SCFA RETIREMENT SUBCOMMITTEE
MINUTES OF MEETING
OCTOBER 16, 2001

[In these minutes: Welcome and Introductions; Inflation Linked Bond Fund; Post Retirement Health Care Savings Plan; The Economic Growth and Tax Relief Reconciliation Act of 2001; Future Meeting Dates and Topics].

PRESENT: Daniel Feeney (Chair), George Seltzer, Josef Althoz, Robert Fahnhorst, Richard Goldstein, Dwight Purdy, Gordon Alexander

REGRETS: Michael Murphy

OTHERS: Sheila Warness

I). Professor Feeney called the meeting to order and asked those present to introduce themselves.

II). Inflation Linked Bond Fund – As of October 1, 2001 a new investment option, TIAA-CREF's Inflation Linked Bond Fund, was added to the University of Minnesota's Faculty Retirement Plan. The goal of this fund is to seek long-term rates of return that will outpace inflation. It focuses on U.S. Treasury Inflation-Indexed Securities and similar bonds whose principal or interest is adjusted to track the inflation rate.

III). Sheila Warness, Director of Asset Management, provided the Subcommittee with a third quarter update on the Faculty Retirement Plan's assets. In light of the events of September 11, 2001 and a down turn in the economy as a whole equities have been hit hard, and fixed income had only a slightly positive return.

IV). Bob Fahnhorst distributed a handout entitled "Post Retirement Health Care Savings Plan" which the Subcommittee discussed in detail. Voluntary Employee Beneficiary Association (VEBA) is a vehicle for putting pre-tax dollars aside awhile someone is still employed which will be required to be used for health insurance purposes upon retirement. Bob Fahnhorst shared the some pros and cons of this account with the Subcommittee:

- Employees can build a tax-free savings account because the money going into and out of the account is tax-free.
- The account must be used for employee and dependent(s) medical expenses or health care premiums only.

- Employee makes investment choices (money market, fixed interest, bond account, stock index account, etc.) for their contributions, and depending on the return on these choices will determine whether an individual's account will go up or down.
- How will an account like this be funded? Possible types of funding sources include: employer paid contribution, mandatory employee contribution, severance pay i.e. unused sick and/or vacation pay. A key factor for consideration is that funding of this account cannot be an individual choice. Instead, everyone in a particular bargaining unit or group must be treated the same.

Bob Fahnhorst volunteered to research some of the questions that were raised during the course of the Subcommittee's discussion of this topic. The Subcommittee unanimously agreed they wanted to fashion a proposal on this issue to be presented to central administration.

V). Bob Fahnhorst distributed a handout that summarized highlights of The Economic Growth and Tax Relief Reconciliation Act of 2001. An engaging discussion of these tax law changes ensued.

VI). Other Business: Agenda items for future meetings include a continued discussion on the Voluntary Employee Beneficiary Association (VEBA) and a presentation by a tax expert from Minnesota Mutual Life. The Subcommittee left open the possibility of meeting on both December 4, 2001 and December 18, 2001 because the scope of the two above mentioned agenda items may not fit into one meeting.

Renee Dempsey
University Senate