

Presentation Details:

Slides: 28

Duration: 00:07:50

Description:

Roles and Responsibilities



Fiscal Year 2015

Fiduciary Responsibility– MnSCU’s Defined Contribution Plan
MnSCU Board of Trustees

Minnesota State Colleges and Universities

The Minnesota State Colleges and Universities System is an Equal Opportunity Employer and Educator.

Slide 1
Roles and Responsibilities

Duration: 00:00:10
Advance mode: Auto



Notes:

Welcome to a training about your roles and responsibilities as a MnSCU fiduciary. My name is Derek Hughes – System Director for Compensation and Retirement, and I will be narrating.

Slide 2
How to Use Presentation

Duration: 00:00:22
Advance mode: Auto



Notes:

This training format provides many features. You may want to visit the attachments tab in the upper right corner for further information, policies, and laws surrounding retirement. At the bottom you can navigate the audio and rewind within the slide, and on the left you can Navigate to any slide in the entire training. In the upper left corner, you may want to click the notes tab to read along with the narration.

Slide 3

Overview

Duration: 00:00:14

Advance mode: Auto

Overview

- Background & purpose
- Fiduciary defined
- MnSCU fiduciaries
- Fiduciary duty & conduct



Notes:

This training is broken into four parts. You will learn more about:

- The background and purpose for this training
- The definition of a fiduciary
- What it means to be a MnSCU fiduciary, and
- The duties and conduct expected of a MnSCU fiduciary

Slide 4

Part 1: Background & Purpose

Duration: 00:00:03

Advance mode: Auto

Part 1: Background & Purpose



High Quality. Affordable. Right for you.

Notes:

Part one – the background and purpose for this training.

Slide 5

Quick Start

Duration: 00:00:26

Advance mode: Auto

Quick Start

Defined Benefit

- *Guaranteed benefit/pension*
- *Calculation based on longevity*

Defined Contribution

- *Investment funds*
- *Contributions from employee and employer*



Notes:

Let's begin with a quick start to ensure everyone is up to speed on MnSCU Retirement Plans.

Defined Benefit plans are guaranteed benefits known as pensions. They payout to an employee at retirement using a calculation that increases with more years of service to the system, or longevity.

Defined Contribution plans are comprised of a variety of investment funds. Employees invest within the funds using contributions made by both the employee and employer.

Slide 6

Defined Benefit Plans

Duration: 00:00:21

Advance mode: Auto

Defined Benefit Plans

46% of MnSCU Employees



Notes:

46% of MnSCU employees participate in defined benefit plans. These defined benefit plans are administered by different state agencies.

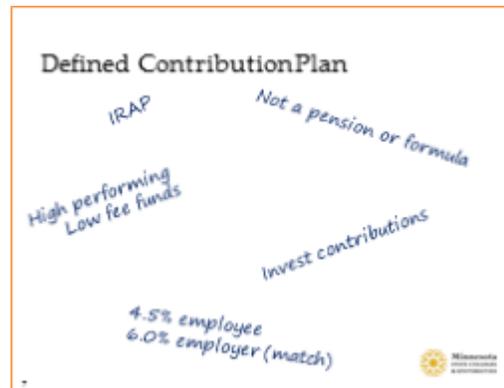
Each defined benefit plan has a separate board and set of fiduciaries, and consequently they are not the primary focus of this training. MnSCU fiduciary responsibility primarily focuses upon the defined contribution plan.

Slide 7

Defined Contribution Plan

Duration: 00:00:26

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Defined Contribution Plan

IRAP

Not a pension or formula

High performing
Low fee funds

Invest contributions

4.5% employee
6.0% employer (match)



Notes:

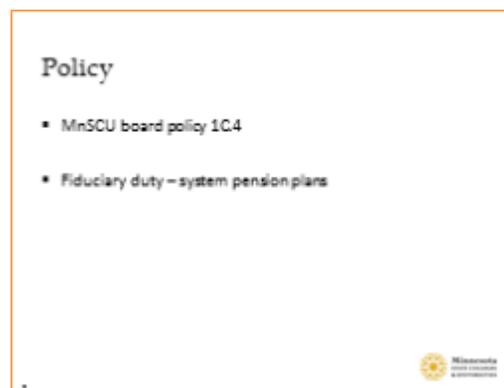
The defined contribution plan is commonly referred to as IRAP – short for the Individual Retirement Account Plan. A defined contribution plan is not a pension or formula. The defined contribution plan provides a spectrum of high performing and low fee funds for employees to invest their contributions. Employees invest contributions of 4.5% of salary, and the employer matches with 6% of the employee's salary.

