

SCFA RETIREMENT SUBCOMMITTEE  
MINUTES OF MEETING  
DECEMBER 4, 2001

[In these minutes: Welcome, EGTRRA Presentation, Investment Update, Future Meeting Topic]

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

PRESENT: Daniel Feeney, Chair, Robert Fahnhorst, Gordon Alexander, Josef Altholz, Richard Goldstein

REGRETS: Michael Murphy

ABSENT: Dwight Purdy, George Seltzer

OTHER(S): Chris Suedbeck

GUEST(S): Tim Soldan, Richard Manke, Michael Kohler

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

II). Representatives Tim Soldan, Richard Manke and Michael Kohler from Minnesota Life Insurance Company distributed to Committee members a handbook containing detailed information on the Economic Growth and Reconciliation Relief Act of 2001 (EGTRRA). EGTRRA was signed into law on June 7, 2001 and accomplishes the following:

- Reduces personal income taxes in a variety of ways; and,
- Significantly enhances retirement savings opportunities and security; and,
- Increases the State tax exemption thresholds; and,
- Repeals the estate tax in 2010.

Born by budget constraints, Congress designed EGTRRA to sunset at the end of 2010. As a result, unless Congress takes action to renew the whole bill or portions thereof, laws will revert to whatever the provisions stipulated prior to EGTRRA being enacted. Another important facet of this bill is that it will be phased in over the course of the next several years.

A detailed PowerPoint presentation focusing on provisions within EGTRRA that directly impact U of M pension plans as well as other significant tax law legislation was presented to Committee members. Minnesota Life representatives fielded questions from Committee members throughout the presentation.

An outcome of the presentation included Committee members supporting a recommendation that would increase the portability option of the optional faculty retirement plan. Mr. Robert Fahnhorst agreed to forward this recommendation to Vice President of Human Resources, Carol Carrier.

III). Mr. Chris Suedbeck of the Office of Asset Management briefly went over the results of the Faculty Retirement Plan Investment Performance Report for period-ending September 30, 2001. Mr. Suedbeck then presented Committee members with some positive and negative economic highlights for the two months following period-ending September 30, 2001. Positive highlights include:

- Most of the major indices in November posted positive returns.
- Growth funds have been outperforming value funds.
- Durable goods had a record 9.2 increase in September.
- Home sales increased for a second month in a row.
- Business inventories declined.

Negative economic news includes:

- Unemployment increased to 5.4%, the highest level in five years.
- Unemployment is expected to rise in December to 5.6% due to lack of consumer spending.
- Consumer confidence levels dropped again to the lowest level in 7.5 years.

Mr. Suedbeck concluded his presentation by encouraging Committee members to focus on consumer confidence levels. In Mr. Suedbeck's view, an increase in consumer confidence levels will lead to increased consumer spending which in turn will have businesses ramping up their inventories and hiring more employees.

IV). The next meeting on January 22, 2002 will include a brief investment update and then the remainder of the meeting will be spent analyzing how to implement a governmental trust plan (also known as Voluntary Employee Beneficiary Association - VEBA). Committee members will discuss a modeling and marketing strategy in an attempt to usher in this sort of plan.

V). With no further business, Professor Feeney adjourned the meeting.

Renee Dempsey  
University Senate