SCFA RETIREMENT SUBCOMMITTEE
MINUTES OF MEETING
DECEMBER 9, 2013

[In these minutes: Pre-Population of Tools Update, Benchmarking Discussion, Financial References Discussion, Participant Engagement in Planning for Retirement]

[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, Frank Douma, Thomas Schenk, Nancy Fulton, Joe Jameson, Stuart Mason, James Cotter, Kathryn Hanna, Merrie Kaas, Albert Tims, Andrew Whitman, Vernon Eidman

REGRETS: Wendy Berkowitz, Jackie Singer, Murray Frank

ABSENT: Barry Melcher

OTHERS ATTENDING: Vice President Kathryn Brown; Dan Fisher, retirement programs coordinator; Matt Nyman; investment analyst; Rosalie O'Brien, counsel to the committee

I). Professor Feeney convened the meeting, welcomed those present and called for a round of introductions.

II). Professor Feeney welcomed Vice President for Human Resources Kathryn Brown who is sitting in for Ms. Singer, director, Retirement Programs, who is out on leave. Vice President Brown began with an opening statement where she noted that the University, as the administrator of the institution's retirement programs, is interested in doing whatever it can to provide employees with tools and programs to help them plan for their retirement. Counterbalanced against doing this, however, is the need to take into consideration administrative ease and costs associated with providing these resources.

III). Members unanimously approved the November 4, 2013 minutes.

IV). As follow-up from an earlier meeting this fall, Professor Feeney reported that he spoke with Mr. Manke, vice president, Securian Retirement, about the suggestion from Professor Tims to have the retirement calculators pre-populated with participant's individual account balance(s) and date of birth information, when applicable. Securian has agreed to do this and expects to have it done by late winter/early spring. Once complete, Securian will be invited to a Retirement Subcommittee meeting to demonstrate this new feature.

Professor Tims suggested that once the calculators are up and running with the pre-populated data to have a group of users test the product at Usability Services, a department of the Office of Information Technology. VP Brown stated that as the plan administrator this would be something that Human Resources could work collaboratively with Securian on doing. Professor Feeney proposed waiting to see what Securian's first iteration looks like and decide if Usability Services should be used.

V). The committee continued its discussion from the September meeting and talked about institutional performance benchmarking. Professor Feeney stated he checked with Mr. Manke and Securian would be able to aggregate plan data for benchmarking purposes and provide it to participants if that is what the University wants. However, whether or not to provide this information is debatable because there are so many factors that come into play, e.g., conservative versus aggressive investing strategies.

Members then talked about the pros and cons of providing this information to plan participants. Mr. Mason reminded the committee that everyone has a different risk tolerance, is at a different time of life, etc. He added that while he is in favor of having benchmarks for participants to see how they are doing, he is not in favor of using aggregate data compiled by Securian as a benchmark.

In Mr. Jameson's opinion, plan participants need benchmarks by which to gauge their performance and if it is not the data from Securian then it needs to be some other benchmark(s). VP Brown added that she too believes it is important for people to have access to information. She announced that the University would soon be offering a financial counseling service, but noted that this service will not provide investment advice. She reminded the committee that the Board of Regents (BOR) has consistently said they do not want the University to be in the business of giving financial advice because of the fiduciary responsibilities associated with doing so.

Mr. Mason reminded members that the University made a big step a few years back when it changed the default fund from a money market account to target date funds. For people who are not interested in educating themselves about retirement planning, the target date funds at least offer a group of funds that are age appropriate and have some equity and fixed-income exposure. He added that plan participants could use, as one benchmark, the results of the target date fund for their age group, which would give them an idea of how that particular option is performing; this would provide a relative comparison.

Professor Whitman stated that in his opinion what has been lacking in the University's retirement plan is some kind of reference to a neutral financial planning organization. To be clear, stated VP Brown, the financial counseling service that the University will be offering will <u>not</u> provide investment advice. Financial counseling and financial advice are two different things. She went on to reiterate her earlier comment that the BOR does not want the University to undertake financial counseling of its employees. Professor Whitman stated that he feels strongly that the University should provide references to financial planning organizations that employees could use to choose a financial planner, e.g., National Association of Personal Financial Advisors (NAPFA). VP Brown agreed to check into whether the University would be willing to provide this general information or not.

Professor Hanna asked whether the financial counseling that the University will be providing is an in-house service or whether it is being contracted out. VP Brown stated that the service will be contracted out to Lutheran Social Service of Minnesota.

Mr. Douma recalled that Professor Whitman had previously shared with the committee a document he created that outlined information he felt the University could provide employees without going so far as providing a list of financial planners. Professor Feeney asked Professor Whitman to email this document to VP Brown. Instead of providing a list of financial planners, employees could be referred to websites that list financial planners that have a fiduciary duty, charge fees and do not sell products.

