SCFA RETIREMENT SUBCOMMITTEE
MINUTES OF MEETING
FEBRUARY 3, 2014

[In these minutes: Pre-Population of Data into Retirement Calculators Update, Continued Discussion of Plan Participant Engagement in Planning for Retirement, "Backdoor" Roth IRA]

[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, James Cotter, Kathryn Hanna, Merrie Kaas, Albert Tims, Andrew Whitman, Vernon Eidman

REGRETS: Frank Douma, Thomas Schenk, Stuart Mason

ABSENT: Murray Frank

OTHERS ATTENDING: Kathryn Brown, vice president, Office of Human Resources; Dan Fisher, retirement programs coordinator; Matt Nyman, investment analyst, 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.

II). Professor Feeney stated that the December 9, 2013 Retirement Subcommittee minutes would be approved electronically.

III). Professor Feeney reported that Securian is working on pre-populating the retirement calculators with participant's individual account balance(s) held at Securian and date of birth information, when applicable. Having said that, is the committee interested in having Blake Reigert from Securian demonstrate the new feature later this spring, asked Professor Feeney? Members agreed they would be interested in a demo by Securian at either their April or May meeting.

IV). Professor Feeney introduced the next agenda item, a continued discussion on ways to engage employees in planning for their retirement. He then turned to Vice President Brown to share her thoughts on this topic. Before talking about employee engagement in planning for retirement, Vice President Brown announced that at the February Board of Regents meeting, the Office of Human Resources (OHR) will be bringing two proposed changes to the Faculty Retirement Plan (FRP) forward:

1. Change the FRP so that faculty who are paid on O&M during the summer will be eligible for retirement benefits on those funds. Previously, retirement benefits were not available on those funds.

2. Eliminate the three-year waiting period for P&A employees who are earning below a certain threshold.

In Vice President Brown's opinion, both of these changes are pro-employee and make sense in terms of treating employees equitably and making the plan easier to administer.

Professor Hanna asked about the implementation timeline for these changes. Vice President Brown stated that the intent is to implement the faculty change in May 2014 and the P&A change on July 1, 2014.

As follow-up from the December meeting, reported VP Brown, Ms. Singer researched whether other universities offer financial advising. According to VP Brown, only two of the University's peers offer any type of financial advice and the advice they offer is by vendor. The schools are the University of Michigan, which offers advice through two of its vendors, TIAA-CREF and Fidelity, and the University of Texas, which has five vendors that provide advice. While University of Minnesota employees are able to talk with the financial planners at Fidelity, Vanguard and Securian, these vendors will not provide advice, but they will provide information about the products they offer so people can make informed investment decisions for themselves.

VP Brown noted that at the December Retirement Subcommittee meeting, she heard two primary themes:

1. What can the University do to increase people's financial literacy?
2. What can the University do to help people learn more and prepare better for retirement?

While VP Brown does not foresee the University offering financial advice, she does see the University as able to aggregate information to help people plan and prepare for their retirement. She reported that the OHR website will be redesigned, and the aggregated information will be put on the site. With respect to helping people learn more and prepare for retirement, OHR has also discussed developing a tool for department heads, chairs and supervisors to assist them in having conversations with their employees about the importance of preparing for retirement. She reminded the committee that OHR also has benefit advisors who, while they do not give financial advice, can meet with employees to discuss their retirement options.

Professor Feeney asked if OHR has a checklist of items that employees can refer to when they start thinking about retirement. Yes, stated Ms. Singer, the counselors have a checklist that they go over with employees who are considering retirement. She added that she plans to use this checklist to develop the online tools that VP Brown mentioned. Professor Feeney stated that it would be helpful for an employee to be able to review this information before meeting with a counselor in order to prepare for the conversation.

Professor Tims asked whether the University or OHR has done any kind of systematic assessment of employees in terms of their understanding of their retirement accounts, etc. He noted that he is a big proponent of knowing one's audience and believes that such an assessment could serve to help in the development of tools that will be most beneficial for employees. VP Brown stated that OHR sends out quite a bit of information already encouraging employees to think about various aspects of planning for their retirement. She added that while she agrees with Professor Tims that taking steps to engage more employees in retirement planning is reasonable to consider, there are resource limitations that need to be taken into consideration.

Professor Tims stated that it will be important, at some point, for the University to try to understand the decision barriers for people when it comes to this issue.

In Mr. Jameson's opinion, an obstacle for many people when planning for retirement is the amount of credit card debt they have. Many people cannot afford to pay off credit card and/or student loan debt and also save money for retirement. VP Brown stated that this is an example of where the financial counseling services that the University will be offering would come into play.

How many employees per year meet with the financial planners at Fidelity, Vanguard and/or Securian, asked Ms. Berkowitz? VP Brown stated that these statistics would need to be obtained from the vendors, but, anecdotally speaking, she has heard that these services are well received by employees. Ms. Singer stated that from her past communications experience, it is important to remember that communication plans need to be rolled out incrementally and target different segments of the population.

