

SCFA Retirement Subcommittee
November 7, 2016
Minutes of the Meeting

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 represents the views of, nor are they binding on, the senate, the administration or the Board of Regents.

[**In these minutes:** Committee on Committees Review of the Retirement Subcommittee; Demonstration of Securian's Revamped Participant Website; Period-Ending September 30, 2016 Investment Performance Results and Watch List Update; Other Business]

PRESENT: Murray Frank, chair, Frank Douma, Pamela Enrici, Carol Rachac, Joe Jameson, Dan Feeney, Roland Guyotte, Merrie Kaas, Thomas Shier, Gerald Rinehart

REGRETS: William Seefert

ABSENT: Kathryn Brown, Kenneth Horstman, Stuart Mason, Roberta Humphreys

GUESTS:

Committee on Committee representatives: Cynthia Murdoch, Ingrid Schneider, Fang Yu

Securian representatives: Rick Ayers, vice president, Securian Retirement; Brandon Bellin, director & senior associate actuary; Ann Dooley, manager, U of M Retirement Plans; Blake Reigert, managing consultant, Plan Sponsor Servicing, Securian Retirement

OTHERS ATTENDING: Dan Fisher, retirement programs coordinator, Office of Human Resources; Nora Hayes, senior communications consultants, Office of Human Resources; Rosalie O'Brien, counsel to the committee, Office of the General Counsel

Professor Frank convened the meeting and welcomed those present.

1. **Committee on Committees (ConC) review of the Retirement Subcommittee:** Professor Frank welcomed the representatives from ConC and turned the meeting over to them. ConC representatives, Cynthia Murdoch, Ingrid Schneider, Fang Yu, began by introducing themselves. After introductions, Professor Yu explained that each fall ConC reviews a handful of Senate committees to ensure they are functioning as intended. She noted that the purpose of their visit today is to solicit members' thoughts about the Retirement Subcommittee, and, to do this, committee members were asked a number of questions regarding the committee's charge, committee membership, relationship with parent committee (Senate Committee on Faculty Affairs), mechanisms for orienting new members, etc. In response to the questions members recommended the following:

- Continue to review the committee's charge at the first meeting of the academic year, particularly for the benefit of new members.
- It would also be worthwhile to have a discussion about qualifications for serving on the Retirement Subcommittee.

- The goal of promoting diversity (e.g., age, race, gender, ethnicity) as it relates to the committee’s membership should be taken into account when appointments to the Retirement Subcommittee are made.

Overall, members thought the committee functions as it is intended to. Professor Frank underscored that people tend to get interested in retirement as they get closer to retirement, and yet some of the most important decisions people make about retirement occur early on in a person’s career. Therefore, it is important that the Retirement Subcommittee not only be comprised of people who are at the end of their careers, but those that are early on in their careers as well.

ConC representatives thanked the Retirement Subcommittee for their input, and noted that if members have additional thoughts or comments for them to feel free to email or call any of them. Professor Frank asked what happens next in this process. Professor Yu said a report would be written up and discussed at an upcoming ConC meeting; this report will be shared with the Retirement Subcommittee.

2. Demonstration of Securian’s revamped University of Minnesota participant website:

Professor Frank welcomed the representatives from Securian who were invited to provide the committee with a demonstration of Securian’s revamped participant website for the University of Minnesota. Brandon Bellin, director & senior associate actuary, introduced himself, and noted that Blake Reigert accepted a promotional opportunity within Securian’s retirement plan division. While Mr. Reigert will still have some involvement with the University of Minnesota account, Ann Dooley will be replacing him as the manager of the U of M Retirement Plans division. Next, Rick Ayers, vice president, Securian Retirement, introduced himself.

Mr. Bellin began by noting that the redesign of the Securian website is part of a larger investment Securian is making in enhancing and streamlining participant’s digital experiences. Securian’s University of Minnesota website is one of about 30 client-facing websites that it is modernizing. Using a PowerPoint presentation, Mr. Reigert then provided an overview of the research approach that Securian took to develop the new website. The two primary objectives for conducting the website research were to:

- Understand participant preferences and uncover unmet needs.
- Gauge participant satisfaction with Securian’s services.

The information Securian collected from participants made it clear that they liked:

- Prompt, personal help, e.g., being able to speak to a representative.
- Knowledgeable staff that understand the University’s retirement plans.
- Personal relationships and in-person meetings.
- Ease of doing business, especially for those in the distribution phase of life.

In conducting its research, noted Mr. Reigert, while there was overall satisfaction with the website, it was clear there was room for improvement. A study by Corporate Insights echoed Securian’s findings that younger participants are often not satisfied with their plan provider’s websites. With that said, Securian looked for opportunities to enhance its website’s overall appearance, e.g., navigation and tools. In redesigning the website, Securian partnered with EffectiveUI as well as Lee Research Group and R&D Insight.

The development of Securian's new U of M participant website, said Mr. Reigert, is in its final stages. Mr. Reigert proceeded to demo the new website. He noted that pre-log-in, participants will still have access, like they do today, to investment options, calculators, and forms. He also noted that the registration process as well as participants ability to reset their password have also been redesigned.

In response to a couple questions about the log-in process, Mr. Reigert explained that participants only need to sign in to access information that is unique to them, but any information that is generic, e.g., a form, is available without having to log-in. He also noted that participants do not need to have investments with Securian in order to access the calculators or other tools on pre-log-in page.

