

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES STUDY SESSION
RETIREMENT PROGRAM OVERVIEW / FIDUCIARY TRAINING
OCTOBER 20, 2015
McCORMICK ROOM
30 7TH STREET EAST
ST. PAUL, MN**

Present: Chair Michael Vekich, and Trustees Margaret Anderson Kelliher, Duane Benson, Alexander Cirillo, Jay Cowles, Dawn Erlandson, Robert Hoffman, Philip Krinkie, Maleah Otterson, Thomas Renier, Elise Ristau, Louise Sundin, Michael Vekich, and Chancellor Steven Rosenstone

Absent: Trustees Ann Anaya, Kelly Charpentier-Berg, and Erma Vizenor

Convene and Introduction

Chair Vekich convened the study session on the retirement program overview and fiduciary training at 2:40 pm. Trustee Hoffman participated in the meeting by telephone.

Chair Vekich welcomed Laura King, Vice Chancellor for Finance and Facilities, and Derek Hughes, System Director for Compensation and Retirement, and MnSCU's relationship manager with TIAA-CREF; TIAA-CREF is the current recordkeeper for the MnSCU defined contribution programs. The presentation targeted is focused on an annual report of the plan performance, the RFP and recordkeeper selection process for a new contract, and the required fiduciary training.

Director Hughes explained that he will provide the annual report on MnSCU's 401A, 401A Supplement, and 403B retirement accounts. MnSCU establishes its retirement compliance in Board Policy 1C.4 regarding fiduciary duties for system pension plans. The board has already received a link to a concise online fiduciary training module.

The policy also identifies several roles. The board is responsible for oversight of the pension plans administered by the system. The board approves the contracts for the defined contribution plans and their administration. The recordkeeper contract is currently held by TIAA CREF and the investment advisor contract is currently held by Aon Hewitt. The chancellor is responsible for delegation of authority and fiduciary education, appointing Investment Committee members, and ensuring education is provided annually to all parties. Vice Chancellors of Human Resources (Mark Carlson) and of Finance and Facilities (Laura King) are members of the Investment Committee which is responsible for the submission of legal documents to the IRS and other regulatory bodies, contract negotiations for the recordkeeper and the investment advisor, administration of the system pension plans including fund selection, and investment fund monitoring. The Advisory Committee, established under this policy is comprised of at least seven to nine members that are current employees representing each bargaining group and eligible for participation in the IRAP plan. Committee members are appointed by their representative bargaining group or by their union leaders. This committee is responsible for recommending

changes to the Investment Committee about structure and operation of the system pension plans, consulting industry experts on the investment menu offered, and recommending changes to the overall plan administration.

MnSCU manages three defined contribution plans.

- The Individual Retirement Account Plan (IRAP), is a 401(a) mandatory participation plan. The employee contributes 4.5% and the employer contributes 6.0%.
- The Supplemental Retirement Plan (SRP), is a 401(a) mandatory supplement plan after the employee completes two years of unclassified service with MnSCU. The employee contributes 5% of salary after they first earn \$6,000 and the employer matches dollar-for-dollar. The maximum contribution is between \$1700 and \$2700 depending on the employees' bargaining contract or personnel plan.
- The Tax Sheltered Annuity (TSA), is voluntary participation plan available to all employees to invest. The maximum contributions follow the IRS disclosed plan maximums. There is not an employer contribution component to the TSA.

Within MnSCU's investment portfolio, ten funds are managed by TIAA-CREF and 25 funds are owned and managed by other investment companies. The fund performance over past three years, in terms of asset base, has demonstrated an increase of \$400M over the period. Director Hughes highlighted the portfolio risk among the array of funds, and a summary of the participants in the all three plans from FY13 through FY15. Plan participation rates have remained steady at close to 20,000 participants over this time period.

Director Hughes reviewed the process for the Request for Proposal for a recordkeeper. The search committee has representatives from each of the bargaining units, Scott Goings, assistant general counsel, Jim Nelson & Mike Jahnke, information security specialists, Mark Carlson, vice chancellor for human resources, and Laura King, vice chancellor for finance and facilities.

The results from the RFP will be scored and weighted by Aon Hewitt who has been retained as a search advisor. Aon provides additional objectivity to the search process and due diligence within the scope of fiduciary responsibilities. Aon Hewitt will present the scoring and weighting to MnSCU committee members on November 20, 2015.

MnSCU requested each bidder provide two models for recordkeeper costing in attempts to lower cost: (1) based upon plan assets, and (2) as a per participant fee for service. Recordkeeper service costs are paid for by participant fees; therefore, savings realized in recordkeeper costs potentially translate to lower participant fees. Director Hughes reminded the board that fiscal year 2016 (beginning July 1, 2015) marked a change in overall participant fee structure and experience. MnSCU shifted primarily to participant flat fees versus revenue sharing because it offers greater transparency and ensures fee equality across all participants. Resulting from this change in fee structure, the participant fees are now set at \$60 per participant/ per annum.

A recommendation will be presented to the Board of Trustees in January. The plan is for a five-year contract. The timeline is aggressive in part to allow time for the contract negotiation and potential migration of the plans if a new vendor is selected.

Quarterly financial summaries of the retirement plans performance are available in the Board Office. Director Hughes announced that Inge Chapin, secretary to the board, will send the trustees the link to the online fiduciary training program.

Chair Vekich adjourned the study session at 3:15 pm.