Getting back to Professor Tim's suggestion about a systematic approach to addressing this issue, stated Vice President Brown, there may be some things that can be done sooner rather than later to assess what things people would want and benefit from in terms of retirement planning. She agreed to give this more thought and see what OHR can do along these lines.

Professor Hanna suggested using the new faculty orientation sessions as a starting point for talking about the FRP. VP Brown stated that this was a good suggestion and that she would look into it further. Mr. Melcher stated no formal presentation is given at this session, but an OHR staff person is there to man a table if new faculty have questions.

Professor Hanna also suggested putting a retirement planning link on the OHR Employee Self Service website as another way to catch people's attention. VP Brown thanked Professor Hanna for the suggestion. Professor Feeney asked VP Brown about whether she would be open to using the Retirement Subcommittee as a sounding board for the retirement portion of the OHR website that is being redesigned. VP Brown stated that she would be happy to engage the committee, but the redesign will probably not start until the fall of 2014.

Professor Whitman commented that he likes the idea of equipping department heads and supervisors with retirement talking points/resources. He reported that last summer he along with a few others put on a financial planning seminar for an Academic Health Center department, which was customized for that particular department, and the department's HR person was key to making sure the seminar was tailored to what they wanted to hear about. VP Brown stated that she meets monthly with the HR leads and she will be discussing with them the idea of engaging department heads and supervisors in having conversations with employees about the importance of planning for retirement.

Professor Tims asked VP Brown about why some colleges have shorter phased retirement periods than others, and if she thinks the five-year period timeframe facilitates a faculty member's decision to retire over a shorter timeframe. He stated that he believes the five-year timeframe provides faculty with a greater sense of security. VP Brown stated that the current policy provides for a period up to five years, and each college decides their phased retirement timeframe. Ms. Singer stated that the Faculty and Staff Retirement Annual Report (http://www1.umn.edu/ohr/prod/groups/ohr/@pub/@ohr/@benefits/documents/asset/ohr_asset_435086.pdf) contains information about retirements by college as well as a lot of other information. VP Brown added that the average retirement age for faculty is approximately 67 years old, for P&A about 65 years old, and Civil Service and labor-represented employees tend to retirement around 62 years old. In Professor Hanna's opinion, she would like all colleges to offer a five-year phased retirement period and make it consistent across the University.

Professor Feeney asked for more information about the change to the University contribution for medical and dental coverage under the phased retirement and terminal agreement retirement programs that is being considered. Ms. Singer explained that there have been discussions about eliminating the 24 – 48 month (depending on when a person retires) University contribution to medical and dental coverage and, instead, having the University make a deposit into an employee's health care savings plan account. The health care saving plan deposit was done for those employees who retired when the last Retirement Incentive Option (RIO) was offered. The proposed deposit would be based on two-person coverage and a 24-month schedule. The money that would be deposited would only be able to be withdrawn for health care expenses, however, people can invest this money in funds of their choice as offered by the State. The money is deposited to and withdrawn from the account tax-free. In Professor Feeney's opinion, if the University provided appropriate incentive and education information about retirement, it would likely facilitate faculty attrition. Professor Kaas stated that in addition to conversations and best practices related to how to facilitate retirement, there need to be conversations about why faculty should wait to retire. In her department, for example, the issue is not being able to hire enough qualified faculty to replace those who are retirement age. VP Brown stated that the University provides support for both those interested and not interested in retiring.

Professor Whitman stated that there are a number of retirement-related issues that many people do not fully understand, e.g., required minimum distribution (RMD). He believes that the University needs to do more to help people negotiate phased retirement.

VP Brown excused herself in order to attend another meeting. Professor Feeney thanked her for attending and he also thanked the committee for a good discussion.

V). The last agenda item, stated Professor Feeney, is to talk about how the committee would like to proceed with the "backdoor" Roth IRA issue. He asked members if they would like to explore looking into providing plan participants with information on how to set up a "backdoor" Roth IRA, assuming they were interested. Professor Hanna voiced her support for looking into this further. Ms. Singer, however, voiced concern, and stated that doing so strikes close to giving financial advice. Professor Feeney adamantly disagreed, and stated that it is getting to the point where providing any kind of information/resources to plan participants is considered financial advice. With proper disclosure, noted Professor Feeney, he sees no reason why participants should not be given this information. He added that he will talk with VP Brown further about this matter and report back to the committee.

In Professor Tims opinion, providing people with information on converting an account into a Roth IRA is not the same as an endorsement and advising people to do it. Rather, providing this information is simply facilitating engagement if someone is interested in looking into it. Professor Tims stated that the committee should be able to help people by providing them with credible information. He added that a real concern for him is the calculator results that encourage people to consider investing in the General Account. Professor Tims summarized his position by noting that he does not believe the University and this committee has not done everything possible to promote retirement planning and, secondly, he also does not believe the University and this committee fully understand the barriers it is facing when it comes to engaging employees in retirement planning.

VI). Before adjourning, Professor Feeney reminded the committee that the March meeting would be the Securian annual review. Hearing no further business, the meeting was adjourned.

Renee Dempsey
University Senate