

SCFA RETIREMENT SUBCOMMITTEE  
MINUTES OF MEETING  
MARCH 5, 2007

[In these minutes: Update Retirement Subcommittee Charge, TIAA-CREF Update, Default Fund, Retirement Plan Fiduciary Committee, Securian Annual Review Scheduled for April, TIAA-CREF Q&A Discussion, Long Term Care Open Enrollment Extended]

[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, Jackie Singer, Chris Suedbeck, Gordon Alexander, Richard Goldstein, Kathryn Hanna, Dian Lopez, Burt Sundquist

REGRETS: Barry Melcher, Michael Murphy, Joe Jameson

OTHER: Rosalie O'Brien

I). Professor Feeney called the meeting to order.

II). With the reconstitution of the Senate, Professor Feeney stated that the Retirement Subcommittee's membership should be expanded to include Civil Service representation so it reflects the intent of the integrated Senate.

Professor Feeney reported that Renee Dempsey, Senate staff, after discussions with her Senate colleagues, recommended that Professor Feeney bring this item before the Civil Service Committee to verify their interest in participating in the Retirement Subcommittee. With this said, Professor Feeney requested that Ms. Dempsey draft a letter on his behalf with the appropriate courtesy copies, which would be sent to the chair and vice chair of the Civil Service Committee.

Beyond expanding the Subcommittee's membership, the charge itself needs to be updated to accurately reflect which retirement plans the Subcommittee oversees noted Professor Feeney. Over the years, the Subcommittee has looked beyond the Faculty Retirement Plan (FRP), and provided input on the Optional Retirement Plan (ORP) and the 457 Plan. It is important that oversight on these plans be officially written into the Subcommittee's charge. In terms of membership, as the Subcommittee continues to provide input on the ORP and the 457 Plan, it is important to have representation from all employee groups on the Subcommittee that are able to participate in these plans.

III). Professor Feeney called on Jackie Singer to provide the Subcommittee with a TIAA-CREF update. Ms. Singer reported that there was a meeting on Monday, February 26<sup>th</sup> with President Bruininks to discuss the recommendation to stop future contributions and transfers to TIAA-

CREF. At this meeting, a proposed timetable for action was reviewed and it was confirmed that the decision would be effective as of July 1, 2007. TIAA-CREF will be officially notified shortly.

In response to this decision, the following next steps are being taken:

- An email notice to all employees is in the process of being drafted and is expected to be sent out later this week once TIAA-CREF has been notified.
- A termination letter to TIAA-CREF is close to being finalized.
- Ms. Singer has contacted the chairs of numerous committees and subcommittees to get on their agendas to explain this decision to different constituent groups on campus. These dates were communicated to Retirement Subcommittee members should they decide to lend their support at these presentations.
- Enrollment kits have been updated to reflect the investment changes.
- A meeting with University Relations has taken place to discuss communicating the University's decision to stop future contributions and transfers to TIAA-CREF to the internal and external communities.
- Questions and answers are being drafted in response to this decision, which will be posted on the Employee Benefits website.
- By the end of April, a RFP should be issued for a second General Account vendor. New vendor implementation will be influenced by PeopleSoft, Open Enrollment and the Enterprise Financial System (EFS).

In terms of bringing this information to the Senate, FCC will decide if this item should be put on the docket.

Plan participants impacted by the TIAA-CREF decision include approximately:

- 2,700 individuals investing in the FRP
- 1,000 individuals investing in the ORP
- 200 individuals investing in the 457 Plan

Of these individuals, a majority of those impacted are faculty and P&A.

Recognizing it may be difficult for some TIAA-CREF contributors to understand why it was necessary to make this decision, Ms. Singer plans to provide these individuals with some general statistics such as:

- Over 26 pay periods, TIAA-CREF took twice as long as any other vendor to post contributions.
- Approximately 20% of the time TIAA-CREF took 5 days or more to post contributions.
- Over the last seven quarters, in terms of transfer processing and reporting, TIAA-CREF was at a 48% accuracy rate while the University's other vendors averaged over 90% accuracy during the same period.

There will be roughly a 6 – 9 month gap where there will only be one General Account vendor, Securian. In light of severing relations with TIAA-CREF, a member reported being very concerned about where participants can put their annuity contributions.

IV). The committee went on to discuss whether the current FRP default fund, a money market fund, should be replaced. This issue had been discussed in previous meetings. Members discussed the pros and cons of two options, a balanced fund and a lifestyle fund.

- A lifestyle fund is made up of an asset mix determined according to the level of risk and return that is generally considered appropriate for an individual investor based on several factors including age.
- A balanced fund is a mutual fund composed of various asset classes (such as stocks, bonds and money market securities), which allow investors to diversify their holdings by owning just a single fund. Because balanced funds include equity investments, they offer an opportunity for higher returns than money market funds, though for the same reason they entail a somewhat higher level of risk.

As the discussion continued, Ms. Singer noted hearing two separate issues. One issue was what type of account should default money be invested in and the other issue was whether the FRP offerings should be expanded to include lifestyle funds. Ms. Singer stated that from an administrative perspective defaulting into lifestyle funds could be very difficult, a process which would need to be done manually.

The consensus of the Subcommittee was that a balanced fund should be the new default option and continuing consideration should be given to expanding the FRP to include lifestyle funds. Research into various funds and fund families would need to be conducted. Implementation of the lifestyle funds would be targeted in conjunction with the second General Account rollout.

Once again the issue of where participants can put their annuity contributions was raised in light of the fact that TIAA-CREF would no longer be an option. A couple options were suggested until a new vendor to replace TIAA-CREF could be found:

- Invest this money in a money market fund, which has a guaranteed principal and a yield similar to an annuity.
- Invest this money into the General Account or General Account Limited at Securian.

After continued discussion, the Retirement Subcommittee unanimously voted to recommend that the Vanguard Wellington Fund be considered as the new default option to replace the Vanguard Money Market Fund in the FRP. This recommendation will be forwarded to the Retirement Plan Fiduciary Committee for its consideration.

V). Professor Feeney noted that the Retirement Plan Fiduciary Committee agenda item would be deferred until the May meeting.

VI). Professor Feeney announced that Securian will provide the committee with its annual plan review at the Subcommittee's next meeting on April 2nd. Professor Feeney requested Ms. Dempsey find out who from Securian would be in attendance at this meeting. Professor Feeney noted that this item would be allotted one hour on the agenda.

VII). Ms. Singer distributed copies of the questions that she is working on for the TIAA-CREF Q&A that will be posted on the Employee Benefits website once the TIAA-CREF decision has

been communicated to the University community. Members provided Ms. Singer with feedback on these questions.

Professor Feeney requested that Ms. Singer notify the Subcommittee once TIAA-CREF has been informed of the University's decision to stop future contributions and transfers. He added that TIAA-CREF has requested to come and speak to this Subcommittee; do members want to meet with them? Members agreed that there was no need to meet with TIAA-CREF as a decision has already been made to change their relationship with the University.

VIII). Other business: Gavin Watt reported that the Long Term Care open enrollment period has been extended. He added that in some instances John Hancock miscommunicated the actual cost of the coverage to individuals with CNA Long Term Care coverage.

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

Renee Dempsey  
University Senate