

SCFA RETIREMENT SUBCOMMITTEE  
MINUTES OF MEETING  
FEBRUARY 7, 2005

[In these minutes: Retirement Calculator, Consolidated Recordkeeping]

[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, Carol Siegel, Gavin Watt, Barry Melcher, Jackie Singer, Chris Suedbeck, Richard Goldstein, Kathryn Hanna, Dian Lopez, Michael Murphy, Herbert Pick, Burt Sundquist

ABSENT: Gordon Alexander, Jean Kinsey

I). Professor Feeney called the meeting to order and asked those present to introduce themselves.

II). Handouts were distributed to facilitate the committee's discussion of whether the University should consider offering a retirement calculator to FRP participants. Professor Feeney asked for member's feedback/input on this agenda item.

Overall members were very supportive of moving forward with this idea, but had some reservations and suggestions, which are highlighted below:

- Care needs to be taken in how this tool is designed. It is imperative that FRP participants not use the calculator as a means to chase last year's performance.
- Avoid making the retirement calculator too complicated.
- Make sure that the proper disclaimers are put in place so that users understand the limitations of the program.
- Use the retirement calculator as a means to illustrate the performance difference between the General Account and the General Account Limited.
- Find out what University FRP vendors can provide in terms of a retirement calculator versus the University building this tool.
- The retirement calculator would need to be able to represent all FRP fund offerings.
- Make sure the University's role and the vendor's role in this endeavor are clearly formulated. For liability reasons, the University should not own the retirement calculator.
- The retirement calculator should provide practical, easy to understand results.
- Incorporate a feature which would calculate the likelihood of whether a retirement account will actually last through retirement and ideas on how to make it last.
- Make Social Security as an optional feature in the model. Some plan participants do not believe they will receive Social Security when they retire.

- Permit other retirement accounts, in addition to the FRP account, to be factored into the retirement calculator's calculations. This would make the model more accurate and complete, and could incentivize vendors to reduce the University's basis point fees.
- Consider including a long-term care variable into the retirement calculator's analysis capabilities.
- Make sure that risk is portrayed as accurately as possible.

Professor Feeney noted that the goal would be to have the complexity of this program behind the scenes. He suggested constituting a small working group that would discuss the features and variables that should be included in a retirement calculator.

Ms. Singer suggested having the first iteration of a retirement calculator focus on getting employees to wisely save their money for retirement. Then, in the future, if additional features are deemed necessary, the retirement calculator can be modified.

Professor Feeney asked members whether they would be opposed to having the small working group consult with Minnesota Life in the design phase of this project. It was noted that the University does not have to go out to bid for this project provided that the vendor does not charge for the service. Overall members had no objections to having the working group consult with Minnesota Life.

III). Next, the committee discussed whether the University should go out to bid for a consolidated recordkeeping vendor. Advantages of consolidated recordkeeping include:

- The University could leverage the size of its FRP account in order to reduce its basis point fees.
- There would be a single vendor contact for all enrollments.
- It would allow for omnibus trading on all fund offerings.
- One contribution (file) feed.
- Communication consolidation.

An advantage for the selected vendor is that they would have access to all FRP participants. Currently, vendors only have access to participants that are currently investing in their funds. Additionally, there would be cross-selling opportunities.

In response to a question raised by Professor Feeney, Ms. Singer noted that the basic FRP would remain the same whether or not it had a consolidated recordkeeper. She noted that even though the University could consolidate its statements if it hires a consolidated recordkeeper, for legal purposes plan assets must remain segregated.

Ms. Singer emphasized that there should be no foregone conclusion that Minnesota Life will win this bid process. If the committee feels strongly they want to keep things the way they are with Minnesota Life, it is not worth the trouble of going through the RFP process, which is a huge exercise. She added that the RFP framework would likely ask vendors to bid on keeping the University's current fund line-up in tact. Mr. Suedbeck stressed the importance of the University maintaining control of deciding which funds it

offers. For clarification Ms. Singer noted that the RFP would be for a consolidated recordkeeper only and not a combined investment manager/recordkeeper.

Jackie Singer stated that she would recommend the University contract with an external consultant to help run the RFP process. Consultants who specialize in this field know the right questions to ask. It was noted that a RFP might need to be issued for consultant services before a RFP can be issued for consolidated recordkeeping services. Ms. Singer will check into this and report back to the committee. Assuming the University decides to go out to bid for a consolidated recordkeeping vendor, the soonest any changes would take place would be January 1, 2007.

Members supported the idea of convening a small working group to discuss the features/parameters for a retirement calculator. The working group will report back to the full committee at its April meeting on their progress. Additionally, at the April meeting there will be an update on the RFP process as well as a discussion on whether transfers should be allowed into the FRP. Professor Feeney with the support of the committee noted that he would make arrangements with Minnesota Life at the March 7<sup>th</sup> meeting to comment on the pros and cons of allowing other retirement monies to be rolled into the FRP.

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

Renee Dempsey  
University Senate