Slide 8

Policy

Duration: 00:00:12

Advance mode: Auto



Policy

- MnSCU board policy 1C.4
- Fiduciary duty – system pension plans



Notes:

Fiduciary status is a matter of MnSCU board policy. Fiduciary duty is fully explained in MnSCU board policy 1C.4, which addresses your fiduciary duty for the system pension plans.

Slide 9

Board Role under Policy

Duration: 00:00:11

Advance mode: Auto



Notes:

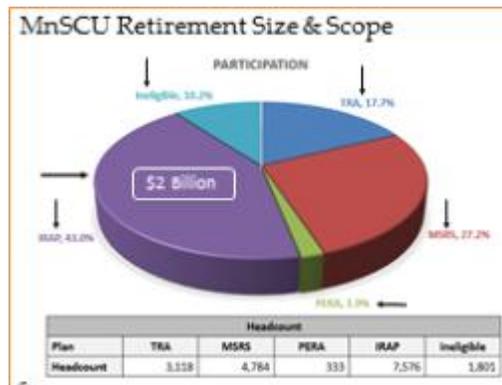
The Board of Trustees is responsible for oversight of the pension plans administered by the system. Specifically, the board approves contracts for the defined contribution plan administration.

Slide 10

MnSCU Retirement Size & Scope

Duration: 00:00:30

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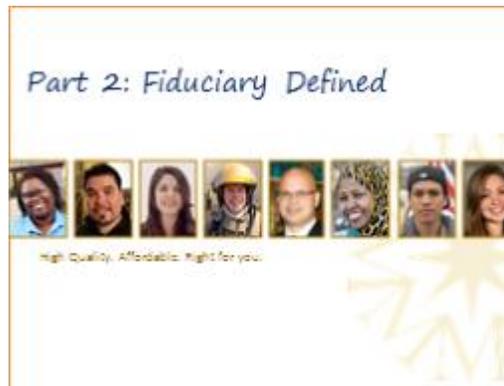


Notes:

The size and scope of MnSCU Retirement is far reaching. The chart shows percentages of MnSCU employees in the defined benefit plans (TRA, MSRS, and PERA), the ineligible employees, and MnSCU's defined contribution plan (or IRAP). Below the chart is a table showing respective headcount associated with each plan. As shown by the purple pie slice, IRAP comprises 43.0% of all MnSCU retirement contributors at a total of \$2 billion dollars in invested contributions.

Slide 11
Part 2: Fiduciary Defined

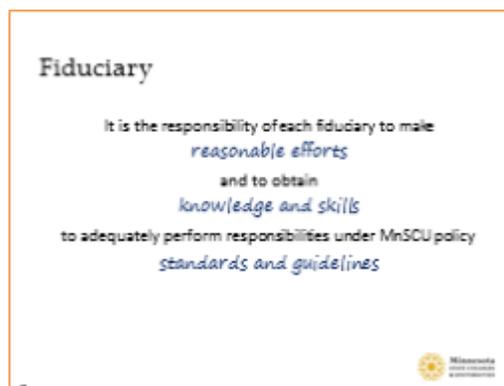
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Notes:
Part two – the fiduciary defined

Slide 12
Fiduciary

Duration: 00:00:17
Advance mode: Auto



Notes:
It is the responsibility of each fiduciary to make reasonable efforts and to obtain the knowledge and skills necessary to adequately perform responsibilities under MnSCU policy. The next slides establish standards and guidelines for you to fulfill your fiduciary responsibilities in the administration of system pension plans.

Slide 13 
What is a fiduciary?

Duration: 00:00:18
Advance mode: Auto

What is a fiduciary?

Legal duty

May not profit

Avoids conflicts of interest

Strictest duty

Adapted from Cornell University: Legal Information Institute



Notes:

What is a fiduciary?
A fiduciary duty is a legal duty to act solely in another party's interests. Fiduciaries may not profit from their relationship. They also have a duty to avoid any conflicts of interest to their role. A fiduciary duty is the strictest duty of care recognized by the US legal system.

Slide 14 
Who has a fiduciary role?

Duration: 00:00:14
Advance mode: Auto

Who has a fiduciary role?

