

**SCFA Retirement Subcommittee
November 5, 2018
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:** Fund Line-Up Discussion Including Office of Human Resources Updates]

PRESENT: Murray Frank, chair, Paul Bolstad, Maria Juliana Fitzgerald, Roland Guyotte, Merrie Kaas, Kalan Davis, Anne Ehrenberg, Carol Rachac, Ray Muno, William Seefert, William Donohue, Kenneth Horstman, Andrew Parks

REGRETS: Myles Shaver, Krisann McMahon

ABSENT: Thomas Shier

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

1. **Fund line-up discussion:** Professor Frank called the meeting to order and asked Andrew Parks, senior director of investment strategy and research, Office of Investments & Banking, to provide general information about the process used to identify the proposed fund line-up for the retirement plans given the University's decision to change the structure of its Faculty Retirement Plan (FRP), Optional Retirement Plan (ORP), and Section 457 Deferred Compensation Plan offerings. Mr. Parks said that the purpose of this discussion is to get feedback from the committee because one of its roles is to communicate thoughts of participants to the University administration.

Mr. Parks began by noting that the University offers multiple defined-contribution plans with differing fund line-up structures. For example, the FRP currently has 27 options whereas the supplemental plans each have different line-ups and are essentially structured as open brokerage windows. One of the goals of moving to a single recordkeeper, noted Mr. Parks, is to align the plans so they have a common fund line-up structure.

To give members a sense of how the plan is currently being used by participants and where they are investing their capital, he noted that of the 27 investment options in the FRP, 10 of the options have less than 1% of total assets and another 10 of the 27 options have correlations to other funds in the line-up greater than .95, demonstrating that the plans have overlap as well as offering choice. He also noted that while initially choice was viewed positively, the industry has evolved to recognize that choice is not inherently a good thing, and that too much choice can have an adverse effect on the ability of participants to make good investment decisions. Mr. Parks reported that before starting work on the new fund line-up, the Retirement Plan

Governance Committee (RPGC) discussed proposed guiding principles to meet its overall goal of helping participants to achieve retirement income adequacy, including:

- the need to understand participants and their behavior, especially in light of the fact that 75% of new plan enrollees are either defaulting into or actively choosing target date funds;
- the need to educate participants in the importance of asset allocation and diversification; and
- the recognition that the University's very large pool of participants exhibits a wide variety of personal circumstances, requiring a choice architecture designed to accommodate them.

Professor Frank also noted that fee reduction was a key principle embedded throughout the project.

Next, Mr. Parks displayed a PowerPoint with a tentative/preliminary fund line-up and walked members through it. He emphasized that the line-up is not final and is subject to change. Mr. Parks also noted that the three-tiered plan design is not mutually exclusive, which means that participants can invest in all three tiers if they so choose.

Moving on, Ken Horstman, senior director, Total Compensation, Office of Human Resources (OHR), reported on the various activities OHR is working related to the restructuring of the Faculty Retirement Plan (FRP), Optional Retirement Plan (ORP) and Section 457 Deferred Compensation Plan, and moving to a single recordkeeper. In response, members asked Mr. Horstman, Mr. Parks and Professor Frank a number of questions about the upcoming changes to the aforementioned retirement plans. Additionally, Mr. Parks solicited members' feedback about potential optional services and other restructuring-related questions.

2. Adjournment: Hearing no further business, Professor Frank adjourned the meeting.

Renee Dempsey
University Senate Office