SCFA RETIREMENT SUBCOMMITTEE
MINUTES OF MEETING
MAY 5, 2014

[In these minutes: Financial Calculators Demonstration, Employee Education and Engagement in Planning for Retirement, Proposed Changes to Retirement Options, Next Steps on Employee Education and Engagement]

[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, Frank Douma, Nancy Fulton, Joe Jameson, Barry Melcher, Jackie Singer, Murray Frank, Kathryn Hanna, Merrie Kaas, Andrew Whitman, Vernon Eidman

REGRETS: Thomas Schenk, James Cotter, Albert Tims

ABSENT: Stuart Mason

OTHERS ATTENDING: Dan Fisher, retirement programs coordinator; Matt Nyman, investment analyst, Office of Investments and Banking

GUESTS: Brandon Bellin, director & senior associate actuary and Blake Reigert, manager, U of M Retirement Plans from Securian

I). Professor Feeney convened the meeting and welcomed those present.

II). Professor Feeney announced that the April minutes would be approved via email once they were ready for review.

III). Professor Feeney welcomed Brandon Bellin, director & senior associate actuary, and Blake Reigert, manager, U of M Retirement Plans from Securian who were invited to demonstrate changes that were made to the financial calculators and to get members' feedback on the educational and participant engagement materials that were distributed at the last meeting. Professor Feeney called for a round of introductions.

Mr. Reigert began by quickly walking members through a demo of the changes that have been made to the various financial calculators on the Securian website, which now pre-populate with individuals' account balances with Securian.

Following the demo, Professor Frank asked where Securian was drawing the 403(b) and 457 information from. Mr. Reigert explained that this data is from an individual's account balance with Securian. Individuals with assets outside of Securian are able to edit these numbers to accurately reflect their actual balances. Professor Feeney clarified that individuals with 401(a) money that is invested in Vanguard and Fidelity funds are included in the pre-populated data; however, individuals' 403(b) and 457 balances with Vanguard and Fidelity are not included because they are individual contracts with the vendors.

Professor Feeney thanked Mr. Reigert for the demonstration and turned to Mr. Bellin, director & senior associate actuary, to have him tell members what Securian can provide in terms of giving plan participants "credible direction" as they plan for their retirement. The materials that were distributed at the last meeting were intended to give members a sense of the different types of content that Securian has, stated Mr. Bellin. He added that Securian is able to customize any of the materials to meet the University's specific needs at no additional cost to the University or participants.

Mr. Bellin shared an employee education case study that had been prepared for another large employer. The focus of this particular campaign was on members' financial wellness and savings adequacy. Securian worked with this company to build a 12-month, multi-touch campaign to get their employees more engaged and to save more. Different tactics that were used included such things as:

- Targeted direct mail based on a person's age and salary.
- On-site education meetings.
- Posters.
- Short, on-line videos on the concepts behind savings.
- On-line workshop.

Then, in addition to the media components of the campaign, Securian used multiple approaches to engage participants, e.g., broadcast messaging to all participants, targeted messaging based on groups (age, salary) and participant situation-specific messaging. The key behind using different media and touch points is to appeal to different learning styles and to try to get people to engage in their retirement planning.

After the 12-month campaign was over, reported Mr. Bellin, this client saw a 4% increase in retirement planning participation, approximately 1,000 employees increased their savings rate by at least 1% of their salary over the previous year, and over half of their employees attended one of the on-site educational meetings.

In terms of the process, noted Mr. Bellin, Securian used a collaborative approach that started with Securian conducting discovery in order to better understand their client's goals and objectives. Then, based on these goals and objectives, a strategy/campaign for achieving them was developed and launched. Then, after the materials are launched, the focus turns to educating and reinforcing. Finally, at the end of the campaign, results are measured.

Professor Frank asked about the efficacy of the different approaches that Securian uses. Mr. Bellin stated that the different media and approaches that are used are primarily taken from academia and published white papers. The multiple media and touch point strategies have been effective for Securian. Professor Frank stated that before the University and Securian launch a campaign he would want to know the effectiveness of the specific strategies that Securian has used. Mr. Bellin stated that Securian would be able to provide this information.

