SCFA RETIREMENT SUBCOMMITTEE
MINUTES OF MEETING
MAY 3, 2010

[In these minutes: Faculty Retirement Plan Investment Performance for Period Ending March 31, 2010, Transitions Phased Retirement Program, Options for Increasing Tax Diversification, Agenda Items for 2010 - 2011]

[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: Murray Frank, chair, Jane Carlstrom, Thomas Schenk, Gavin Watt, Nancy Fulton, Joe Jameson, Barry Melcher, Jackie Singer, Vernon Cardwell, Daniel Feeney, Kathryn Hanna, Kathleen Hansen, Harvey Keynes, Jennifred Nellis, Burt Sundquist

REGRETS: Chris Suedbeck

OTHERS ATTENDING: Rosalie O'Brien, counsel to the committee; Shonna Schroeder, retirement programs coordinator

I). Professor Frank called the meeting to order and welcomed those present.

II). Members unanimously approved the amended April 5, 2010 minutes.

III). Copies of the Faculty Retirement Plan (hereafter FRP) investment performance for period-ending March 31, 2010 were distributed. Ms. Singer stated that the one-year numbers, particularly in the indexed funds, are performing better than previously. No funds are currently on the watch list.

Ms. Singer noted investment performance should be evaluated in the context of an unusually strong performance of the equity markets over the past year. For example, over the most recent year, the Vanguard FTSE Social Index Fund, an equity fund, outperformed the Fidelity PAX World Fund, a balanced fund, even though the FTSE Social Index Fund had been replaced because of continued underperformance against its benchmark. The PAX World Fund also performed well.

IV). Ms. Singer proceeded to share information on the Transitions Phased Retirement program - http://blog.lib.umn.edu/newphase/transitions/. Transitions is a new pilot program that is open until the end of June 2010. The Transitions Phased Retirement program does not replace the University's existing Phased Retirement program.

The University is looking for a cohort of faculty and continuous appointment P&A employees to participate in the pilot program in order to evaluate their experience. Qualified faculty and P&A employees must be at least aged 63 with three years of service by June 30, 2010. The rationale for these qualifications is that by the end of the two-year phased program, individuals will be eligible to enroll in one of the University's Over-65 Retiree Medical programs, which requires an individual be at least aged 65 with a minimum of 5 years of service.

Transitions is a two-year program, which differs from the Phased Retirement program, which is a 1-year to 5-year program. While the Transitions Phased Retirement program is similar in many respects to the current Phased Retirement Program requiring 25% - 75% work effort and providing full benefits during the two-year program regardless of the agreed level of work effort, a key difference is the Transitions Workshop Series offered through the program. The workshop series, being offered through the College of Continuing Education (CCE), is intended to help participants prepare for the next stage of their lives while connecting with academic colleagues and the community.

In addition, unlike the current Phased Retirement program, the Transitions Phased Retirement program provides for a modest departmental research teaching account deposit after retirement that can be used to wrap up research work, attend a professional development conference, etc. This account can be used for two years following retirement.

Aside from the Transitions Workshop Series, another difference from the Phased Retirement program is that under the Transitions Phased Retirement program instead of continuing in the active medical and dental plan, the University would deposit money into a Health Care Savings Plan (HCSP). Therefore, when the participant retires, rather than being billed at the active rate, the University will calculate what that subsidy would have been and deposit this amount into a HCSP on retiree's behalf. Upon retirement, the retiree will enroll in one of the Over-65 Retiree Medical plans, and draw on this account to pay their premiums or other qualified health care expenses.

Roughly 430 employees are thought to be eligible to participate in the program. Email messages have been sent to those employees informing them about this program. In addition, deans and units have received a list of those faculty and staff thought to be eligible so they can talk to them about the program. Free information sessions will be held on Thursday, May 6; Friday, May 7; and Tuesday, May 11. The Friday, May 7 session will be available via UMConnect.

For more information, Ms. Singer suggested members visit the Transitions blog at http://blog.lib.umn.edu/newphase/transitions/.

Questions/comments from members included:

- Was this program conceived prior to all the financial challenges that have arisen for the University, or as a result of the financial challenges? CCE had offered a similar program for Allina's general practice physicians. Ms. Singer explained that CCE presented this program to the Board of Regents earlier this year, and the Board liked the concept of offering a retirement program that would help people transition into retirement.
- Are employees who are already in the University's Phased Retirement program eligible for this program? Can employees in Phased Retirement tap into the Transitions Workshop Series? No, stated Ms. Singer, employees who are already in Phased Retirement are not eligible for this program or any part of it. She explained that given the

University's financial challenges, the cost of offering the workshop to people currently in Phased Retirement is too high.

- Will employees who enroll in this program receive two years of their regular benefits and the equivalent of two years deposited in a Health Care Savings Plan? Ms. Singer stated that employees will receive the equivalent of two years of health benefits at the active rate based on their coverage level when they retired, which will be deposited in a HCSP.
- This program will be the first time University employees could have a HCSP. Having said this, does the administration know whether HCSP accounts are included in the definition of a "Cadillac" plan? Ms. Singer stated that she continues to stay in touch with Dave Bergstrom, executive director, MSRS, to find out how HCSP accounts will be categorized, but given the newness of the legislation, it remains uncertain at this point. While a HCSP is not a HSA or a Flexible Spending Account, it has aspects of both.
- With respect to Flexible Spending Accounts, will the new 2011 limit of $2,500 stay at that level forever, or are Flexible Spending Accounts going to eventually be phased out completely? Ms. Singer stated that the new limit for 2011 is $2,500. While she cannot promise that this limit will remain constant, the new Health Care Reform legislation did not include any modifications of Flexible Spending Accounts after 2011
- Of the over 400 people who are eligible to participate in the Transitions Phased Retirement program, how many are P&A employees? Ms. Singer stated that four or five are P&A employees.

V). Professor Frank called on Thomas Schenk to lead the discussion on the next agenda item, options available to University employees for increasing their tax diversification. Mr. Schenk noted that earlier this year the Roth 403(b) Subcommittee made the case that the University should offer a Roth 403(b). Unfortunately, given the implementation costs associated with doing so, it is unlikely that a Roth alternative will be added any time soon. The committee briefly discussed the limited options available to employees who are interested in increasing their tax diversification options.

VI). The committee spent the remainder of the meeting brainstorming agenda items for next year. Professor Frank suggested continuing to strategize on ways of encouraging more employees to take advantage of the various retirement saving options that the University offers. Members engaged in a discussion about this perpetual problem, and, in the end, agreed the issue was definitely deserving of the committee's attention next year.

Professor Hanna thanked Professor Frank for chairing the committee this year, and members concurred and gave him a round of applause.

VII). Hearing no further business, Professor Frank adjourned the meeting.

Renee Dempsey
University Senate