



Board Policy 1C.4 Fiduciary Duty – System Pension Plans

Part 1. Purpose

The Board of Trustees is responsible for oversight of the system pension plans administered by the system. The Board's policy is to administer its plans in accordance with Minn. Stat. Ch. 356A. This policy establishes standards for the Board, individual trustees, and employees delegated responsibilities pursuant to this policy, to fulfill their fiduciary responsibilities in the administration of system pension plans.

Part 2. Definitions

For purposes of this policy, the following terms have the meanings provided.

Subpart A. Fiduciary

Fiduciary includes an individual trustee, the Board of Trustees acting in its official capacity, and an employee delegated responsibility under this policy. A person ineligible for fiduciary status under Minn. Stat. § 356A.03 shall not serve as a fiduciary.

Subpart B. Investment guidelines and objectives

Investment guidelines and objectives means the document approved by the Investment Committee to guide system pension plan investments and administration.

Subpart C. System pension plan

System pension plan means the Individual Retirement Account Plan (IRAP) established under Minn. Stat. Ch. 354B, the Supplemental Retirement Plan established under Minn. Stat. Ch. 354C, and the Tax-Sheltered Annuity program established under Minn. Stat. § 136F.45

Part 3. Fiduciary Conduct

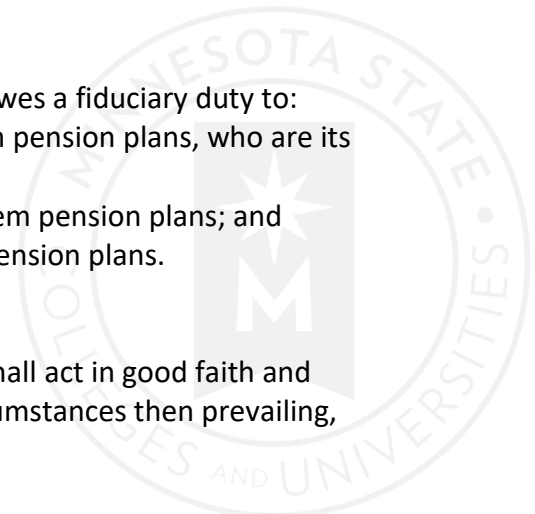
Subpart A. Duty owed

Consistent with Minn. Stat. § 356A.04, subd. 1, each fiduciary owes a fiduciary duty to:

1. The active, deferred, and retired members of the system pension plans, who are its beneficiaries;
2. The taxpayers of the state, who help to finance the system pension plans; and
3. The State of Minnesota, which established the system pension plans.

Subpart B. Prudent person standard

Consistent with Minn. Stat. § 356A.04, subd. 2, each fiduciary shall act in good faith and shall exercise that degree of judgment and care, under the circumstances then prevailing,



that persons of prudence, discretion, and intelligence would exercise in the management of their own affairs, not for speculation, considering the probable safety of the plan capital as well as the probable investment return to be derived from the assets.

Subpart C. Applicability

The activities of fiduciaries under this policy must be carried out faithfully, without prejudice, and in a manner consistent with law and system pension plan documents, solely to:

1. Provide authorized benefits to system pension plan participants and beneficiaries;
2. Incur and pay reasonable and necessary administrative expenses; or
3. Manage a system pension plan in accordance with the purposes and intent of the plan document.

Subpart D. Fiduciary activity

The activities of a fiduciary that must be carried out in accordance with the requirements of Minn. Stat. Ch. 356A, other applicable law and this policy include, but are not limited to:

1. Exercising cofiduciary oversight as required by Minn. Stat. § 356A.10;
2. The investment and reinvestment of system pension plan assets;
3. The determination of benefits;
4. The determination of eligibility for membership or benefits;
5. The determination of the amount or duration of benefits;
6. The determination of funding requirements or the amounts of contributions, to the extent applicable;
7. The maintenance of membership or financial records;
8. The reasonable expenditure of plan assets;
9. The selection of financial institutions and investment products; and
10. Other activities involving the overall management of a system pension plan.

