

SCFA RETIREMENT SUBCOMMITTEE  
MINUTES OF MEETING  
OCTOBER 3, 2005

[In these minutes: University of Minnesota Retirement Planning Tool, Transfer Report Card, Proposed Retirement Plan Investment Committee]

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

OTHER: Joe Jameson

GUESTS: Securian representatives Dick Manke and Laura Pierson

I). Professor Feeney called the meeting to order.

II). Professor Feeney introduced the first agenda item by noting that Securian representatives Dick Manke and Laura Pierson were here today to provide members with a demonstration of the retirement planning tool customized specifically for the University of Minnesota.

Prior to the actual demonstration, Mr. Manke shared some information relative to this project, and highlighted the following:

- The goal of this tool is to help people plan for their retirement and address key questions that they may have e.g. how much money will I need at retirement, is my asset mix on target to reach my goal, etc.
- Once complete, this tool will be on the Securian website (pre log-on). There will be a link from the Securian home page to the site.
- Any University of Minnesota retirement plan participant can use the tool. Participants simply select their employee classification, and corresponding fields will appear for entry.
- This tool allows participants to factor in MSRS (Minnesota State Retirement System) benefits as well as any outside retirement savings accounts they may have.
- The tool has two modules:
  - Module #1 – This module will help participants determine how much money they will need to retire, give the expected rate of return for current and future savings needed to achieve this goal, and suggest investment options to consider in order to maximize savings.
  - Module #2 – This module will provide information on how much an individual might expect to earn based on historical returns and the individual's existing

distribution of money across asset classes. (This module provides average historical return as well as high and low returns – standard deviation).

Next, Mr. Manke and Ms. Pierson demonstrated the retirement planning tool prototype. Members spent a great deal of time providing suggestions for improving the overall usability/functionality of the program. It was agreed that Securian would continue to add educational/explanatory text to improve the readability and understanding of the tool, and come back to the committee for a final demonstration on December 5th. Mr. Manke stated that before this tool can be rolled out to the University community, Securian's Legal and Compliance Department must review the final version, and add footnotes as required by NASD and SEC regulations. In closing, Mr. Manke requested that if members think of additional suggestions for the prototype that they email him at [richard.manke@securian.com](mailto:richard.manke@securian.com)

Before moving on to the next agenda item, Professor Feeney asked members to share their thoughts on how this tool should be marketed to University retirement plan participants. The following ideas were generated:

- Via the *U & Your Benefits* newsletter.
- Include information about the tool in the Employee Benefits space on the quarterly statements distributed by Securian.
- Post to the Employee Benefits website.
- Send out a mass mailing or a mass e-mail.
- Put in the *Brief*.
- Communicate information about the tool at retirement planning and brown bag sessions offered by Employee Benefits.

III). Ms. Singer distributed a handout, which provided members with vendor performance information relative to how accurately they are processing rollovers. Ms. Singer expressed concern over the accuracy of the financial information that Employee Benefits has been receiving relative to these transactions.

Ms. Singer noted that 80% - 85% of transfers are being processed correctly. However, the handout clearly indicates that of all the vendors, TIAA-CREF does the poorest job of processing transfers accurately. TIAA-CREF's vice president for client services recently met with Employee Benefits to discuss this matter.

Questions/comments from members:

- A member asked whether there were other instances where the University should be auditing TIAA-CREF's figures. Ms. Singer noted that all contributions are reconciled on a quarterly basis in total. If there is a discrepancy in the total, further analysis is done to adjust for any mistakes by individual. Ms. Singer added that the University auditors receive TIAA-CREF's outside auditor report, which details information about their processing accuracy. In all likelihood, the reason for the high number of transfer processing errors by TIAA-CREF has to do with the fact that the University has multiple vendors and multiple plans.
- A member asked how the errors were uncovered. Ms. Singer noted that through the reconciliation process the mistakes were uncovered.

- Are the errors occurring within TIAA-CREF accounts? No, the mistakes involve transfers to other vendors.

IV). Chris Suedbeck, assistant director, Office of Asset Management, introduced the next topic, fiduciary issues. He noted last year when the Office of Asset Management was developing its operating statement and policy for investments, it became apparent that something was missing. According to the current policy, the Board of Regents has fiduciary responsibility for the University's retirement plans and Vice President Pfutzenreuter acts as the trustee. Under further examination, it was uncovered that the SCFA Retirement Subcommittee had taken on the role of quasi-fiduciary, and that there was little to no communication taking place to from this group to Vice President Pfutzenreuter, and ultimately the Board of Regents.

With this said, Mr. Suedbeck put forth a recommendation to establish another committee to handle fiduciary issues for all University retirement plans. This newly established committee would report directly to Vice President Pfutzenreuter and the Board of Regents. It is not uncommon for the Board of Regents to delegate its authority to University professionals, with expertise in a given area, to make informed decisions/recommendations on their behalf.

