



Testimony to Public Retirement Systems Committee

Submitted by: Christopher Degrossi
Executive Director, NTSAA

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NTSAA

About NTSAA

- National Tax Sheltered Accounts Association
- Founded in 1989
- Based in Arlington, Virginia
- Professional association with more than 3,300 members
- National advocate for professional best practices and plan participation
- Affiliate of American Society of Pension Professionals and Actuaries (ASPPA) with approx. 17,000 members

403(b) Savings Program

- Voluntary retirement savings program for public school employees
- Funded by voluntary employee contributions
- Saving supplement IPERS pension income

Iowa 403(b) Prior to the RIC Program

- Every Iowa public school district sponsored a 403(b) plan
- Public education employees had broad control over investments and access to local advisors
- Available data suggests voluntary participation rate was about 28% (*Source: data obtained by NTSAA through open records request*)

Iowa 403(b) Prior to the RIC Program

- Investment providers were selected at the school district level
- Providers were selected because they met the needs of participants and the district
- Providers were required to follow service agreements, administrative and servicing rules

Benefits of RIC Plan

- Centralized administration removed plan document and agreement responsibilities from the districts
- The DAS assumed the compliance risk
- DAS managed an RFP to select low cost investment options

RIC 403(b) Investments

- Six providers were selected, none of the providers are Iowa domiciled companies
- RFP focused on cost and DAS investment policy requirements
- The result? Six investment platforms with largely the same investment options
- Focus on cost eliminated investment professionals ability to service and add new accounts
- ING Plan With Ease hired as plan IRS compliance administrator

RIC 403(b) Investments

- In 2008, actively contributing participants were told they could no longer work with the investment provider and investment professional of their choice as of January 2009

What Was the Impact on Employees?

- In Iowa districts surveyed by NTSAA, 30% of active participants stopped saving in a 403(b) between 2007 and 2009
- Participation rates are now around 19% in the sample Iowa study group compared to 28% in 2007
- Overall, fewer public education employees are contributing to a 403(b) account today than when the RIC 403(b) program started in 2009
 - 15,797 DAS RIC 403(b) contributors in 2009
 - 15,097 active DAS RIC contributors today

Data Says Service Matters

- **Greater savings and returns.** Investors who get one-on-one personal retirement planning and investment advice contribute more to their plans and earn better returns on their retirement investments (*Source: ING, “Advisor Value,” 2012*)
- People who work with advisors tend to save three times more and are able to spend more (*Source: ING, “Help Wanted,” 2010*)
- **Greater Likelihood of Taking action.** People are 60% more likely to make changes with explicit investment recommendations rather than general guidance (*Source: TIAA-CREF Financial Advice Survey, 2012*)
- **Educators Already Reliant.** 60% of near-retirement higher ed employees consulted with a financial professional within the past two years (*Source: TIAA-CREF Financial Advice Survey, 2012*)

Data Says Service Matters

- **Preparedness for Retirement.** Participants who use an advisor are two times more likely to say they are on track to meet their retirement goals (*Source: Charles Schwab, 401(k) Participant Survey, 2013*)
- **Desire.** More than half of working Americans want one-on-one financial advice (*Source: TIAA-CREF Financial Advice Survey, 2013*)

Objectives of the Enhanced RIC 403(b) Plan

- Increase voluntary 403(b) savings participation rates
- Minimize impact on administration of school district plans

Enhanced RIC 403(b) Plan Minimizes Impact on School District Plan Administration

- Keep centralized plan administration with DAS and Plan With Ease
- Keep IRS compliance responsibility with the state
- Keep contracting and investment provider administration with the DAS
- Keep low-cost 403(b) options

Enhanced RIC 403(b) Program Places Employees at the Center of the Plan

- Provide employees choice and control over their personal retirement savings including more local options and Iowa companies
- DAS low-cost providers must now provide local services to compete
- Comprehensive fee and compensation disclosure using NTSAA / NEA model disclosure and “403(b) Open” website ensures participants can make informed decisions and brings ERISA-level disclosures to public employees

Expected Outcomes

- New providers must follow the same rules as the six current RIC companies
- NTSAA will offer DAS use of the “403(b) Open” investment product comparison site
- NTSAA will assist the DAS in communicating the program changes
- NTSAA will monitor participation rates and work with members to achieve desired outcomes

Thank you for your time

Questions?