

SCFA RETIREMENT SUBCOMMITTEE  
MINUTES OF MEETING  
DECEMBER 3, 2012

[In these minutes: Follow-Up, Benchmark Update, Revised Faculty Retirement Plan (FRP) Investment Performance for September 30, 2012, Pre-Retirement Sessions, Advice Giving, FRP Plan Participation Requirement, February 2013 Agenda Items, Retirement Plans Coordinator Position]

[These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate; none of the comments, conclusions or actions reported in these minutes represent the views of, nor are they binding on, the Senate, the Administration or the Board of Regents.]

PRESENT: Daniel Feeney, chair, Wendy Berkowitz, Thomas Schenk, Nancy Fulton, Joe Jameson, Barry Melcher, Jackie Singer, Chris Suedbeck, James Cotter, Kathryn Hanna, Harvey Keynes, Vernon Eidman

REGRETS: Andrea Backes, Murray Frank, Andrew Whitman

OTHERS ATTENDING: Rosalie O'Brien, counsel to the committee

I). Professor Feeney called the meeting to order and welcomed those present.

II). Members approved the slightly amended November 12, 2012 minutes. Ms. Berkowitz abstained from voting given she was not in attendance at that meeting.

III). By way of follow-up from previous discussions, Professor Feeney noted the following:

- Optional Retirement Plan (ORP) participants do not pay loads on funds purchased through Securian.
- The role of the Retirement Subcommittee as it relates to the Faculty Retirement Plan (FRP) versus the ORP should be clarified on certain websites to make clear that the subcommittee does not screen new funds for inclusion in the ORP in the same way as it screens those in the FRP.
- Securian has agreed to include volatility indicators (e.g., alpha, beta, standard deviation) for the funds it offers. The subcommittee will want to make sure that the explanation describing these measures are written in layman's terms.
- Regarding investment advice, if there are participants who need advice, rather than the guidance that Securian provides, Securian offers plan participants access to North Star Resource Group, a fee-for-service financial advisor service.

Professor Keynes stated that he was satisfied with the explanation he got from Dick Manke from Securian about why the Vanguard target date funds (TDF) were chosen over the T. Rowe Price TDFs, for example. According to Mr. Manke, Vanguard was chosen in part because of its conservative approach and also because it includes index funds (passive funds). While T. Rowe

Price has outperformed Vanguard somewhat, T. Rowe's investment strategy can be considered more risky. In Professor Keynes opinion, the subcommittee may want to think about adding other TDFs in the ORP.

Professor Feeney stated that in 1984 the University made a decision to discontinue contributions to T. Rowe Price due to underperformance. Jackie Singer suggested that the conversation about changing the TDFs offered in the ORP should take place when the institution starts talking about offering a tiered retirement plan structure. In this example, changing funds under a new plan design would not require adding T. Rowe Price as a separate vendor, but would still allow their funds to be offered as investment options. Professor Feeney suggested this discussion be tabled until it is time to talk about a new plan structure.

IV). Professor Feeney called on Chris Suedbeck, director, Office of Investments and Banking, to provide benchmark information. Mr. Suedbeck stated that the Office of Investments and Banking recently completed a review of the benchmarks used in the quarterly investment performance reports produced by Ms. Singer. A handout outlining the benchmark changes was distributed to members for their review. Mr. Suedbeck walked members through the handout and highlighted the changes that were made. He also noted that on October 2 Vanguard announced that it was discontinuing MSCI as its benchmark provider and moving to a combination of the Center for Research and Security Prices (CRSP) and Financial Times and Stock Exchange (FTSE), a subsidiary of the London Stock Exchange. The rationale for the change is that the new indices are investible. Both of the new benchmarks are cap-weighted and so there should be no variation in pricing from MSCI.

Mr. Suedbeck also announced that the vacant P&A and Civil Service Retirement Plan Fiduciary Advisory Committee (RPFAC) seats have been filled. Candice Kraemer will fill the P&A seat and Barry Melcher will fill the Civil Service seat. The next RPFAC meeting is next week.

Are benchmarks chosen by the vendors, asked Professor Feeney? Yes, stated Mr. Suedbeck, the benchmarks are all vendor driven.

Professor Keynes raised a concern about the Fidelity Strategic Income Fund benchmark and suggested that it be reviewed by this committee and/or the RPFAC. Professor Feeney clarified that the benchmarks are chosen by the vendor. Mr. Suedbeck stated that high-yield funds have differentiations in their returns. Professor Keynes noted that according to the investment performance report, the Fidelity Strategic Income Fund has not hit its benchmark in the last 10 years. While the Fidelity Strategic Income Fund serves a purpose, people looking at its performance against benchmarks would think it was a terrible fund. Professor Keynes stated that Fidelity has other high yield funds, which perform much more closely to their benchmarks. Mr. Suedbeck stated that his office would pull more information on this and it will be discussed at next week's RPFAC meeting. Professor Feeney also agreed that something needs to be done with this fund.

V). Ms. Singer distributed a corrected FRP Investment Performance report for period-ending September 30, 2012. She noted that the Vanguard Total Stock Market Index was wrong in the previous report, and has since been corrected.

VI). At the last meeting, noted Professor Feeney, a member suggested that changes be made to the pre-retirement sessions to make them more helpful. Ms. Singer stated that this concern stems back to the fact that many of those attending the pre-retirement sessions come with specific questions that cannot be given specific answers and they become frustrated. The pre-retirement sessions are being restructured in an effort to alleviate the frustrations that people experienced in the past. Ms. Singer stated that the preliminary plans are to make the pre-retirement sessions be a two-day event versus a three-day event, and to make the sessions more broad and eliminate the big group sessions where people want to talk about their individual situations.

VII). Professor Feeney introduced the next agenda item, advice giving. He asked Ms. Singer and Mr. Melcher whether plan participants looking for financial planning assistance are given any referrals. Ms. Singer and Mr. Melcher stated that Employee Benefits generally suggest participants go to the Certified Financial Planner (CFP) Board of Standards website - <http://www.cfp.net/> and/or the Financial Planning Association (FPA) of Minnesota website - <http://www.fpamn.org/> to find a planner.

Ms. Singer noted that if the tiered retirement plan structure comes to fruition, offering financial planning advice could become easier if the University had only one recordkeeping vendor. If the University had only one vendor, she would like to bring the advice issue back to administration for reconsideration. There are published Department of Labor guidelines/regulations now that would be helpful to the University in choosing and monitoring an advice provider.

VIII). At the last meeting, noted Professor Feeney, Professor Cardwell asked whether it would be possible for spouses of deceased faculty members to roll their retirement funds into the Securian funds offered through the FRP. Ms. Singer stated that the University's plan document requires that a plan participant be a faculty member in order to roll money into the plan. She added that the reason for this is that the taxation is different.

IX). Professor Feeney asked if members had any new business to bring forward. Hearing none, he quickly outlined the agenda items for February:

- Waiting period for P&A.
- Benchmark follow-up.
- Faculty Retirement Plan Investment Performance for period-ending December 31, 2012.
- RPFAC update, including information about the addition of an international bond fund and a managed small cap fund.
- Peer institution retirement plan comparison.
- Compare and contrast Vanguard and Fidelity target date funds (future meeting, not February).

Ms. Singer announced that Employee Benefits' Support Services manager has been assigned to the Enterprise Systems Upgrade Program. As a result, Ms. Singer has assumed responsibility of Support Services, and is now in the process of hiring a retirement programs coordinator, the position previously held by Shonna Schroeder.

X). Hearing no further business, Professor Feeney adjourned the meeting.

Renee Dempsey  
University Senate