Mr. Suedbeck turned members attention to a flow chart illustrating how the new structure would play out. He then noted that membership of the newly formed committee would include representation from the SCFA Retirement Subcommittee. Additionally, because the new committee would be dealing with all the University's retirement plans; there would be representation from the each of the employee groups on the committee.

A member noted that this proposal, in some ways, parallels the Benefits Advisory Committee (BAC)/Administrative Working Group (AWG) relationship. However, a concern was raised that besides the newly formed committee having access to fiduciary information, it would be critical for the SCFA Retirement Subcommittee to have access to the fiduciary information as well. The SCFA Retirement Subcommittee must be given the legitimacy to express its concerns about this information. In response to this concern, Mr. Suedbeck noted that the new committee would not strictly be an administrative committee, but rather have representation from all employee groups. Ms. Singer stated that based on a discussion last year, the SCFA Retirement Subcommittee did not feel comfortable assuming a fiduciary role for the Faculty Retirement Plan (FRP). She added that in recent discussions with the Board of Regents, they want/need to delegate their fiduciary responsibility for the retirement plans. The Board of Regents would continue to be involved in decisions of great significance relative to the University's retirement plans.

Based on the flow chart that was distributed, a member expressed concern that the SCFA Retirement Subcommittee cannot directly bring its fiduciary concerns to Vice President Pfutzenreuter. It was noted that changes to the flowchart to facilitate this direct communication would likely be amenable to those proposing the new committee.

Professor Feeny stated that it would also be important for all members of the new committee to receive a letter of assurance from the administration that as fiduciaries for the retirement plans, they are covered by institutional liability and indemnification. Related to this concern, Ms. Singer noted that the Minnesota Attorney General's Office is working with the MSRS Board of

Directors in examining state statute to determine MSRS Board of Directors' fiduciary responsibilities as opposed to individual plan participant's fiduciary responsibilities. Once their analysis is complete, Ms. Singer hopes to share their findings with the Office of the General Council (OGC) to guide them as they conduct a similar analysis. Mr. Suedbeck added that while the University is not covered by ERISA (Employee Retirement Income Security Act), in the absence of better guidelines, ERISA guidelines are a good resource to extrapolate from.

A member asked if the University were sued for fiduciary matters, would it be likely that ERISA case law would be cited. Ms. Singer stated the plaintiff could try to use this argument, but technically, because the University is not subject to ERISA, state and contract law would most likely be used to determine the University's liability.

Professor Feeney stated that although technically the SCFA Retirement Subcommittee is the advisory body for issues concerning the Faculty Retirement Plan, it has been operating rather loosely ever since it began discussions on Post Retirement Health Care Savings Plans (PRHCSP). It was at this time that Civil Service and P&A representatives were asked to participate in the committee's discussions. Professor Feeney added that because the Senate has been reconstituted, housekeeping, in terms of the committee's scope and membership, should be re-evaluated.

A member asked whether any thought had been given to morphing the existing Retirement Subcommittee into the newly proposed committee. Another member asked whether the newly proposed committee could be a subcommittee of the Retirement Subcommittee. In one member's opinion it was noted that the Retirement Subcommittee should be comprised of members that do not necessarily have investment knowledge to make sure that a variety of issues are brought forward, while the Retirement Plan Investment Committee would absolutely need members with strong investment knowledge. Another member also argued for a distinct separation between the Retirement Subcommittee and the Retirement Plan Investment Committee for indemnification and liability reasons.

A member questioned the time commitment that members of the Retirement Plan Investment Committee will be expected to devote, and whether members would be given release time from their positions in order to fulfill their responsibility on this committee. Mr. Suedbeck and Ms. Singer noted that the new committee is expected to only meet quarterly.

Who will be the appointing authority for the Retirement Plan Investment Committee? Mr. Suedbeck stated that there would not be one appointing authority because representation from across the University community would be sought to serve on the committee. Professor Morrison strongly encouraged that consideration be given to having an appointing authority, and that that person either be the President Bruininks or Vice President Pfitzenreuter.

In closing, Professor Feeney asked Mr. Suedbeck to fine-tune the bylaws for the proposed Retirement Plan Investment Committee based on feedback from today's discussion, and to distribute them via email to the committee for review prior to the November 7<sup>th</sup> meeting. Professor Feeney noted that the first half hour of the November 7<sup>th</sup> agenda would be spent reviewing the revised bylaws and then the last hour, from 11:00 – 12:00, would be spent hearing

from TIAA-CREF concerning the TIAA-CREF trustees/ Ernst and Young scandal and learning about their corporate governance structure. Ms. Singer volunteered to contact TIAA-CREF to let them know the time they are on the Retirement Subcommittee's agenda.

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

Renee Dempsey  
University Senate