

SCFA RETIREMENT SUBCOMMITTEE  
MINUTES OF MEETING  
FEBRUARY 13, 2006

[In these minutes: Retiree Financial Calculator Demonstration, TIAA-CREF/Rollovers, Annual Letter to FRP Participants]

[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, Kathryn Hanna, Dian Lopez, Michael Murphy, Herbert Pick

REGRETS: Richard Goldstein, Burt Sundquist

OTHER: Fred Morrison

GUEST: Vice President Dick Manke, Retirement Plan Services - Securian

I). Professor Feeney called the meeting to order.

II). Professor Feeney announced that the active employee financial calculator went live on the Securian website on January 25, 2006. He then welcomed Securian representative Dick Manke who was invited to today's meeting to provide members with a demonstration of the customized financial calculator being developed by Securian for use by University retirees.

To begin, Mr. Manke outlined the module's objectives:

- Easy to use.
- Flexible.
- Meet compliance requirements.

Next, he demonstrated the retirement planning tool prototype. Members provided suggestions for improving the overall usability/functionality of the program.

The calculator addresses the following points:

- How much money will I need to retire?
- How will my savings grow?
- Will I be able to retire when I expect to retire?
- Saving options for retirement.
- Investment basics.
- Information you need to know if you are changing jobs.
- Determining your investing style.

In terms of next steps, it was agreed that Securian would make the changes suggested today to improve the readability and understanding of the module. Then, once complete, Mr. Manke will provide Professor Sundquist as well as the Retirement Subcommittee with a link to the module for Beta testing purposes.

III). Ms. Singer reported that the transition to TIAA-CREF's new platform was not seamless for the University. Approximately 320 FRP participants experienced problems. Out of these 320 individuals, 260 had money "disappear" from their Faculty Retirement Plan (FRP) statements, only to appear on their Optional Retirement Plan (ORP) statements. While TIAA-CREF corrected this problem behind the scenes, they failed to communicate what had occurred to participants or the University. Therefore, when participants received their December 31, 2005 FRP statements it looked as if large withdrawals had been taken from their FRP accounts, but in reality this was not the case.

The remaining 60 individuals that experienced problems are being contacted directly by TIAA-CREF. It is Ms. Singer's impression is that TIAA-CREF does not intend to issue new statements for these individuals. These problems are expected to be resolved by the end of the first quarter. Ms. Singer has been assured by TIAA-CREF that they will not ask FRP participants for information on where their funds were invested. Instead, TIAA-CREF will pull their records for this information, and, if it is not clear, they will contact the prior vendor. Only after these options have been exhausted will Ms. Singer's assistance be solicited.

Ms. Singer has been working closely with Lisa Stitzel, director, Institutional Client Services at TIAA-CREF to resolve all the problems that occurred. Ms. Singer noted that because Ms. Stitzel did not realize what participant's consolidated statements looked like, the magnitude of the problem was not obvious to her. Only after Ms. Singer showed her a copy of a statement did she understand what plan participants actually saw on their statements. Ms. Stitzel is working feverishly with TIAA-CREF's programmers to decide what information needs to be transmitted to Securian so that participant's statements are accurate.

Because TIAA-CREF did not actually buy or sell funds, from their standpoint the gains and losses that appeared on participant's statements are of no concern. Ms. Singer emphasized that how this information has been recorded is a serious issue. Ms. Singer advised Ms. Stitzel that TIAA-CREF needs to think through how it intends to report the money that looks like it is coming back into FRP accounts because there are potential tax implications.

Professor Morrison noted that he is concerned that unless TIAA-CREF generates a clear, written statement concerning what transpired, that several years from now affected participants may have tax problems. Simply issuing a corrected March 31, 2006 statement is inadequate. Instead, an actual letter from TIAA-CREF stating that the December 31, 2005 statement is erroneous is what is needed. He noted that this problem could have estate tax implications for those affected. Ms. Singer agreed to tell Ms. Stitzel that TIAA-CREF needs to issue such a letter so it can be used as a historical record for these individuals.

A member asked what percentage of TIAA-CREF accounts were affected by this problem. Ms. Singer noted that approximately 10% were affected.

Professor Feeney stated that TIAA-CREF has been the reason the University has delayed rollovers. He added that there are plenty of other good providers in the market. With this said, he asked the committee for their thoughts on what actions, if any, should be taken around this matter. The University could:

1. Not permit rollovers into TIAA-CREF.
2. Restrict future contributions to TIAA-CREF until their recordkeeping problems are resolved.

TIAA-CREF does not appear to be as responsive or as apologetic as they should be under the circumstances. The academic community, in general, needs to be made aware of what is going on with TIAA-CREF.

A member asked how much money the University pays TIAA-CREF to handle its funds in the FRP. Ms. Singer stated that it is impossible to know because the traditional annuity is a "lockbox". Assuming, however, 25 basis points on a traditional annuity this would equate to roughly \$1.6 million per year.

The concern over whether a culture change has occurred within TIAA-CREF since Herb Allison became its chairman, president, and CEO was raised. It was noted that for many years TIAA-CREF was "the" academic investment institution, representing academic values. Now TIAA-CREF is just another investment company, which actually offers a narrower range of investment options than other companies, and whose overall performance has not been as good as many of its competitors. Serious consideration needs to be given by the University to putting TIAA-CREF on a watch list for possible removal from the FRP. Ms. Singer suggested that rather than the Retirement Subcommittee making this recommendation that this be the first agenda item for the Retirement Plan Fiduciary Committee.

Ms. Singer noted that in terms of rollovers, the University would be able to accept rollovers at Securian by May 1, 2006. The University should not permit rollovers into TIAA-CREF until they meet set criteria; for example, requiring TIAA-CREF to have two A/B quarters for transfers.

It was noted plan participants can be wronged without being financially harmed. Additionally, all the extra work Employee Benefits is doing in monitoring TIAA-CREF transactions translates into a cost for the institution as well as FRP participants.

If TIAA-CREF is put on notice (watch list), what will it need to do in order to be considered in good standing again? It was noted that this would need to be discussed and guidelines would need to be established.

The committee unanimously passed a motion authorizing rollovers to be accepted at Securian as soon as possible. Rollovers, however, shall not be permitted with TIAA-CREF until they can demonstrate compliance with established benchmarks.

Members unanimously passed a second motion recommending that the Retirement Plan Fiduciary Committee conduct a full investigation into TIAA-CREF, and that TIAA-CREF be notified that the University of Minnesota has grave concerns relative to its technical

performance. These concerns rise to the level of potential termination of the University and TIAA-CREF business relationship.

The committee agreed that the communication announcing rollovers must be carefully crafted. On a semi related noted, if a decision is made to restrict new contributions into TIAA-CREF this requires a long-term plan.

IV). A draft of the letter to FRP participants from the Retirement Subcommittee was distributed. Members were asked to review the letter and contact Jackie Singer with any recommended changes. The only major difference between this correspondence and correspondence from previous years is the link to the financial planner ([http://web2.minnesotamutual.com/EDUCATION/EDU\\_CALCULATORS.HTM](http://web2.minnesotamutual.com/EDUCATION/EDU_CALCULATORS.HTM)).

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

Renee Dempsey  
University Senate