CMU Retirement Committee Meeting Minutes, June 28, 2018

Committee Members Present:

Meghan Bissonnette
Kristen Hague
Jeffrey Doyle
Jill Knuckles
Laura Glatt

Committee Members Absent:

Jared Workman
Tom Benton

Others Present:

Kevin Price, Insight Financial Solutions
Jason Stanfield, Insight Financial Solutions
Jennette Price, Insight Financial Solutions
Amy Grimes, CMU HR

Meeting convened at 9:00 am

Approve Minutes

Jeff moved, Kristen seconded, all voted in support of approving the May 23, 2018 as previously distributed.

Review Vendor Recordkeeping Proposals

The Committee discussed the recordkeeping vendor proposals which had been distributed via email previously. Proposals were received from: Empower, Fidelity, TIAA-CREF; VOYA, VALIC, and Vanguard. Kevin reported that just prior to the meeting he received notice from Vanguard regarding their original proposal. They said they were withdrawing the Vanguard Direct proposal and alternately would offer the Acensus recordkeeping services platform instead.

In response to a question about pricing, Laura said pricing was intentionally not distributed earlier so Committee members had an opportunity to evaluate proposals based on quality, service and other metrics first, without the influence of pricing. Laura said pricing information would be covered later in the meeting after the vendor proposals were discussed and the committee reaches agreement on a tentative list of vendors to invite for interview.

Each of the Committee members individually made observations about the proposals and/or asked questions. These were as follows:

- Differences in pricing guarantees. Kevin noted that this can be a point of negotiation with the finalist(s). In response to a question, Kevin said CMU will likely be able to negotiate lower fees as the value of the plan increases over time. Laura noted the original contract could have fees stratified by plan asset size, at a minimum. Kevin said vendors are usually willing to negotiate fees, even into a contract term, as they don't want to lose the client.
- Differences in black out days. Kevin clarified that black out is the stoppage in regular operations during the plan transition and is usually between 21-30 days. It is the period when plan records are transferred between the current multiple vendors and the new single vendor, and no new contributions or withdrawals are permitted so the employee information can be loaded and verified to ensure all transition records are complete and accurate. During this period, CMU will need to hold all new plan contributions. It will be important to consider when the blackout period begins and ends to attempt to limit the "holding" of new contributions to only one pay period. Kevin confirmed that no interest will accumulate to employees on these new contributions during the "holding" period. He also said the blackout period will be very similar across vendors, but is largely dependent on the timeliness of record release from the current providers. The blackout period is different from the period of time investments will be out-of-the market during the transfer of plan funds, which will be much shorter.
- Differences in use of propriety funds. Kevin said most vendors will require use of some of their line-up for fixed accounts. For example, if TIAA is selected as the CMU recordkeeper, they will require their annuity or traditional account, to be in the CMU investment line-up. Beyond fixed accounts, none of the vendors require their own propriety funds be included in the investment line-up. However, some will preclude others from the line-up. For example, if TIAA is chosen as the CMU recordkeeper, TIAA will not permit Fidelity investments on their platform. Likewise, if Fidelity is chosen as the recordkeeper, they will not allow TIAA-CCREF funds on their platform. The other four vendors do not have similar restrictions.
- Differences in offering Exchange Traded Fund (ETF). Kevin noted that while some don't offer ETFs, they offer mutual funds which can have similar fees to ETFs.
- In addition, although ETFs will not likely be in the CMU 15-20 investment line-up, it would be available through an open brokerage window. The committee discussed the offering of a brokerage window. The brokerage window would provide participants with access to any and all investment options, from any vendor, not offered in the new CMU investment line-up. Kevin recommended CMU offer a brokerage window. He said generally there will be a $50 annual fee to those who access the window, plus the participant pays the appropriate trading costs. The cost of the brokerage window offering is not borne by all plan participants, but instead by only those participants who use it. This fee could be subject to negotiation with finalists.
- Differences in the option for a collective investment trust. Kevin said this can be built behind the scenes as needed. Plan will likely offer open market traded mutual funds instead, which are essentially the same.
- Differences between loan and hardship provisions during the blackout period. Laura reported CMU does not offer hardship withdrawals currently, but does offer loans. CMU participants use the loan provision on a very limited basis, so this short-term limit should not be problematic. Kevin reiterated this suspension of normal business activity is important so the new vendor can get the employee records appropriately set and verified. This prompted a conversation about whether under the new plan, the loan and/or withdrawal provisions would be the same or