Subpart E. Duty of loyalty

System pension plans are established and must be maintained for the exclusive benefit of the members and the members' beneficiaries. Fiduciaries and advisory committee members are prohibited from receiving any direct or indirect compensation, fee or other item of more than nominal value from any third party in consideration of a system pension plan disbursement. Fiduciaries and advisory committee members are prohibited from personally profiting directly or indirectly as a result of their responsibilities for administration of a system pension plan, as a result of the investment or management of system pension plan assets, except for reimbursement of reasonable, approved expenses associated with their duties under this policy, including membership in or receipt of benefits from a pension plan.

Part 4. Board Duties

Subpart A. Fiduciary responsibility

The Board of Trustees and its individual members are fiduciaries of the system pension plans. The Board shall oversee the administration of the system pension plans in accordance with federal and state law and this policy.

Subpart B. Contract approval

The Board is responsible for approving the selection of the system pension plan administrator and investment advisor.

Part 5. Investment Committee

Subpart A. Composition

The investment committee shall comprise the vice chancellor for finance and one other vice chancellor delegated by the chancellor. The chancellor may delegate additional employees as advisors to the investment committee regarding the system pension plan and its administration.

Subpart B. Duties

The investment committee shall be responsible for preparation and submission of system pension plan documents and amendments to the Internal Revenue Service or other regulatory bodies, negotiation of contracts for the plan administrator selected by the Board, obtaining expert consultation, selecting investment options available to system pension plan participants, and other duties related to the proper administration of system pension plans. All system pension plan investment and administrative decisions made by the investment committee and the system pension plan administrator must comply with the approved guidelines and state laws relating to investment of pension funds.

Part 6. Advisory Committee

Subpart A. Composition

The advisory committee shall include at least seven and not more than nine members. Members shall be eligible current employees and shall include no more than two representatives from each affected bargaining group, appointed by the exclusive representative for the bargaining group. Additional members representing affected personnel plans may be appointed by the chancellor. Terms of each member shall be three years; to the extent possible, terms shall be staggered to ensure continuity. No advisory committee member shall serve more than two consecutive terms.

Subpart B. Role

The advisory committee advises the investment committee on the structure and operation of system pension plans; consults with industry experts on the selection of financial institutions and types of investment products offered by the plan; and advises the chancellor or designee and the investment committee on the administration of the system pension plans, including selection of a third-party administrator.

Part 7. Continuing Fiduciary Education Plan

It is the responsibility of each fiduciary and advisory committee member to make reasonable efforts to obtain the knowledge and skills needed to adequately perform their respective responsibilities under this policy.

The chancellor annually shall provide continuing education opportunities to fiduciaries and advisory committee members designed to provide them with knowledge and skills needed to adequately perform their responsibilities for system pension plans. The training shall include:

- a. Review of system pension plans, the related statutory authority, and related IRS plan documents.
- b. Review of system pension plan fiduciary responsibilities as provided by state law and this policy.
- c. Periodic briefings on the duties and performance history of the system's contracted pension plan administrator.
- d. Annual review of the system's statement of investment guidelines and objectives, including investment option selection criteria.
- e. Briefings as needed on topics of special interest or concern.

Part 8. Indemnification; Reporting

Subpart A. Indemnification

Every fiduciary, advisory committee member or other employee with responsibilities delegated pursuant to this policy shall be entitled to indemnification from liability for fiduciary breach related to system pension plan decisions or oversight and shall be held harmless from reasonable costs or expenses incurred as a result of any actual or threatened litigation or other proceedings, subject to the standards and procedures for representation and indemnification under Minn. Stat. § 3.736, as determined by the Board.

Subpart B. Reports to the Board

1. Compliance. The chancellor timely shall report to the Board any legal, policy compliance, or other significant issues affecting system pension plan administration.
2. Annual report. The chancellor annually shall provide to the Board a plan performance review, and a report on substantive administrative or plan changes and fiduciary education provided.

Date of Adoption: 06/20/02
Date of Implementation: 06/20/02
Date of Last Review:

Date and Subject of Amendments:
No Additional HISTORY.