We are pleased to announce some important changes to the university’s retirement plans that will lower the overall fees charged by Vanguard to participants in the university’s retirement plans. These changes will go into effect on October 5, 2015.

The Current Vanguard Fee Structure

Currently, Vanguard fund participants are charged a single fee based on the Vanguard funds’ expense ratios. Each fund’s expense ratio fee is comprised of two cost components:

- A *fund fee* that is charged by Vanguard to operate the particular fund; and
- An *administrative fee* charged by Vanguard to provide recordkeeping services for the university’s retirement plans.

The New Fee Structure

Effective October 5, 2015, the *fund fee* and the *administrative fee* will be charged separately, with each charge appearing on your quarterly statement as follows:

- The *fund fee* will continue to be charged through the funds’ expense ratios; however, you may recall that effective April 1, 2015, a set of nine Vanguard funds (the core lineup) was designated to receive lower-cost institutional share class pricing. Effective October 5, 2015, the Vanguard Target Retirement Funds will also be moved to lower-cost institutional share class pricing. The only change is a reduction in the fund fees charged to participants holding the current core lineup or the Vanguard Target Retirement Funds. There is no change in the underlying investment portfolios associated with those funds.
- The *administrative fee* will now be charged at an annual flat rate of $62 per participant. Vanguard will deduct this fee from participants’ accounts on a quarterly basis in increments of $15.50 per quarter. The fee does not depend upon the number of funds being held in a participant’s account or on the size of the account balances. Because Vanguard’s annual cost to provide recordkeeping services for the university’s retirement plans is not tied to individual participant fund balances, the change to a flat *administrative fee* structure will contain the growth of these fees and will ensure equity and transparency in allocating this cost across the retirement plans’ participants.

The Savings to the Plans’ Participants from these Changes

Prior to the changes to the university’s retirement plans on April 1, 2015, the average participant fee for Vanguard funds was 0.28%, which means that for every $1,000 invested, $2.80 went toward running the fund and recordkeeping services. After implementing the new fee changes, the university estimates that the combined average fees (*fund fee* and *administrative fee*) paid by participants in the plans will be reduced to 0.13%, or $1.30 per $1,000 invested. While the difference in cost may seem small, the savings will add up over time.

Please note that if you have these Vanguard funds at TIAA-CREF, you will benefit from the fund fee reduction but will not be assessed the administrative fee.

Next Steps
Within the next few weeks, you will receive a packet of information from Vanguard providing additional details about these changes. If you have any questions about these changes, please feel free to contact the HR Benefits office directly at 412-268-2047.

Sincerely,

Benefits Investment Committee