Mr. Jameson asked about the criteria for evaluating a financial adviser and the fees they charge. What is a reasonable rate of return to expect when using a financial adviser? Mr. Bellin stated that this is a difficult question to answer because some advisers do more than others. It is not just about the fee an adviser charges, but what a person should get in return for the fee. Hiring a financial adviser is a very personal decision, stated Mr. Bellin. Professor Feeney reported that he recently read an article about securing and working with a financial adviser that he would try to find and send out to the committee. This is exactly the kind of information the committee will want to put on the Human Resources website. Professor Hanna added that the American Association of Individual Investors (http://www.aaii.com/) is another good resource for people to consider.

Are the distribution-phase materials that were in the packet of materials distributed at the April meeting being given to employees who are getting ready to retire, asked Professor Eidman? Mr. Reigert stated that some of the materials are being distributed, but Securian has a lot more that it could make available if the University is interested.

Professor Whitman stated that an important consideration in planning for retirement is life expectancy. People should really take the time to look at their individual life expectancy and suggested a link be put in the calculators so people can easily access this information. Professor Frank requested Securian provide the committee with data on the average length of a University employee's retirement. Mr. Bellin stated that as an actuary, the credibility of the data Securian has in terms of how long people live after they retire is fairly low. He stated that he would be happy to share with the committee the University's mortality experience, but cannot guarantee its credibility.

Ms. Singer mentioned that the University has a Supplemental Benefits Plan in place for people who were in the Faculty Retirement Plan (FRP) before 1963. This is a benefit used to supplement individuals who had been in the FRP prior to 1963 when benefits under the plan were less than they are now. The average age of people in this plan (former employees only) receiving benefits currently is over 90 years old. The actuarial tables are more or less meaningless for the individuals in this plan who are living exceptionally long lives.

Professor Feeney thanked Mr. Bellin and Mr. Reigert for their presentations. Before leaving, Mr. Reigert suggested having him come back to a future meeting to demo the Personal Rate of Return calculator, which he thinks would be of interest to the committee.

IV). Professor Feeney turned to Ms. Singer to provide information on the proposed changes to the retirement options for tenured faculty and continuous appointment P&A. She directed members' attention to a document that outlines the proposed changes, which was attached to the agenda. Ms. Singer walked members through the proposed changes in a fair amount of detail. To summarize, the substantive changes in the draft proposal included:

- A tenure buyout option at a lower compensation range than the terminal agreement while allowing limited continuing employment for those who might need to teach a class or finalize a research project.
- A terminal agreement option that provides a range of possible compensation tied to immediate separation.
- A phased retirement option that increases the minimum appointment during phased retirement from 25% to 50%.

Ms. Singer then solicited members' comments and questions. Professor Kaas asked how the decision came about to increase in the minimum appointment during a phased retirement from 25% to 50%. The argument in support of this change, noted Ms. Singer, was that it was challenging for departments to match the 25% time to an actual workload.

Professor Kaas also asked whether she could share this document with her faculty colleagues to get their input. Ms. Singer stated that the document is public, but is still a draft and has not yet been finalized. She added that the goal is to get it approved and implemented by July 1, 2014.

Professor Hanna urged that the administration rethink increasing the minimum appointment during phased retirement from 25% to 50%. Doing this may discourage some faculty from even considering a phased retirement. In addition, such a change would give deans less flexibility rather than more flexibility. Ms. Singer stated that she would share these comments with Vice President Brown.

In response to a question from Professor Hanna about whether the proposed changes need Board of Regents approval, Ms. Singer replied no.

Regarding the option that provides a tenure buyout and limited continuing employment, asked Professor Whitman, when do these individuals get faculty emeriti status? Ms. Singer explained that normally faculty need to retire as a faculty member in order to get faculty emeriti status. In this case, however, faculty move into a P&A position and then retire. The administration will need to make sure faculty get their faculty emeriti status despite the fact that the faculty member is retiring as a P&A employee.

