SCFA RETIREMENT SUBCOMMITTEE
MINUTES OF MEETING
MAY 6, 2013

[In these minutes: Continued Discussion of Target Date Funds, Social Security, Agenda Items for 2013 – 2014 Academic Year, Update on Status of Addition of Managed Small-Cap and International Bond Funds, Review of Fund Balances]

[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, Wendy Berkowitz, Nancy Fulton, Joe Jameson, Barry Melcher, Jackie Singer, Chris Suedbeck, Murray Frank, Kathryn Hanna, Andrew Whitman, Vernon Eidman

REGRETS: Harvey Keynes

ABSENT: Andrea Backes, Thomas Schenk, James Cotter

OTHERS ATTENDING: Dan Fisher, retirement programs coordinator, Office of Human Resources; Stuart Mason, associate vice president, Office of Investments and Banking; Rosalie O'Brien, counsel to the committee, Office of the General Counsel

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

II). Members unanimously approved the March 4, 2013 and April 1, 2013 minutes.

III). Professor Feeney introduced the next agenda item, a continued discussion about target date funds. He asked those present their thoughts on whether there is a compelling reason(s) that the University should move away from target date funds as its default option in the Faculty Retirement Plan (FRP). To facilitate the discussion, members' attention was turned to a target date fund comparison prepared by Mr. Schenk. Members voiced no concerns.

Along these same lines, Professor Feeney asked members their thoughts on whether the University should consider offering a balanced fund (e.g., Vanguard Wellington, Fidelity Puritan) as its default fund rather than the glide path target date funds. Mr. Suedbeck stated that in his opinion the target date funds have a higher degree of diversification than balanced funds and moving to a balanced fund would seem to be going backwards in terms of diversification.

Professor Frank stated that although no investment option is perfect, from his perspective it would not be in the best interest of plan participants for the University to be frequently changing the default option.

Professor Feeney, speaking on Professor Keynes behalf, noted that Professor Keynes was concerned about the bond component of the target date funds. Based on the comments that have been made today, stated Professor Feeney, he sees no reason for the Retirement Subcommittee to recommend a change to the default fund. The committee has spent a fair amount of time looking into this matter and due diligence has been served, noted Professor Feeney. He added that the committee will continue to monitor the default fund on a regular and ongoing basis.

With respect to the Securian TargetAge Investment Program that was raised at the Securian annual review in March, Professor Feeney noted that additional information would be needed in order to determine whether such a program would be appropriate for the University. Members talked a bit about the product and concluded that for a variety of reasons, there was no interest in offering the product, at least at this point in time.

IV). Moving on, the committee talked about Social Security and Social Security strategies. Professor Feeney asked Ms. Dempsey, Senate staff, if the Social Security information, including the *Efficient Retirement Design* publication by John B. Shoven from Stanford University and Sita N. Slavov from the American Enterprise Institute could be attached to the minutes. Ms. Dempsey stated that she would look into it and report back. He added that it is also good to hear that some of this information is being conveyed in the pre-retirement seminars that Employee Benefits hosts.

Professor Feeney stated that while people will need to determine what strategy is best for their particular situation, the more information people have access to about Social Security to assist them in their decision-making process, the better. Mr. Melcher cautioned that Social Security law is subject to continuous change, and people need to be mindful of this fact in determining whether to employ a strategy designed to take advantage of a specific set of circumstances that may not exist long-term. Various members of the committee suggested ways of providing information about Social Security to participants. Professor Frank stated that in light of the limited scope of the committee's charge, it may be more appropriate for the committee to succinctly point out that it important for people to pay attention and think carefully about their Social Security benefit options because getting it right versus getting it wrong can translate into thousands of dollars, depending on in person's individual circumstance.

V). Next, Professor Feeney asked members what topics they would be interested in working on during the 2013 – 2014 academic year. The following ideas were mentioned:

- Revisit the discussion about the University offering a Roth 403(b) option. Ms. Singer noted that there are two primary reasons why the University cannot currently offer a Roth 403(b) option, which are 1) PeopleSoft cannot accommodate the required tracking of information and 2) the University's multiple vendor environment, which does not have a mechanism in place for transferring records between vendors.
- Review the University's retirement plans with an eye towards plans that only have a very small number of participants.

Hearing no other suggestions, Professor Feeney requested that members continue to think about agenda items for next year and to send him and/or Ms. Dempsey any ideas they come up with.

VI). Professor Feeney asked Mr. Suedbeck about the status of the addition of an international bond fund and a managed small-cap fund. Mr. Suedbeck stated that because the Fidelity small-cap fund was no longer an option, further analysis was conducted on other options. Mr. Mason noted that upon completion of this analysis it was determined that there is no compelling reason for adding a managed small-cap fund. The current index fund that is offered is slightly managed, and while the other funds may periodically slightly outperform it, there is no way to justify paying an additional fee to add a managed small-cap fund at this time. He added that when adding funds there needs to be a compelling reason for doing so.

Regarding the addition of the international bond fund, Ms. Singer stated that she would proceed with getting this added, and that she had been waiting to hear about whether a managed small-cap fund would be added before doing so. Currently, work is being done to see which vendor will be able to most easily add the fund to the pre-1989 403(b) plan.

VII). The committee spent the remainder of the meeting looking at information provided by Securian that shows the various fund balances and their respective contributions and withdrawals. Professor Feeney commented on the asset values of the General Account and General Account Limited funds. It is clear, the General Account and General Account Limited options play an important role for many participants. He suggested that the committee periodically review this information in order to understand the investment choices that people are making. Members agreed that this is interesting and useful information.

VIII). Before adjourning, Professor Feeney extended best wishes on behalf of the committee to Mr. Suedbeck who has taken a job outside the University. At the request of Professor Feeney, Mr. Suedbeck took a few minutes to share information about where he will be working and what he will be doing.

Hearing no further business, Professor Feeney adjourned the meeting.

Renee Dempsey
University Senate