Moving on, Professor Feeney asked Mr. Mason to update the committee on the information he mentioned at the September meeting about the University hiring a pension fund management consultant to look at its plan structure and characteristics. Mr. Mason acknowledged that there have been preliminary discussions about hiring a consultant, but only incremental progress has been made to date. He expects that there will be more to report after the first of the year.

Professor Feeney stated that he would hope that at some point the University could issue an RFP to identify qualified financial planners that employees could hire if they chose to do so. Doing this would at a minimum provide employees with access to retirement planning information but it would no go so far as having the institution actually provide investment advice. VP Brown stated that this is not the first time this request has arisen, but based on her conversations with BOR members they are not interested in doing this for liability reasons. The Regents have taken the position that this is something that individual employees need to sort out for themselves because everyone has different risk tolerance, retirement goals and objectives, etc.

Professor Tims stated that while he understands the Regents position on this matter, it seems like this stance is carrying over and having an impact on the University's educational responsibility to its employees. He used the example of how educating participants on fees could have an impact on their investment performance. Professor Tims posed the question of whether the University is doing all it can do relative to peer institutions when it comes to helping plan participants develop their financial/investment literacy. He suggested for the University to explore producing webinars on retirement planning and offering other self-service tools that do not already exist. In addition, he would also like the University to do more in terms of promotion of these tools like it does with its wellness efforts. VP Brown agreed with Professor Tims and stated that she believes financial literacy is an important skill for everyone. She stated that she understands the value of these kinds of educational efforts, however, the challenge is the cost of offering these services and tools, and noted that ultimately the cost of doing these things would come out of the plan. Regarding wellness programming, the University sees a return on its investment of about \$1.75 for every \$1.00 invested. There would not be the same revenue stream for doing educational programming around retirement planning.

Once again, Professor Hanna raised her suggestion around the University establish some sort of an incentive program for employees when it comes to saving more and being actively involved in managing their investment portfolios so they are able to retire on time or even earlier. There would be a cost benefit if tenured faculty members retired even a couple years earlier. VP

Brown reminded the committee about the Encore Transitions: Preparing for Post Care Life programming offered through the College of Continuing Education and the Office of Human Resources (http://cce.umn.edu/university-encore-transitions/), which has a financial component. Professor Hanna stated that by the time someone signs up for the Encore program, it is too late to start planning for retirement. VP Brown acknowledged Professor Hanna's concern and her interest in having educational opportunities earlier in an employee's career rather than later.

Ideas for engaging employees in planning for their retirement that were discussed included but were not limited to:

- Having the Carlson School of Management offer classes or produce webinars on financial literacy.
- Encouraging employees to contribute to the Optional Retirement Plan (ORP) and/or the Section 457 Deferred Compensation Plan by having the institution contribute a nominal amount if they sign up for one of these plans.
- Implementing programming that will result in timely retirement.
- Conducting pre-retirement planning seminars (Professor Whitman volunteered to do this).
- Exploring targeting financial literacy to different audiences, e.g., different age groups, male versus female and different ethnic/cultural groups.
- Conducting a financial literacy survey of University employees.
- Doing more to advertise the Encore Transitions: Preparing for Post Care Life and the Terminal Leave programs.
- Developing a tool kit for department heads and chairs to facilitate a retirement planning conversation with their employees.
- Exploring having the University facilitate investment clubs, e.g., host information sessions on how to set up departmental/college investment clubs.
- Researching and compiling the financial/retirement best practices of other institutions.

VP Brown stated that she shares the committee's thoughts on this matter and is more than willing to talk further with them about ways to help employees plan for their retirement. Having said this, she noted that the key is figuring out how to balance the administrative costs associated with doing these types of things and finding a financial model that will make it work.

As raised at the last meeting, Professor Feeney asked members whether they were ready to establish a couple small ad hoc committees to explore promoting financial literacy and also transitioning to retirement. Professor Whitman stated that he thinks it is time to establish the ad hoc committees and he would like to serve on the transitioning to retirement committee. Professor Feeney asked members whether they would like him to exercise chair prerogative and assign people to serve on the committees and develop a rudimentary charge for each, or would they prefer to volunteer to serve on one of the ad hoc committees. After further discussion, it was agreed that the ad hoc committees would be populated by a combination of Retirement Subcommittee members as well as OHR staff. In order to make the best use of everyone's time, VP Brown stated that she would go back and talk with her staff and bring back a few ideas on how to proceed. She added that she would also check into whether the financial counseling service that the University will be offering will be able to do some of the educational programming discussed today.

Before adjourning, Professor Feeney asked VP Brown to look into a rumor that some institutions are paying for their employees to get financial advice. VP Brown stated that she has not heard of this. Professor Feeney stated that if this is just a rumor, like he suspects, that it should be clarified. VP Brown suggested she and Professor Feeney discuss this issue off-line following today's meeting.

In response to a question from Professor Tims, the last few minutes were spent talking about how the General Account interest rate is set and how often the rate is updated.

VI). Hearing no further business, Professor Feeney adjourned the meeting.

Renee Dempsey
University Senate