

SCFA RETIREMENT SUBCOMMITTEE
MINUTES OF MEETING
FEBRUARY 2, 2015

[In these minutes: Tiered Retirement Plan Concept Update, University of Minnesota Retirees Association Survey, Work Group Updates]

[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, Frank Douma, Thomas Schenk, Nancy Fulton, Joe Jameson, Stuart Mason, James Cotter, Kathryn Hanna, Merrie Kaas, Albert Tims, Vernon Eidman

REGRETS: Murray Frank, Andrew Whitman

ABSENT: Jackie Singer

OTHERS ATTENDING: Dan Fisher, retirement programs coordinator, Office of Human Resources; Ken Horstman, director, Benefits and Compensation, Office of Human Resources; Matt Nyman, investment analyst, Office of Investments and Banking; Rosalie O'Brien, counsel to the committee, Office of the General Counsel

1. **Tiered Retirement Plan Concept:** Professor Feeney asked Ken Horstman, director, Benefits and Compensation, for an update on the tiered retirement plan concept that has been discussed with the Retirement Subcommittee on multiple occasions. Mr. Horstman said there is nothing new to report at this time. It is likely there will be nothing new to report until some time after the Enterprise System Project Upgrade (ESUP) has been implemented.

2. **University of Minnesota Retirees Association (UMRA) Survey:** Professor Feeney called on Professor Emeritus Eidman, the retiree representative on the committee, to provide information about the UMRA survey that was conducted. Professor Emeritus Eidman turned members' attention to the materials that had been sent out along with the agenda about the survey and noted the following:

- The purpose of the survey was to assess member interest in workshops on managing retirement funds and was prepared with considerable input from a group of five UMRA members.
- The survey was open from January 7, 2015 to January 17, 2015 and 99 responses were received.
- The survey listed 11 possible workshop topics. Of those listed, the topics receiving the most interest were:
 - Managing the costs of healthcare, health insurance, and long-term care.

- Options and implications of gifting to charity and relatives, and how to time the gifts.
 - Managing transfer costs, e.g., gift and estate taxes, probate and trusts.
- Given there was interest in all the topic areas Professor Emeritus Eidman envisioned combining sessions to include related/semi-related topics so there would be a total of four to five sessions held over the course of the next couple years.

Professor Emeritus Eidman said he is working on this project with Professor Andrew Whitman who is currently out of the country. When he returns, they will get together and decide which workshop topics to recommend and talk about possible presenters.

Mr. Horstman asked whether these workshops would strictly be for UMRA members or whether they could be opened up to other groups in the University community. The plan, said Professor Emeritus Eidman, is to choose topics that would have broad interest, which could mean opening it up to other people. In terms of presenters, a majority of survey respondents made it clear they wanted to hear from experts in the field with a neutral viewpoint, and not people from an investment firm trying to sell them something.

Professor Tims commented on the low percentage of survey respondents who have talked to an attorney about estate planning. Professor Emeritus Eidman admitted that this caught his attention as well.

Mr. Horstman reported that the Office of Human Resources (OHR) has partnered with LLS Financial Counseling to offer a program called Financial Choice HYPERLINK "http://www1.umn.edu/ohr/benefits/financialcounseling/" <http://www1.umn.edu/ohr/benefits/financialcounseling/> . LLS Financial Counseling has no other intent besides education, noted Mr. Horstman. He volunteered to talk with the coordinator of the program to see if what they offer would be of any interest to UMRA and what it is trying to accomplish. Professor Emeritus Eidman said he would be interested in hearing more about what they have to offer. Mr. Horstman also noted that the Senior LinkAge Line®, the Minnesota Board on Aging's free statewide information and assistance service, may be another resource for UMRA.

Professor Feeney asked Professor Emeritus Eidman if UMRA would be interested in opening up the workshops beyond UMRA members to specifically include active University employees. Professor Emeritus Eidman said UMRA definitely wants to move ahead and offer workshops for its members, but there has also been discussion about retirees working with active employees who are thinking about retirement in the next 10-years or so in a mentorship-like capacity.

