

SCFA RETIREMENT SUBCOMMITTEE  
MINUTES OF MEETING  
SEPTEMBER 14, 2010

[In these minutes: Potential Changes to the Faculty Retirement Plan, Securian Contribution to Minnesota Forward, Securian Calculators, Stress Test Meeting with Securian, Faculty Retirement Plan Investment Performance for Period Ending June 30, 2010]

[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, Jane Carlstrom, Thomas Schenk, Gavin Watt, Nancy Fulton, Joe Jameson, Jackie Singer, Chris Suedbeck, Vernon Cardwell, Murray Frank, Kathryn Hanna, Harvey Keynes, Jennifred Nellis

REGRETS: Barry Melcher, Vernon Eidman

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

I). Professor Feeney convened the meeting, welcomed those present, and called for introductions.

II). Professor Feeney asked for a motion to approve the May 3, 2010 minutes. Professor Hanna made a correction to the minutes. Members unanimously approved the amended minutes.

III). Professor Feeney requested that Jackie Singer, director, Retirement Programs, provide the committee with information about possible changes to the Faculty Retirement Plan (FRP). Ms. Singer noted that one of the areas that tends to become a focus of discussion during times of budgetary pressure is retirement benefits, and said that in light of the current significant fiscal challenges, she had been asked to solicit members' questions and comments. She requested that in light of the preliminary nature of the discussion, it be held off the record. Professor Feeney confirmed that the discussion would be off the record and stated that the Retirement Subcommittee is available to the administration for further consultation on such issues.

IV). Professor Feeney stated that the next agenda item has to do with Securian's contribution to Minnesota Forward. He noted that he has received some emails from concerned faculty about this issue. In addition, noted Professor Feeney, Professor George Sheets, chair, Senate Committee on Faculty Affairs (SCFA) has been getting pressure to respond in some fashion. At one point, SCFA was considering crafting a resolution; however, it was decided that it would not be in the best interest of the University to have it look like faculty and staff were trying to politically influence the upcoming election. As a result, any action that may come before the University Senate related to this matter would likely not happen before December, after the election.

What should the Retirement Subcommittee do, if anything, asked Professor Feeney, concerning the Securian contribution to Minnesota Forward? For informational purposes, Professor Feeney noted that the Senate Committee on Equity, Access and Diversity and the Social Concerns Committee are also looking at this issue. Should the committee take the position that political ideology has nothing to do with fiduciary responsibility?

Ms. O'Brien stated that from a legal perspective when discussing this issue a distinction needs to be made between investing in and retaining a service provider. Members were asked to remember that employees are not required to invest their money with Securian. Legally, the administration, and, to some extent the Retirement Subcommittee, have a fiduciary responsibility to evaluate service providers based on the quality of the services they provide, irrespective of their political perspective.

Professor Frank suggested writing brief, factual letter to Securian to make them aware that their decision to contribute to Minnesota Forward has offended some University employees. He added that the intent of the letter would not be to tell Securian they did anything wrong, but to notify them that SCFA and the Retirement Subcommittee have heard from some faculty and staff who are concerned about their contribution to Minnesota Forward.

Professor Morrison asked who holds the University's votes given that Minnesota Life is a mutual company. He stated if the University is unhappy with how the current management is running the company, the University could vote its shares accordingly.

Ms. Singer stated that when this issue arose she updated the ongoing review of Securian's performance. From a contribution-posting standpoint, noted Ms. Singer, Securian has not missed a payroll date in two full years. From a transfer perspective, out of the last eight quarters, Securian has only missed five transfers. Also, there appear to be no governance issues at Securian. In terms of transfer accuracy, Securian is outperforming the other vendors by almost 10%. Ms. Singer also explained that while she is not defending Securian's actions, if a change were to be considered, the University would probably find that moving its recordkeeping business to another vendor would add a layer of complexity to the plan and likely be more expensive.

Chris Suedbeck asked members whether they believe Securian did something wrong by contributing to Minnesota Forward. Members agreed that while it was not wrong per se, it was shortsighted. Mr. Suedbeck suggested that if members feel the need to craft a letter it should be more general and say something to the effect that the University would prefer that Securian not make political contributions to any PAC organizations. With that said, Mr. Suedbeck stated that he believes writing a letter to Securian about this issue only serves to add substance and propagate the issue even further.

Professor Feeney stated that while Mr. Suedbeck has a point about any action on the part of the committee could serve to propagate this issue further, based on concerns raised by University faculty and staff, the committee needs to say or do something. Professor Feeney stated that the Retirement Subcommittee, charged with retirement plan oversight responsibility, is the

appropriate group to weigh in on this issue. Therefore, based on today's discussion, stated Professor Feeney, the sense of the committee seems to like Professor Frank's suggestion about writing a short, factual letter to Securian making them aware that their decision to contribute to Minnesota Forward has raised concerns on the part of some members of the University community. Professor Feeney also reported that he would share this information with SCFA when they meet later this afternoon.

At the end of this discussion, Ms. Singer stated that if members hear from their colleagues that they do not want to invest their money in Securian, to remind them that Securian does not hold all the investment options for the retirement plans. The University also has Fidelity and Vanguard investments for which Securian only does the recordkeeping. People can move their money out of Securian if they so choose, and invest with Fidelity and/or Vanguard if they prefer.

V). Professor Feeney reported on a discussion he had with Dick Manke, vice president, Securian Retirement, about having Securian develop an asset allocation calculator that would work with the different FRP fund categories. Mr. Manke talked with Securian's actuarial, legal and compliance people about this possibility, and they were not, at least initially, in favor of it because such a calculator would require people to select from managed funds (versus the current calculators, which use only indexed funds). Professor Feeney believes that there may still be a way to get at this information, and he plans to continue working with Securian to look into this further.

Professor Feeney also stated that Securian has a number of tools on the 401(k) side of their business that deal with generic advice and/or education. Securian would be willing to retool these for the University's 403(b) plan if members think this is worthwhile.

Professor Feeney asked members to give both the asset allocation calculator and the generic advice/education tools more thought because this will come back to the committee at a future date. He added that discussions about possible changes to the FRP will also likely be a recurring agenda item.

VI). Professor Feeney announced that Securian will host a stress test meeting for Retirement Subcommittee members who are interested in attending on Tuesday, September 21, 2010 at 3:00 at Securian. Members interested in attending were instructed to let Renee Dempsey, Senate staff, know by Friday, September 17, and she will provide attendees with directions and parking information.

VII). Ms. Singer distributed copies of the FRP investment performance for period ending June 30, 2010. In light of time, Ms. Singer noted that she would review this handout along with the FRP investment performance returns for period ending September 30 at the committee's next meeting on October 4, 2010.

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

Renee Dempsey  
University Senate