1. Individual Trustee
2. Board of Trustees
3. Delegated employee



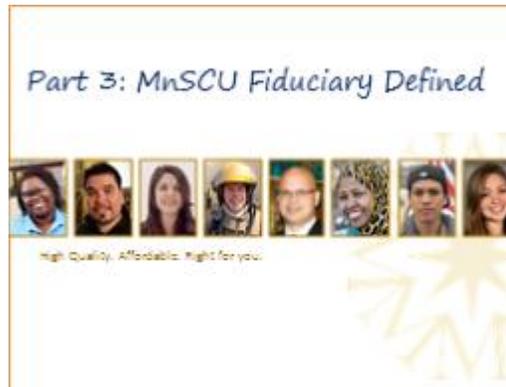
Notes:

Who has a fiduciary role?

1. An individual trustee
2. The Board of Trustees acting in its official capacity, and
3. Employees delegated responsibility under this policy

All three have a fiduciary role within MnSCU.

Slide 15 🎧
Part 3: MnSCU Fiduciary Defined
Duration: 00:00:03
Advance mode: Auto



Notes:
Part three – the MnSCU fiduciary defined

Slide 16 🎧
**Defined Contribution Plan
Regulatory Model**
Duration: 00:00:21
Advance mode: Auto



Notes:
The defined contribution plan has a model for changes and decisions. The Board of Trustees has plan oversight. Suggestions for plan changes and investment improvements travel in either direction on the continuum; however, decisions are made by the Investment Committee and upwards through the chain of command. The final plan document is a legal document submitted to the IRS for plan approval.

Slide 17
Board Responsibility

Duration: 00:00:22
Advance mode: Auto



Notes:

Let's take a closer look at individual fiduciary responsibilities within the defined contribution plan. The Board is responsible for oversight. Specifically, this means the Board approves contract awards for:

- A system pension plan administrator, also known as a record keeper, and
- An investment advisor to regularly review and advise upon the fund lineup and performance of the plan.

Slide 18
Chancellor Responsibility

Duration: 00:00:13
Advance mode: Auto



Notes:

The Chancellor is responsible for delegation of authority and fiduciary education. The Chancellor:

- Appoints Investment Committee Members, and
- Ensures education is provided to fiduciaries and Advisory Committee Members on an annual basis

Slide 19
Investment Committee

Duration: 00:00:19
Advance mode: Auto



Notes:

The Investment Committee is comprised of:

1. The Vice Chancellor for Finance, and
2. The Vice Chancellor for Human Resources

The Investment Committee is responsible for:

- Submission of legal documents to the IRS, or other regulatory bodies
- Contract negotiation for the record keeper and investment manager
- Administration of system pension plans

Slide 20
Advisory Committee

Duration: 00:00:23
Advance mode: Auto



Notes:

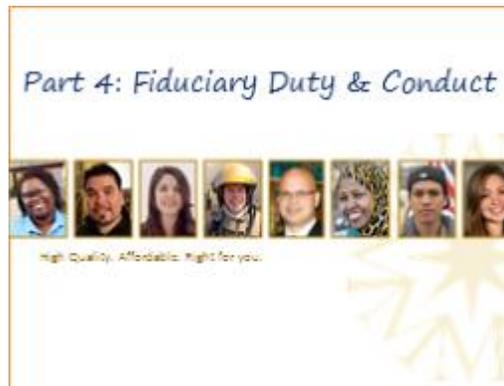
The Advisory Committee is comprised of:

1. At least seven to nine members that are current employees representing each affected bargaining group and personnel plan

The Advisory Committee is responsible for:

- Advising the Investment Committee about structure and operation of plans
- Consulting industry experts on the investment menu offered, and
- Advising the Investment Committee on the administration of the plans

Slide 21 
Part 4: Fiduciary Duty & Conduct
Duration: 00:00:03
Advance mode: Auto



Notes:
Part 4 – fiduciary duty and conduct.

Slide 22 
Who am I accountable to as a fiduciary?
Duration: 00:00:21
Advance mode: Auto



Notes:
Who am I accountable to as a fiduciary?
As a fiduciary you have a fiduciary duty to system stakeholders which includes:

1. Beneficiaries– or the active, deferred, and retired members of the system pension plans
2. Taxpayers - who help to finance the system pension plans, and
3. The State of Minnesota - which established the system pension plans

Slide 23

Who do I serve as a Fiduciary?

Duration: 00:00:13

Advance mode: Auto



Who do I serve as a Fiduciary?
Duty of Loyalty

- *Exclusive* benefit
- Prohibited from *Personally* profiting.



Notes:

Who do I serve as a fiduciary?