When would UMRA hold its workshops, asked Professor Feeney? Professor Emeritus Eidman said that the retirees usually meet during the day. Their regular monthly meeting is the fourth Tuesday of the month, and he would envision the workshops being an extension of their regular meeting.

In Mr. Horstman's opinion, he thinks it would better to do one or two workshops really well to build momentum rather than trying to do too much. He said he would like to meet with Professor Emeritus Eidman and Professor Whitman as well as any other interested members of their group to talk about possible ideas.

How does someone get involved in UMRA, asked Professor Feeney? Professor Emeritus Eidman said when people retiree they receive a letter asking if they are interested in joining UMRA. The University has a strict policy about how many times people can be contacted, and that is only once. Most people join UMRA after receiving the letter or have been personally invited by someone to join. Professor Feeney suggested periodically including contact and other information about UMRA in the Retirement Subcommittee minutes - □ HYPERLINK "<http://www1.umn.edu/umra/index.php>" □ <http://www1.umn.edu/umra/index.php> □. Professor Hanna also suggested including this information in the annual letter that the OHR distributes to Faculty Retirement Plan (FRP) participants. Professor Tims said the UMRA link should also be on the OHR website, if it isn't already. Wendy Berkowitz checked the 'Benefits for Retirees' site on the OHR website and reported that there is no information about UMRA on the site.

Professor Tims asked Professor Emeritus Eidman about the percentage of retirees in UMRA. Professor Eidman said he cannot answer that question because it is impossible to know the total number of retirees. He did note, however, that UMRA has about 500 members so it would only be a small percentage of those who have retired. Professor Tims proposed the Retirement Subcommittee recommend that the University/OHR conduct a more systematic assessment of retiree needs. Mr. Horstman said not knowing the scope of what this would involve, he is not able to speak to this request. However, he did report that the OHR communications team is working on the redesign of the OHR website and said Susan Diekman, director of communications, will be attending the April 6 Retirement Subcommittee meeting to talk about the website redesign. He noted this could also be an opportunity to talk with Ms. Diekman about surveying employees about their retirement needs given she has a lot of survey experience. To be clear, said Mr. Horstman, while he is not committing her to conducting a survey, she will likely have some thoughts about whether conducting a survey would be feasible or not. He also suggested that Professor Emeritus Eidman meet with Ms. Diekman before she comes to the April meeting to get the ball rolling. Professor Emeritus Eidman said he would be interested in meeting with her. He also mentioned a fairly recent nationwide survey of faculty conducted by TIAA-CREF on retirement planning, which he found interesting. Professor Feeney asked Professor Emeritus Eidman to send the link to Renee Dempsey, Senate staff, to distribute to members after the meeting. [POST MEETING: While the URL for the study itself was not available, Professor Emeritus Eidman found two articles that summarized the TIAA-CREF study, which were sent to members - □ HYPERLINK "<https://www.insidehighered.com/news/2014/12/11/college-employees-beter-prepared-retirement-general-population>" \t "_blank" □ <https://www.insidehighered.com/news/2014/12/11/college-employees-beter-prepared-retirement-general-population> □ and □ HYPERLINK "<https://www.insidehighered.com/news/2013/10/09/study-older-faculty-members-feel-financially-ready--retirement-don%27t-have-detailed>" \t "_blank"

<https://www.insidehighered.com/news/2013/10/09/study-older-faculty-members-feel-financially-ready--retirement-don't-have-detailed>].

Professor Feeney thanked members for a good discussion and said this topic will be revisited at the April meeting.