different than the current plan provisions. Laura said this will need to be defined in the new plan and thus, will need to be discussed by the Committee and ultimately acted on as part of the new plan approval process. Laura said historically most plans have taken a hardline on 401a plan withdrawals as most of the contributions in these plans are employer funds and are intended for retirement, not for other purposes. Jill pointed out that in Colorado that is even more important as these contributions are in lieu of social security contributions, so it is potentially the only source of retirement employees may have. However, 403b plans are 100% employee contributions so the restrictions tend to be less stringent. Laura reported the shared four-university plan (i.e. current plan) is discussing loan provisions and looking at restrictions around additional loans in the event of default. Kevin suggested putting in place some limit on the number of loans permitted. It was agreed this topic will need to be revisited at a future meeting.

- Only VALIC has a local representative located in Grand Junction, although all would have boots on the ground during the transition. Jill expressed that some administrative improvements were needed at VALIC. It was agreed that if the Committee decided to invite VALIC in for interview, a pre-call would be necessary to ensure these issues can be addressed.
- Differences in on-line tools and educational opportunities. Amy said in her experience, as a CMU administrator, some vendors have better on-line platforms and more education opportunities for employees such as on-line webinars. The committee looked at the various web sites and all appeared to have similar web functionality, including retirement readiness features. The committee should inquire about mobile app availability and education opportunities for employees during the interviews.
- Lawsuits and data breaches. Kevin noted that it would not be unusual for large companies to be involved in lawsuits, as the RFP responses indicated. Of course, we don't know the nature of these suits. Laura also noted that outside of lawsuits there may be other sanctions leveled by regulatory agencies, which we may want to consider asking.
- What services beyond basic participant services does each provide and how are these marketed and priced? Laura noted TIAA's wealth management services. Kevin said that only TIAA and Fidelity are likely to offer wealth management services, at a cost to the user. Laura noted that this is something we may want to consider asking during the interviews.
- Customizable web sites; e.g. calculate rate of return for specified periods. Kevin said he thought they all have this ability, but will double-check each site to verify.
- Jill said it will be important to discuss the payroll process as part of the interview process or separately, as some are easier than others from an administrative standpoint. Amy also noted that it will be important to confirm that employees are able to enroll on-line.
- Length of time out of market in transfer of plan investments. Kevin noted that at CMU, three (if not four) firms will need to move assets. He said it is possible that investments could be out of the market for 1-2 days. This will need to be tightly coordinated to limit this length of time. It would be good for each vendor to walk us through the transition process, including getting the assets back into the market as part of the interview process.

Individual committee members were asked for their feedback on the proposals, absent fee information.

Jeff and Kristen said they stratified their initial selections by tier as follows: Tier 1: TIAA; Tier 2: Empower, Valic, Fidelity; Voya; 3rd tier Vanguard

Meghan said her rank by tier is similar, except she had Valic and Voya in the lowest tier

Laura suggested we bring in TIAA for interview as they create the least disruption for plan participants. Also, she suggested we bring in some larger and smaller players for comparison purposes. Beyond that, she did not see vast differences between the proposals. She went on to say it appears to be a question of whether CMU wants to be a little fish in a big pond or a big fish in a little pond.

Laura shared Jared's input which was received via email prior to the meeting. Jared supported Empower and Vanguard as his first choices and ranked TIAA and Fidelity last.

In response to a question about which plan assets would move automatically in the transition, Kevin provided the following information: All new contributions will go to the new plan; of the $60+ million at TIAA-CREF, about $15 million are group contracts and will automatically move to the new fund line-up, with the remaining $45 million in individual contracts subject to specific employee action to move to the new plan; almost all of Fidelity funds are in group contracts and will move automatically; a portion of VALIC is in group contracts and will automatically move, while the rest is in individual contracts and will only move with employee action. Although VALIC has indicated they will allow all funds to automatically move if they are chosen as the recordkeeper.