Professor Feeney asked whether these proposed changes have the support of the deans. Anecdotally speaking, stated Ms. Singer, yes. These options are being presented as a set of tools that people can use if they want to. None of these options are an entitlement or mandatory.

Professor Frank asked whether these are the only tools/options available to a dean. Can a dean, for example, do a side deal that violates a capped amount in the options? Any side deal for buying tenure, stated Ms. Singer, would be considered an individual settlement, which would need to go through the Office of the General Counsel. Also, any individual settlement would be cash only and would not include benefits, e.g., subsidized health care, contributions to FRP.

Who can faculty talk to about figuring out what their best retirement option is, asked Professor Whitman? Professor Hanna stated that she has talked with many colleagues who were considering retirement, but a lot of them are not familiar with all the options. Professor Feeney stated that it would seem that the Human Resources directors of the colleges would be a good resource. Ms. Singer added that faculty can also meet with an Employee Benefits representative who can provide them with information about the benefits of each option as well as policy information. However, when it comes to advice and the best option for a given person, this is something that Employee Benefits cannot provide. Professor Whitman stated that faculty need an independent resource that they can talk to about retirement options. If a faculty member is looking for an independent resource regarding programs with signed agreements, stated Ms. Singer, then that person should contact an attorney.

V). In the remaining time, members talked about next steps as it relates to their work on education and employee engagement. The committee decided to form the following three work groups:

1. Human Resources Website Work Group – This group is charged with identifying and aggregating useful and relevant retirement planning information, e.g., general articles, financial planning resources. The information this group collects will eventually be put on the revamped Human Resources website later this year. Professor Hanna and Professor Whitman volunteered to serve as work group coordinators.
2. 'What Faculty and Staff Want' Work Group – This group is charged with soliciting input from faculty and staff via focus groups, listening sessions, etc. to learn what information and tools they would find useful in planning for their retirement. Professor Kaas volunteered to serve as the work group coordinator.
3. Retirement Planning Tools Work Group – This group is charged with looking for additional retirement planning tools that could help faculty and staff plan for their retirement. Professor Feeney volunteered to serve as the work group coordinator.

Ms. Singer made it clear to those serving on the work groups that Human Resources Communications will do the actual work, but wants the work groups to come up with the big ideas.

Professor Feeney solicited volunteers to serve as work group coordinators and members on each work group. Below are the work group coordinators for each group:

1. Human Resources Website Work Group – Professor Hanna and Professor Whitman.
2. 'What Faculty and Staff Want' Work Group – Professor Kaas.
3. Retirement Planning Tools Work Group –Professor Feeney.

Professor Feeney announced that following today's meeting, an email would be sent out asking members to consider signing up to serve on one or more of the work groups.

Mr. Douma mentioned that now that there is no longer a waiting period for P&A employees to participate in the FRP, it will be particularly important to make sure this group has the information and resources they need when they enroll in the FRP. Ms. Singer explained that this is a group of about 600 people, and they will be doing online enrollment, which Securian will handle. These individuals will have immediate contact with Securian who will be reaching out to them and, if they are interested, they can set up one-on-one appointments with a Securian representative. Ms. Singer stated that she will be interested to see how many people from this group actually take advantage of this service and suggested the committee hold off on targeting this group at this time for that reason.

Professor Kaas, the work group coordinator for the 'What Faculty and Staff Want' Work Group asked whether the University has age, gender and ethnic/racial information about participants in the plan. Ms. Singer stated that she has age and gender data but not ethnic/racial information because this is protected data.

Professor Feeney asked about inviting Vanguard and Fidelity to fall meetings. Mr. Fisher volunteered to extend the invitations. Professor Feeney stated that the committee will want Vanguard and Fidelity to be prepared to talk about their retirement planning resources. The presentations should be no longer than 30 minutes, at least to start. Professor Feeney suggested inviting one vendor to the October 6 meeting and the other to the November 3 meeting to share this information. Ms. Singer added that the committee may also want to invite Scudder to see what they have to offer. Professor Feeney agreed and suggested Scudder be invited to the committee's December meeting.

Professor Feeney thanked the committee for a good discussion.

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

Renee Dempsey
University Senate