3. Work Group Updates: Last spring, said Professor Feeney, three Retirement Subcommittee work groups were formed:

- Aggregation of Useful Reference Materials Work Group
- Engagement/What Faculty and Staff Want Work Group
- Retirement Planning Tools/Calculators Work Group

Professor Feeney began by providing an update on the Retirement Planning Tools/Calculators Work Group that he, Professor Tims and Professor Hanna served on. He noted that Professor Tims primarily, but others on the work group as well looked at the websites of various investment firms to get a sense of the retirement planning tools they had. After doing this, the information was shared with Securian who later came back with a timeline/format of the planning tools they plan to rollout to the University in the near future. Professor Feeney noted in developing these planning tools, Securian engaged the services of Wealth Management Systems Incorporated (WMSI) - [HYPERLINK "http://www.wealthmsi.com/"](http://www.wealthmsi.com/), which is the leading provider of technology based rollover services in the retirement services industry. He said when Securian comes to the March 2 meeting they will provide an overview of the tools that will be rolled out in two phases later this year. If the phase one resources are up and running by early May, he suggested inviting Securian back to provide a demo. Professor Hanna added that Securian also talked about offering short, online retirement planning workshops. To conclude, Professor Feeney said that Securian is making progress on the additional planning tools they will provide to the University, and he and Professors Tims and Hanna are providing input as these resources are being developed.

Moving on, Professor Hanna, co-coordinator of the Aggregation of Useful Reference Materials Work Group, distributed a copy of the work group's recommendations, which include:

- Establish a systemwide financial wellness initiative – The work group proposes a resolution to this effect be sent to the University Senate. The inspiration behind this idea is the University's a Wellness Program, which promotes the importance of taking care of one's health. The same concept applies to preparing for retirement because people will be reluctant to retire if they do not have financial wellness. Less than 25% of all University employees participate in the optional retirement programs (Optional Retirement Plan and the Section 457 Deferred Compensation Plan), which is very low. Having a financial wellness program will benefit the University by insuring older faculty are prepared to retire and giving the University the opportunity to hire new faculty. Professor Hanna also informed members about National Save for Retirement Week (<http://www.icmarc.org/retirement-week.html>) that several organizations promote,

including the University of Michigan. She suggested the University consider piggybacking on this campaign.

- Improve communications to employees about retirement saving options, retirement readiness, portfolio management, etc.
- Expand resources regarding retirement financial planning and readiness.

In response to the recommendation by this work group to provide access to financial planners through the University, Professor Tims said the University's reluctance to provide this information is not a good institutional response to the need for the information. It would make sense for the University to provide a list of certified financial planners along with guides about selecting a financial planner. Mr. Horstman said while general education/information on selecting a financial planner is good, it would not be appropriate to provide a list of names/organizations. Professor Hanna said the University currently provides no information at all on how to select a financial planner, and other universities do.

Professor Tims noted that he is concerned about the fact that only employees with established accounts with Fidelity and/or Vanguard are invited to attend the workshops they offer. From the point of view of someone who has everything invested at Securian, it is not in the best interest of employees to restrict these sessions to only those with established accounts at Fidelity and/or Vanguard. All employees should be notified when vendors are invited to campus to talk about retirement planning; this should be more broadly communicated. Professor Feeney added that he thinks doing this would benefit both participants and vendors, and asked Mr. Horstman for his thoughts. Mr. Horstman said he does not have an opinion today, but said it would probably depend on the nature of the vendor's visit to campus, e.g., general information workshops versus meeting with actual investors. He believes general information about what the University's retirement plans offer should be promoted. To clarify, said Professor Hanna, the issue that needs to be addressed is FRP participants who have all their money invested at Securian, but in Vanguard funds, for example, and who do not have access to Vanguard when they visit campus, cannot use their online resources, etc. This issue might be able to be addressed through Securian, said Professor Feeney. Mr. Horstman added that having a tiered retirement plan structure would address some of these concerns, but instituting this type of structure is a long-term endeavor. Mr. Schenk added that the problem with the vendor planning tools is that they only take into account the investment balance information they have with that vendor, and most people are invested with multiple vendors. He noted that he finds the Google Finance Portfolio tool far superior to the tools offered by vendors.