Kevin reviewed the fee pricing for the employee 401a and 403b plans, with pricing both on a basis point basis (BPS) and also on a per participant basis. Initial pricing comparisons were based on estimated initial plan funds of $50-70 million. Kevin suggested that it appears that the BPS method is the most favorable currently, although this could be renegotiated in the future if needed. In response to a question, Kevin said that under the four university plan, CMU participants currently pay between .1500-.1600 bps. These fees are subject to change through further negotiation. (*Fee proposal amounts intentionally omitted from minutes pending further pricing negotiation*).

Kevin also noted that there would not be a fee attached to fixed accounts.

Review Student Plan Recordkeeper Proposals

The committee next discussed the student plan proposals. Laura said at the last Committee meeting, the Committee was very clear the student plan should stand separate from the employee plan in terms of plan costs—one should not subsidize the other. Under state statute, CMU is required to make retirement contributions on student employees if they are enrolled in fewer than six credit hours in each of the fall and spring terms or less than three credit hours in the summer term. Like employees, these contributions are in lieu of social security contributions. Kevin said there are many participants (over 2500) with very low individual account balances and hence, the total plan value ($500k) is relatively small, making this plan very costly to administer. Most of the vendor's are proposing a per participant charge, other than VALIC. The higher fees will quickly diminish the plan assets. Kevin clarified that even though a per- participant fee structure is proposed by most of the vendors, ultimately the total plan fee would be prorated to the student plan participants based on individual account assets. Therefore, those accounts with a higher balance will pay a greater fee.   Kevin said he is still looking at group pricing options and will have more information in the near future.

The Committee talked about potential options to better auto manage the student plan. This will require more discussion and definition in the near future.

Recordkeeper Interviews

Following committee discussion the consensus is to bring the following in for interview: TIAA, Empower, VALIC, and Fidelity. CMU and Insight officials will visit in advance with VALIC to ensure they are able to address some of the committee questions and concerns raised during the meeting. The interviews will be arranged for July 9 and/or 19.

Kevin will send out a standard list of questions to the Committee in advance of the interviews. Each committee member will identify their top ten questions for the interview. These will be summed and the top committee selections will be sent to the vendors in advance of the meeting so they are prepared to respond to these questions during the interviews. Committee members will need to return their selections quickly as the turnaround time is limited.

Campus Communications

Laura said the next campus message related to this meeting would focus on the vendor interviews. She inquired if others had suggestions for other content. None was offered but the committee members were invited to send suggestions to Laura via email.

Fees

Meghan asked for information on who is and will continue to pay various plan fees. Kevin said that currently participants are paying all plan fees, including recordkeeping and investment fees; however, that is not transparent to the participant as they are applied against investment returns. And furthermore, currently not all investments have the same revenue share, so they are not equitably distributed among participants. One of the goals of the new plan is to have all fees fully transparent to participants and equitably distributed across participants. Under the new plan, participants will continue to pay recordkeeping and investment fees. CMU is and will continue to pay the cost for the Plan's financial advisor—currently, Insight Financial Solutions.

Other

In response to a question Kevin said we need not spend interview time talking about the new 15-20 fund line-up, as that is largely unrelated to the recordkeeper selection. The only record-keeper question relates to the use of proprietary funds.

Laura reported that the HR Office is working on a mailing list of former CMU employees who continue to be plan participants. They will also need to be notified of the pending changes. Kevin said there is about 300 individuals in this group.

Insight is now attending new employee orientation sessions. Until the conversion is complete, they will be advising new employees to select the easiest path to the new plan, which is Fidelity as they will move all funds and there are no surrender charges.

In response to a question, Kevin said he confirmed with TIAA that the TIAA traditional funds can be rolled over a period of 10 years, without a surrender charge. However, he noted that for some participants retaining the TIAA traditional fund investments might be a good strategy and thus they may not want or need to roll them over to the new plan. This will be an individual decision.

Meeting adjourned at 11:30 am

Future meeting dates:

Jul 9, 2:30-5

Jul 19, 9-12