Augustana College

Augustana Retirement Plan

Summary of Changes

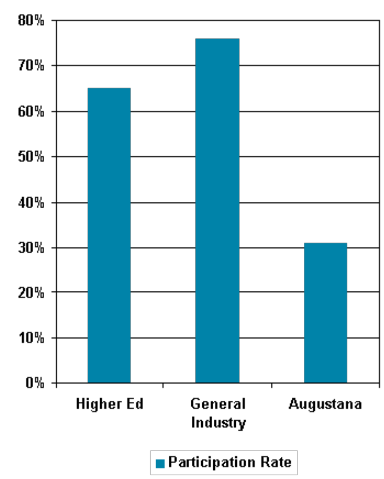
Spring 2014

Background

In early 2011, an informal survey indicated that Augustana's retirement structure was unique among our peers and appeared more costly to administer. Additionally, the College continued to field questions from employees who were confused about the plan and its options and heard from several faculty members who were unable to retire due to market downturns and/or unwise investment choices.

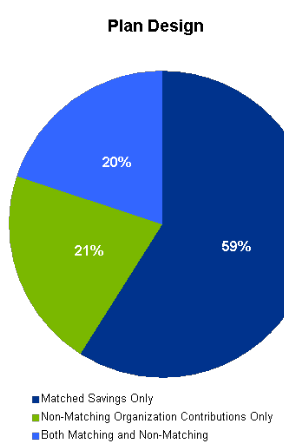
In the summer of 2012, Augustana retained the services of Aon Hewitt to assist in a study of our current plan and to lead a cross-functional task force to recommend changes to better serve the needs of the Augustana community. This task force was comprised of faculty (tenured and non-tenured) staff representing grounds, clerical and dining service, as well as administrative employees from a number of areas.

Current plan



Augustana currently sponsors a group retirement plan with a 10% contribution provided by the College and a supplemental plan that allows for voluntary salary deferrals. As the accompanying chart shows, the voluntary participation rate is significantly lower than our peers and suggests inadequate retirement savings.

Augustana currently has 31% participation in voluntary savings with an average savings rate of approximately 6.4% (taking out super savers who are saving 15% or more). The majority of employees rely solely on the 10% College contribution, which is inadequate for full retirement preparedness.



Additionally our current structure is outside the norm. As the pie chart demonstrates, 79% of higher education plans involve some matching component. Only 21% of plans are structured similar to the Augustana plan. The majority tie all contributions to a match.

Information is not available regarding savings of Augustana employees outside of either of the college-sponsored plans. Participation rates are consistent across all employee categories (faculty, staff and administration) and cause concern that most employees are not adequately prepared for the new realities of needed retirement savings; addressing both changes in Social Security and the new dynamic of expenditures for retirement medical expenses.

Goals

The task force agreed on a group of guiding principles to structure discussions and the priorities for recommended changes to the plan. These principles included:

- **Reward participation and increase engagement** in the retirement benefits package in order to improve outcomes for the College and its employees.
- **Provide a core** retirement benefit to all employees, **with additional amounts** from the College based on annual employee contributions.
- Provide a retirement benefits system where faculty and staff can accumulate **adequate retirement income** from all sources (College-provided, Social Security, and personal savings).
- Structure the design and communication of the benefits to actively promote **personal responsibility**, through plans that are **easy to understand and flexible** with a reasonable range of choices.
- Strive to **maintain the current cost** of the retirement benefits, while acknowledging that a new plan design may result in both improved results and modest cost variance.
- Preserve institutional unity through a **uniform retirement benefit structure** for all faculty, administration and staff.
- Deliver retirement income through **annuities and lump-sum payments**, with modest emphasis on flexible features such as loans and withdrawals.
- Be sensitive to the **impact on current employees** if changing the plans. Transition, if any, should be short-term to avoid complexity of having multiple classes of employees.

New plan design

Beginning on September 1, 2014, the Augustana Retirement plan will change to better meet the above mentioned goals. Key components of this change include:

- **Combine our group and voluntary retirement savings into one plan.** Moving forward, Augustana will have one retirement savings plan, a 403(b) plan. The existing 401(a) plan will be frozen and all new college and employee money will go into the 403(b) plan.

- **Move to a 7% basic contribution with 100% match on the first 4% of employee contributions.**
  All eligible employees will receive a 7% contribution from the College. In addition, employee voluntary savings will be matched up to 4%.

- **Add a minimum match of $500 for anyone saving at least 1% of salary**
  For any employee who saves at least 1% of his/her salary, the College will guarantee a minimum match of $500.

- **Utilize open architecture for a streamlined investment menu.** Rather than the 600+ investment options with 4 separate vendors, our new menu offers best in class options to meet the diverse needs of our participants. We also will have a brokerage window for those interested in additional investment options.

- **Offer Roth savings options.** Participants can choose a Roth (post-tax) option for voluntary contributions.

- **Auto-enroll eligible employees in the plan at 4% with an immediate match. Auto escalate employees at 1% each year to a maximum of 10% employee savings**. Employees can opt out of this “auto-enrollment” feature upon joining the plan and/or the auto escalation each year.

- **Transition date is September 1, 2014.** Additional information, enrollment forms and options, individual and group counseling meetings will continue through the spring and summer to assist participants in making this transition.