

SCFA RETIREMENT SUBCOMMITTEE  
MINUTES OF MEETING  
DECEMBER 9, 2003

[In these minutes: New Quarterly Statement - Minnesota Life, World Bond Funds, Vendor Fee & Crediting Breakdown, Comparison of Fixed Assets, Spring 2004 Meeting Schedule]

[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: Richard Goldstein, Gavin Watt, Barry Melcher, Jackie Singer, Chris Suedbeck, Gordon Alexander, Daniel Feeney, Kathryn Hanna, Jean Kinsey, Michael Murphy, Herbert Pick, Dwight Purdy, Warren Ibele

REGRETS: Fred Morrison

OTHERS: Joseph Jameson, Robert Jones, John Fossum

GUESTS: Minnesota Life representatives Laura Pierson, Amy Perrizo, Richard Manke

I). Professor Goldstein called the meeting to order.

II). Professor Goldstein introduced Mr. Richard Manke from Minnesota Life. Mr. Manke and his business associates provided members with an overview of Minnesota Life's proposed new quarterly statement for participants in the University's Faculty Retirement Plan. Reasons for changing the current statements include:

- Statements are Minnesota Life's number one communication piece with plan participants. Participants receive these statements four times per year.
- Current statements are outdated and difficult to read.
- Leverage Minnesota Life's award winning 401(k) statement format, which was revamped approximately one year ago. DALBAR, an

independent third party institution that reviews and provides benchmark information on materials produced in the financial services industry, awarded the Minnesota Life 401(k) statement with its highest rating.

How does the new statement differ from the old statement?

- The content from the old statement will be preserved but will be presented in a different format.
- Additional information will be included on the statement e.g. asset class information to assist participants in focusing in on their overall asset allocation.
- The new statement will include a section for a message from the University of Minnesota Employee Benefits Office.
- The new statement will include the URL for the University's Employee Benefits Office.

Mr. Manke noted that assuming the University does not make any major changes to the proposed new statement presented today, this new statement will be able to be produced at roughly the same cost as the current statement. Minnesota Life's goal is to have the new statements rolled out in July 2004 for the quarter ending June 30, 2004.

Members reviewed the proposed new quarterly statement and provided representatives from Minnesota Life with thoughtful feedback. Professor Goldstein asked Mr. Manke to send him a summary of the changes proposed by the Subcommittee along with a copy to Jackie Singer.

In closing, Mr. Manke reviewed the items that Minnesota Life will be responsible for providing at the February 2004 Retirement Subcommittee meeting:

- An update on personnel matters at Advantus Capital Management.
- General Account benchmarks.
- Information concerning Minnesota Life's basis point fee structure for the University of Minnesota.

III). Professor Goldstein called on Jackie Singer to update the Committee on the possibility of adding a world bond fund or similar investment option to the Faculty Retirement Plan (FRP).

Last month Ms. Singer and Mr. Suedbeck looked at two world bond funds, Minnesota Life's Advantus International Bond and Scudder's Global Bond, neither of which were determined to be viable additions to the Plan. Hence, they expanded their search and investigated two emerging markets bond funds and a multisector bond fund. According to Mr. Suedbeck, emerging markets bond funds can be equated to high yield debt and he would not recommend adding either of the funds they researched to the Plan. The multisector bond, Fidelity's Strategic Income fund, on the other hand, is diversified and is not a sector bet. Mr. Suedbeck noted, however, that this fund is not a strict international bond fund. According to Mr. Suedbeck, adding this multisector bond fund to the Plan would be the most conservative way for the University to get international marketplace exposure in one of its fund options. Ms. Singer added that Fidelity's Strategic Income fund has a relatively low basis point fee and the fund's Morningstar rating is outstanding.

To summarize, Ms. Singer stated that based on discussions from this meeting and the November 13th meeting she will pursue adding the following funds to the FRP:

- Vanguard Mid-Cap Index fund
- Fidelity Low Priced Stock fund
- Fidelity Strategic Income fund

Ms. Singer stated that before she takes action to add these funds, the basis point fee structure will need to be resolved with Minnesota Life.

IV). Professor Goldstein called on Ms. Singer to report to the Committee on the various fees associated with each of the retirement plans, the Faculty Retirement Plan, the Optional Retirement Plan and the 457 Plan. Ms. Singer distributed a handout that outlined:

- Assets under management in the Faculty Retirement Plan, the Optional Retirement Plan and the 457 Plan by the various investment providers.
- Annual fee estimates broken down by investment manager.
- Annual fees by investment providers as a percentage of assets managed.
- Detailed breakdown information for each investment manager.

It is the University's goal to have Minnesota Life lower or even eliminate its basis point fee structure for the University. Currently, Minnesota Life charges the University based on a percentage of the assets it manages for the University. According to Ms. Singer, if Minnesota Life insists on charging a fee the University may want to explore a fixed fee rather than a sliding scale fee.

A member asked whether there is any concern about the 30 basis points on the general accounts subsidizing the recordkeeping for the other accounts. Ms. Singer stated that she is concerned about what Minnesota Life charges when it comes to relationship pricing. The University's ultimate goal is to leverage its assets in order to reduce its recordkeeping fees. Ms. Singer stated that once Minnesota Life provides the University with the benchmarking figures it requested, it will be in a much better position to determine whether Minnesota Life's crediting rate is competitive with other options in the marketplace.

V). Next, Ms. Singer distributed a handout comparing annualized returns over the past ten years for each of the following accounts:

- General Account (GA)
- General Account Limited (GAL)
- Supplemental Retirement Account (SRA)
- Retirement Account (RA)

Ms. Singer highlighted the following information:

- The supplemental retirement accounts performed significantly better than the general accounts.
- After reviewing the annualized returns for the SRA, it appears that the University should continue pursuing offering this account in its Faculty Retirement Plan. Ms. Singer will continue to work with TIAA-CREF to see what kind of product they will be able to offer.

Professor Goldstein asked Ms. Singer to provide the Committee with a comparison of annuity rates between the various insurance companies. Ms. Singer believes that in this past the University contracted with a company that specifically calculates this type of information, but she will see what she can uncover. From a budgetary standpoint Ms. Singer is unsure whether the University is in a position to hire someone to produce these figures.

Professor Goldstein believes these calculations should be conducted on a periodic basis.

VI). Professor Goldstein proposed the following spring 2004 meeting schedule:

February 10, 2004

March 9, 2004

April 27, 2004

Ms. Singer requested a January 2004 meeting as well to share with the Committee an umbrella Board of Regents Retirement Policy. Tentatively the Committee agreed to meet on January 27, 2004. Confirmation of this meeting date, time and location will be sent via email.

Members were asked to check their schedules and let Renee Dempsey, Senate staff, know if they have conflicts. A final spring semester meeting schedule will be distributed to members via email once it has been finalized.

VII). Hearing no further business, Professor Goldstein adjourned the meeting.

Renee Dempsey  
University Senate