

Minnesota State Colleges and Universities

**BOARD OF TRUSTEES
STUDY SESSION
MARCH 19, 2014
McCORMICK ROOM
30 7TH STREET EAST
ST. PAUL, MN**

Board of Trustees Members Present: Chair Clarence Hightower, Trustees Margaret Anderson Kelliher, Dawn Erlandson, Alfredo Oliveira, Thomas Renier, Elise Ristau, and Louise Sundin

Leadership Council Representatives Present: Chancellor Steven Rosenstone, Vice Chancellor Laura King and Vice Chancellor Mark Carlson

Convene

The Minnesota State Colleges and Universities Board of Trustees held its meeting on March 19, 2014, 4th Floor, McCormick Room, 30 East 7th Street in St. Paul. Chair Hightower called the study session to order at 11:40 a.m. and noted that Trustee Oliveira was present by phone.

Study Session

Vice Chancellor King said a copy of the retirement program handbook is at each Trustees' place and a copy will also be kept in the Board office. The agenda of the study session includes a recap of past fiduciary training, a review of the retirement handbook, an overview of the fiduciary training, and an update on current retirement trends and improvement plans for 2014-2015.

The annual retirement plan fiduciary training is required under Board Policy 1.C.4. In March 2013, Scott Miller of HewittEnnisKnupp provided an overview of the Board's fiduciary responsibility specific to the oversight of the defined contribution plans. The Board made subsequent recommendations, including the newly published handbook, access to quarterly investment reports, and more information on the contribution process and current delegations of authority. Vice Chancellor King gave a quick overview of the handbook and directed the Board to the location of these items in the handbook.

The March 2013 training has been converted to an online training module as a refresher course for current Trustees and as onboarding for new Trustees. It is also a new requirement for new Investment committee and Advisory committee members.

Vice Chancellor King introduced Vice Chancellor for Human Resources Mark Carlson, and System Director for Employee Benefits and Compensation Bill Brady. Vice Chancellor Carlson said that nationally, the average age for men to retire is 64 and women, 62.

Minnesota State Colleges and Universities' (MnSCU) average retirement age is 63.6. In 2012, the percentage of workers age 55 or older in the national workforce is 21.4%, compared to MnSCU's which is 32.3%.

A further breakdown of MnSCU employees shows that 262 employees (1.5%) are 71 or older; 681 employees (3.8%) are age 66 to 70; 2,008 employees (11.2%) are age 61 to 65 and 2,830 employees (15.8%) are age 56 to 60. There have been 1, 938 employees (10.8%) who have retired from MnSCU in the past five years.

Vice Chancellor Carlson said that there are two types of retirement transition programs. The first is phased retirement. Under phased retirement, an employee must be over age 55 and have been employed by the state longer than ten years. Employees phase into retirement anywhere between 1 – 6 years, keep their insurance eligibility and continue to contribute toward their retirement. The annuitant employee program/post retirement option allows employees to return to work part time immediately after retiring. There are limits to the number of hours an employee can work under this program. Last year, 61 employees participated in the phased retirement program and 111 employees participated in the annuitant program.

Mr. Brady gave an overview of the three different types of defined compensation plans. The Individual Retirement Account Plan (IRAP) and Supplemental Retirement Plan (SRP) plans are mandatory retirement plans for unclassified employees. The IRAP requires a 4.5% employee contribution and a 6.0% employer contribution to maximums. The SRP requires a contribution of 5.0% of salary after the first \$6,000 to contractual maximums with a 100% employer contribution. The third plan, the Tax Sheltered Annuity (TSA), is open to all employees. There is no employer match, but it is offered as an additional retirement vehicle. Employees can sign up for it through the MMB website.

There has been a steady increase in employees participating in defined contribution plans since 2003. Mr. Brady showed the average account balances for the various plans and noted that there is a steady increase in balance that goes along with years of service. For instance, under the IRAP plan, an employee who has worked between 16 – 20 years has an approximate balance of \$141,500. An employee who has worked between 21 – 25 years has an approximate balance of \$209,700. Similarly, under the SRP plan, an employee who has worked between 16 – 20 years has an approximate balance of \$81,400. An employee who has worked between 21 – 25 years has an approximate balance of \$104,400. Under the TSA plan, an employee who has worked between 16 – 20 years has an approximate balance of \$72,200. An employee who has worked between 21 – 25 years has an approximate balance of \$89,100.

Mr. Brady noted that there are only 4,418 employees participating in the TSA plan. It would be desirable to see an increase because employees should be trying to save as much as possible for retirement. A snapshot of defined contribution participants participating in both IRAP and SRP, shows that after 25 years of service, the combined account balance is \$343,904. Employees may be planning on other sources of retirement income such as a spouse's retirement plan, social security, or a private account (IRA).

This year, MnSCU has offered retirement education webinars through TIAA CREF. In FY2015, there will be a retirement readiness analysis to determine if the current contributions toward retirement are enough for an employee to retire comfortably. There will also be a participant satisfaction survey and a preparation for retirement seminar with presenters from TRA, TIAA CREF and the Social Security Administration. In FY2016 there will be a record keeper search (currently TIAA CREF) and a financial advisor search (currently HewittEnnisKnupp) because both contracts expire.

Trustee Sundin expressed concern for the cost of health insurance that requires aging employees to have to work longer. Vice Chancellor Carlson replied that MMB evaluates and negotiates health insurance contracts and MnSCU does not have a voice in that.

Trustee Sundin said that there have been changes in the age to collect full pension under the TRA plan. Mr. Brady responded that any changes under the plan would be communicated by TRA to its membership.

Trustee Erlandson asked if there is a MnSCU specified retirement age, and if there is any healthcare coverage from the state after retirement. Vice Chancellor Carlson said that some agencies, such as law enforcement do, however, MnSCU does not.

The meeting was adjourned at 12:03 p.m.

Respectfully submitted,

Laury Anderson, Recorder