

SCFA RETIREMENT SUBCOMMITTEE
MINUTES OF MEETING
FEBRUARY 5, 2007

[In these minutes: Meeting with President Bruininks regarding TIAA-CREF, Review of Special Draft Letter, Fund Mapping, Retirement Plan Fiduciary Committee Name Change Proposed, Agenda Items for the Retirement Plan Fiduciary Advisory 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, William Van Essendelft, Gavin Watt, Barry Melcher, Jackie Singer, Chris Suedbeck, Gordon Alexander, Richard Goldstein, Kathryn Hanna, Dian Lopez

REGRETS: Michael Murphy, Burt Sundquist

OTHERS: Joe Jameson, Rosalie O'Brien

I). Professor Feeney called the meeting to order.

II). Professor Feeney announced that a briefing with President Bruininks to discuss the TIAA-CREF situation has been scheduled for February 26, 2007. In anticipation of this meeting, a preparatory meeting has been scheduled for the morning of February 20th.

III). Rosalie O'Brien from the Office of the General Counsel distributed a preliminary draft letter, which will be sent out to Faculty Retirement Plan (FRP) participants and the chairs of both the Civil Service Committee and CAPA, asking that the contents be shared with their constituents, should senior administration decide not to stop future contributions to TIAA-CREF. The purpose of the letter is to provide affected plan participants with information uncovered by the Retirement Subcommittee concerning TIAA-CREF; thus, giving plan participants the information they need to make informed retirement investment decisions. Members took a few minutes to review the document.

Professor Feeney thanked Ms. O'Brien for drafting this letter, which reads very well and is above and beyond what he expected. He asked for members' comments concerning the letter. Members provided Ms. O'Brien with feedback on the letter and suggested changes.

The committee agreed that while they would not send this letter out before the meeting with President Bruininks on February 26th, if senior administration failed to act in a timely manner regarding the TIAA-CREF matter, the committee felt, as a matter of conscience, that they would have no choice but to send it out shortly thereafter.

Ms. O'Brien will make the changes suggested by the committee and distribute the revised version to members after the February 26th meeting. She would provide copies to those attending the February 26th meeting, including President Bruininks and Vice President Pfitzenreuter, prior to the meeting.

Professor Feeney noted that if the letter is sent out it will also be posted on the Retirement Subcommittee's website.

IV). Professor Feeney called on Jackie Singer, director of Retirement Programs, to provide the committee with fund mapping information. Ms. Singer distributed two performance handouts and highlighted the following:

- The CREF Growth Account is underperforming significantly across the board.
- The Global Equities Account is somewhat underperforming, but not to the extent of the CREF Growth Account.
- The Fidelity Asset Manager Account is slightly underperforming.

Chris Suedbeck voiced concern over the TIAA Real Estate Account. The industry index is up 35% for last year, and the return on this account was 14%. Ms. Singer noted that TIAA argues that their Real Estate Account is not a REIT (real estate investment trust). Mr. Suedbeck stated if that is the case, then TIAA should not be calling this a real estate account.

Ms. Singer turned members' attention to the *Faculty Retirement Plan Investment Performance* handout and noted that the yellow shaded areas indicate potential fund-mapping alternatives that are either meeting or exceeding the performance of the various TIAA-CREF accounts. She also reported that the need for another General Account has been duly noted. If the University decides to stop future contributions to TIAA-CREF fund alternatives would need to be added to the fund line-up before funds are discontinued at TIAA-CREF.

A member made the observation that regardless if the University decides not to stop future contributions to TIAA-CREF, its fund line-up should be revamped based on the recommendations highlighted on this handout.

A member mentioned a recent article in Inside Higher Education, *Rating TIAA-CREF Returns*, which can be found at the following URL:

<http://www.insidehighered.com/news/2007/02/01/tiaa>. Basically, the article states that for institutions that only offer TIAA-CREF retirement account options, they could be providing a significant disadvantage to their plan participants.

Members were comfortable with the fund line-up options discussed today. The committee will address what changes should be made relative to the fund line-up, particularly the addition of funds, depending on what happens with TIAA-CREF noted Professor Feeney.

V). Professor Feeney reported that a concern has been raised around the name of the Retirement Plan Fiduciary Committee (RPFC). This committee is an advisory committee to the fiduciary rather than a fiduciary committee per se. After a brief discussion around this issue, members voted to unanimously to recommend that the RPFC be renamed the Retirement Plan Fiduciary

Advisory Committee (RPFAC). This recommendation will be shared with SCFA on an informational basis.

Professor Feeney also volunteered to follow-up with Stuart Mason, chief investment officer, informing him that, based on discussions with Ms. O'Brien, the Retirement Subcommittee recommends that the name of the RPFAC be changed to Retirement Plan Fiduciary Advisory Committee.

VI). Next, the committee discussed agenda items, which should be brought to the Retirement Plan Fiduciary Advisory Committee. The following items were mentioned:

- The University's investment policy.
- Changing the default fund option to a blended fund rather than a money market account.
- RPFAC name change to RPFAC.

A member questioned whether any decisions had been reached regarding the University's default fund. Earlier this year, Securian informed the committee that the prevailing philosophy for a default fund is a blended fund. Chris Suedbeck added that recent interpretations and guidance on ERISA reflect the opinion that money market accounts are no longer a viable option for a default fund. The rationale for this recommendation has to do with the low rate of return on money market accounts, which will never out perform inflation.

In preparation for the next meeting, the committee requested Jackie Singer and Chris Suedbeck to collect information contrasting money market performance with the Vanguard Wellington Fund and the Vanguard Wellesley Income Fund. Chris Suedbeck commented that it would be difficult to compare these funds because the difference in performance would be tied to the different allocations within each fund. For example, the Wellesley Income Fund would likely have a better performance record because this fund is 65% stocks and 35% bonds. Instead he recommended comparing each of the stock managers against their own benchmarks.

After some discussion on this issue, the committee voted to recommend that the default fund option be changed from a money market account to a blended fund.

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

Renee Dempsey
University Senate

