites.
22. I have an account from a prior university where I used to work. Will these changes impact that account?

If you completed a rollover (i.e., moved those funds into the CMU Plans), then these changes do apply to you. If, on the other hand, you left your funds within the prior university’s plan, these changes do not apply to you.

23. I have a loan from the TDA Plan. Will that be impacted by the merger of the TDA into the FSRP?

No, you will continue to repay the loan to TIAA-CREF.

24. Why are Vanguard funds available through TIAA-CREF?

TIAA-CREF has an agreement in place with other mutual fund companies, including Vanguard which provides access to best-in-class mutual funds.