Regarding the establishment of a systemwide financial wellness initiative, Professor Feeney asked Mr. Horstman if this would be possible. Mr. Horstman said he does not fully understand what it means and what it would entail. He said understands the importance of financial wellness and education, and is open to having a discussion about exploring the idea of having a financial wellness program. Professor Tims said given the inertia around recommendations that have come out of this committee during his short tenure, a resolution may be a good way to get the administration's attention that this is an

important issue. There does not appear to be the commitment by OHR to make the committee's recommendation happen.

Joe Jameson suggested that more should be done to communicate with the University community about planning for retirement using existing communication tools, e.g., *Brief*. Frank Douma said he does not see bringing this resolution to the University Senate as providing an immediate return because it would require educating senators about the issue so they know if they want to support it or not. He agreed with Mr. Jameson about using *Brief*, etc. to get people's attention.

Next, Professor Kaas, coordinator of the Engagement/What Faculty and Staff Want Work Group, said her work group shares similar concerns with the other work groups. An issue raised by this work group was that one message does not fit everyone. There are a number of populations that are not making use of retirement information. With that said, the work group felt the need for targeted communications in terms of demographics and different populations, e.g., employees between 25 and 35 years old, women versus men as opposed to sending the same message to everyone. The work group also talked message timing and suggested a 'Check In, Check-Up and Checkout' model. Check In information would be provided at employee orientation, Check-Up questions and information would be sent out at specific times/milestones during employment, and Checkout would be directed at those who are getting to the age when they are starting to think about retirement. Mr. Horstman said he likes the idea of targeted messages to different demographics, e.g., new hires, mid-career, close to retirement and women versus men, etc.

Professor Hanna said she would like to see the breakdown of those participating in the optional retirement plans by employee group. Professor Feeney asked Dan Fisher if he could get this data. Mr. Fisher said he would need to check on the file feeds to see if this would be possible. Professor Feeney requested Mr. Fisher check on this and asked Renee Dempsey, Senate staff, to put this item on the April agenda.

Mr. Jameson commented that a number of younger and even middle aged people are dealing with debt. This group needs to be educated on how save for retirement while simultaneously getting rid of debt. The reality of the matter is that it is easier to save a little for retirement when one is younger than save larger amounts later in life. Professor Kaas agreed and suggested a video on the OHR website or a webinar with someone sharing their personal experience. Professor Tims added that the benefits of saving for retirement need to be highlighted, e.g., contributions to retirement accounts are taken from an individual's paycheck before taxes are deducted thus lowering the amount of income a person has to pay taxes on.

Professor Kaas reiterated a concern she had previously articulated, which is that there are cultures that do not understand retirement at all because they are accustomed to being taken care of by their families as they get older, and, therefore, do not understand the need to save money for retirement. These groups of people need to be messaged differently than other groups. She added that she asked Securian if they had any

informational materials written in any other language but English and they do not. Mr. Horstman agreed this is a challenge that has not been met.

Professor Feeney recalled that the Retirement Subcommittee had asked Securian to put fliers in with the statements that are sent out to FRP participants, but these would not reach Civil Service or Bargaining Unit employees because their retirement accounts are with Minnesota State Retirement System (MSRS). This is an issue that should be raised with Securian.

Before adjourning, Professor Feeney distributed a handout from Securian on TargetAge™ funds (not target date funds) and reported that Securian is using TargetAge™ funds with their 401K market. Securian will provide information about these funds following their annual report at the March 2 meeting. The concept of the TargetAge™ funds is similar to target date funds, but included in the fund line-up are funds other than individual specific funds, e.g., General Account Limited (GAL). Mr. Horstman said the GAL is Securian's only fixed income fund in the TargetAge™ product. Mr. Mason suggested talking with Securian about this when they meet with the committee next month. There are many age cohorts where a 3% return on the fixed income component of this type of fund would not be competitive. The fee structure around the General Account is opaque, and it is hard to know the fee component being paid on this account. In Mr. Mason's opinion, for most age groups, it would be inappropriate to have the General Account as the fixed income component.

4. **Adjournment:** Hearing no other business, Professor Feeney adjourned the meeting. He reminded members that Securian annual review will take place at next month's meeting.

Renee Dempsey
University Senate