As a plan fiduciary you have a duty of loyalty. You must be loyal to the exclusive benefit of our members and their beneficiaries.

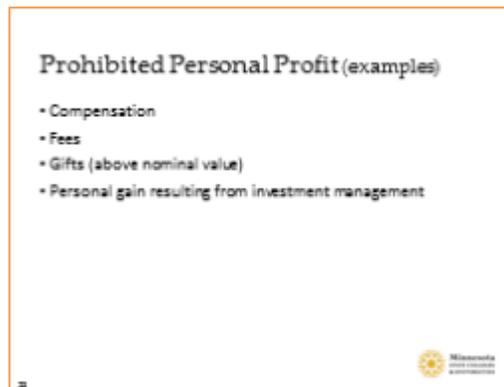
This duty also prohibits you from personally profiting from your role

Slide 24

Prohibited Personal Profit (examples)

Duration: 00:00:13

Advance mode: Auto



Prohibited Personal Profit (examples)

- Compensation
- Fees
- Gifts (above nominal value)
- Personal gain resulting from investment management



Notes:

Examples of items that are prohibited if they result in personal profit include:

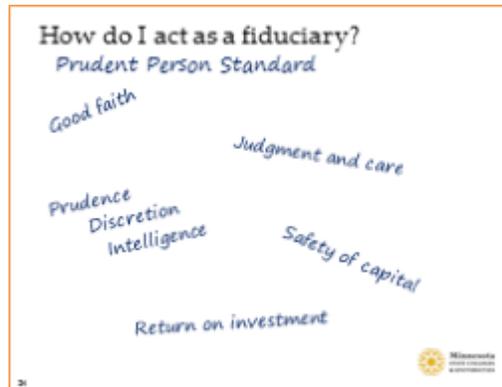
- Compensation
- Fees
- Gifts (above nominal value), and
- Personal gain resulting from investment management

Slide 25

How do I act as a fiduciary?

Duration: 00:00:27

Advance mode: Auto



Notes:

How do I act as a fiduciary?

A fiduciary has an accountability to the plan stakeholders to act prudently. The prudent person standard outlines these accountabilities:

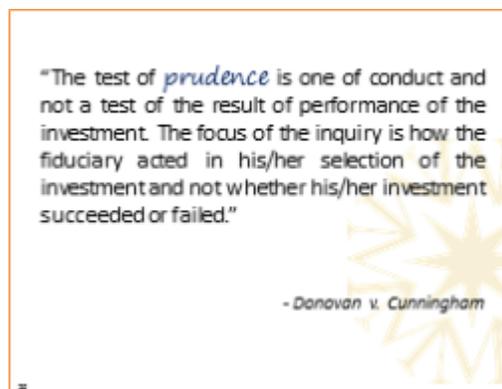
- Each fiduciary acts in good faith
- Exercises a degree of judgment and care under the prevailing circumstances
- Acts with the same prudence, discretion, and intelligence as they would in the management of their own affairs
- Considers the safety of the plan capital as well as the return on investment

Slide 26

Quote

Duration: 00:00:18

Advance mode: Auto



Notes:

In a landmark case of fiduciary breach the court acknowledged in it's ruling that:

"The test of prudence is one of conduct and not a test of the result of performance of the investment. The focus of the inquiry is how the fiduciary acted in his/her selection of the investment and not whether his/her investment succeeded or failed."

Slide 27 
Indemnification
Duration: 00:00:20
Advance mode: Auto



Indemnification

Every MnSCU fiduciary

Indemnified

Held harmless



Notes:
Every MnSCU fiduciary, advisory committee member, or other employee with responsibilities delegated for managing the plan is entitled to indemnification from liability for fiduciary breaches. Additionally, they are held harmless from reasonable costs or expenses incurred as a result of any actual or threatened litigation or other proceedings.

Slide 28 
Summary
Duration: 00:00:27
Advance mode: Auto



Summary

- Serve members, beneficiaries, and stakeholders
- Duty of prudence and loyalty while acting within scope of law
- MnSCU Office of General Counsel

Thank you for your time and attention



Notes:
In summary, as a board member and fiduciary you serve MnSCU's members, beneficiaries, and stakeholders. You are caring for their assets and their retirement when they are able to retire. This role is the highest duty imposed by law and you have the primary duties of prudence and loyalty all while acting within the scope of the law. If you have any questions on these responsibilities, please contact the MnSCU Office of General Counsel. Thank you very much for your time and attention to this important matter.