Will there be a link on the Securian website to go to the University of Minnesota's retirement website, asked Professor Shier? Mr. Reigert said this is possible and he will talk with Nora Hayes, senior communications consultants, Office of Human Resources, about this.

In terms of the design and navigation of the website, noted Mr. Reigert, there are three main components:

- Availability of account summary information at the very top of the page.
- Accessibility to a secondary level of account detail just by scrolling down.
- Ability to drill into detail.

What was the rationale for choosing the mobile device format, asked Professor Shier? Why use a small device format that can be difficult to see? Mr. Reigert said the thought was that if it were readable on a cell phone, it would also look good on a desktop. He added that users have indicated that they would prefer to scroll down to get the information they are looking for rather than getting lost in all kinds of links.

In response to a comment from Mr. Douma, Mr. Reigert explained that the website has contextual help text throughout the site so if members are not sure what something means, e.g., auto rebalance, they can click on it to get a written explanation. Professor Frank suggested in addition to the contextual help text, there should also be a link to the feature being described so members do not have to go searching elsewhere on the site to turn a feature on/off, etc.

Regarding required minimum distributions (rmd), asked Professor Frank, what assumptions are being used for the life expectancy factor? These assumptions should be made available to participants. Mr. Reigert explained that Securian is using an Internal Revenue Service (IRS) table for the life expectancy information, and, based on Professor Frank's comment, Mr. Reigert said it would make sense to put contextual help text on the table to explain how the number is determined and where more information can be found.

In terms of the 'invest with help' feature, does the portfolio include all the options that are in the University's retirement plans, and not just Securian products? Mr. Reigert said all the investment options that are available to participants, which include Vanguard, Fidelity, etc. products are included in the proposed portfolio, which are created based on a participant's risk tolerance.

How are fees handled in the ‘invest with help’ feature, asked Professor Frank? Mr. Reigert said Securian’s due diligence team in conjunction with the University’s Office of Investments and Banking have constructed five portfolios across the risk spectrum. Mr. Bellin said he would follow-up with Securian’s due diligence team on Professor Frank’s question about how the fees are treated in the portfolios and will report back.

Professor Shier asked how the new law requiring fund managers to have fiduciary responsibility to their clients rather than the company they work for, and wondered how that was being built into ‘invest with help’ feature. Mr. Bellin explained that this risk-based portfolio type of approach existed before this law. In general, Securian has not had to change much as a result of this new law because it brings a differentiated practice to market than many of its competitors. He added that he believes in the purpose of the law, which is to act in a participant’s best interest. Mr. Bellin also noted that the law does not apply to University of Minnesota plans because it is only applicable to plans that are subject to the Employee Retirement Income Security Act of 1974 (ERISA).

Mr. Reigert concluded his demonstration of the new website. He noted that Securian is in the process of rolling out its new website with its 401(k) clients now and plans to rollout the University’s website during the first quarter of 2017. Securian’s marketing team will work with the Office of Human Resource’s communications department on messaging the new website.

Professor Frank thanked the Securian representatives for the demo.

3. Period-ending September 30, 2016 investment performance results and watch list update: Professor Frank called on Dan Fisher, retirement programs coordinator, Office of Human Resources, to speak to the period-ending September 30, 2016 investment performance results for the Faculty Retirement Plan [401(a)], Optional Retirement Plan [403(b)], and the Section 457 Deferred Compensation Plan, which were distributed to members along with the agenda. He noted that since the October Retirement Subcommittee meeting, there is now only one fund on the watch list, and that is the Templeton Global Bond Fund. While this fund has improved since last quarter, it remains on the watch list.

On an unrelated note, Mr. Fisher reported that based on preliminary numbers 694 people participated in the various webcasts that were recently offered. Mr. Douma said he participated in one of the webcasts and found it useful and wondered if the webcasts are online. Ms. Hayes, senior communications consultant, Office of Human Resources, noted that the resources from past retirement seminars and webinars are available at <http://humanresources.umn.edu/benefits/workshops-events#anchor-NRSW>.

Professor Frank thanked Mr. Fisher for including the risk numbers for the funds that he requested at last month’s meeting. He said he would suggest keeping the standard deviation and beta information, but to drop the Sharpe ratios because they tend to be numerically unstable.

4. Other business: Professor Shier asked for clarification of the earlier comment about the new law requiring fund managers to have fiduciary responsibility to their clients not applying to the

University. Ms. O'Brien explained that because ERISA is a federal law, technically it does not apply to retirement plans established by state governmental entities such as the University, which are governed by state law. However, she noted, the concept of fiduciary responsibility is much broader than the distinction between state and federal law, so it is not the case that persons responsible for plans governed by state law are not subject to fiduciary obligations. Moreover, since most cases involving issues of fiduciary responsibilities arise under ERISA, the volume of federal case law relating to fiduciary responsibility is much greater than that of state law, and constitutes persuasive legal precedent in state law cases even if not binding precedent.

Ms. O'Brien noted that the earlier comment related not to a law but rather to a new federal regulation issued by the U.S. Department of Labor that specifically addresses the applicability of ERISA to persons providing advice to plan sponsors and participants. The new regulation is an attempt to reduce fees paid by participants. It is thus of great significance to advisors who are directly affected by it because it changes the potential consequences of their actions. However, it does not mean that requirements of fiduciary responsibility are not applicable to plans governed by state law. Also, the new regulation could play a role in decisions related to state plans by judges who find it relevant to the cases before them.

5. **Adjournment:** Hearing no further business, Professor Frank thanked those present for attending and adjourned the meeting.

Renee Dempsey
University Senate Office