

CMU Retirement Committee Meeting Minutes, July 24, 2018

Committee Members Present:

Meghan Bissonnette	Jill Knuckles	Jared Workman
Kristen Hague	Laura Glatt	
Jeffrey Doyle	Tom Benton	

Others Present:

Kevin Price, Insight Financial Solutions
Jason Stanfield, Insight Financial Solutions

Meeting convened at 9:00 am

Approve Minutes

Meghan moved, Kristen seconded, all voted in support of approving the June 28, 2018 as previously distributed.

Recordkeeper Services

The Committee continued evaluation and discussion of recordkeeper service proposals from the July 19 meeting. Kevin presented information requested by the Committee at the conclusion of the last meeting, including:

- Comparative fee analysis—Kevin noted that other than the recordkeeper costs, the other costs are similar between the proposals. In response to a question, Kevin clarified that the loan origination fee is per loan and is charged to the participant.
- Willingness to administer the student plan. Kevin reported that based on further conversation with Fidelity they are now considering the possibility of also administering the student plan, should they also get the CMU employee plans and are working on a pricing proposal. Firms are reluctant to administer the mandatory 403b student plan as it is not cost effective given there are about 2700+ participants, with a total plan balance of about \$562k balance, resulting in an average individual account balance of \$200+ each. The Committee discussed options for streamlining the plan to reduce the administrative requirements and will pursue discussions with TIAA, the current student plan administrator.

Meghan said she has received questions from faculty about whether their current funds would be assessed additional fees as part of the transition process. Kevin pointed out that “sales charge” have largely gone away, and thus there will be no additional costs incurred by participants due to the move. Current account balances will roll over in-tact from plan to plan.

Committee members noted it will be important to effectively communicate that participants are already paying recordkeeper administrative fees and also investment fees, where applicable, as that is not currently apparent to participants on their statements. Currently, fees are netted against investment returns so the cost is not transparent to the participant. Under the new plan, the intent is to have the fees clearly separately disclosed—by recordkeeper services and investment fees. In response to a

question, Laura indicated that it is CMU's intent to pay the costs associated with the plan investment advisor services, which is currently Insight Financial Solutions. This is an added benefit to participants as Insight will also be able to provide local independent advice to plan participants.

Kristen reported she had reached out to about 30 faculty and has heard back from about 15 people seeking input about what is important to them in the new plan. She said the majority want to stay with TIAA, due to portability within higher ed; company size and reputation; reliability; and, current participant service performance. Furthermore, she said they questioned why CMU would choose a relative newcomer when more mature options are available. She acknowledged that many of the individuals she spoke with are current TIAA participants.

In response to a question, Jill said that both TIAA and Fidelity currently provide good administrative support to CMU. She said there have been ongoing challenges with VALIC, and she has heard directly from frustrated participants as well. She said CMU had a recent call with VALIC about those concerns and they assured they either have or will have shortly changes to address some of these concerns.

Kevin indicated his preliminary recommendation is to select TIAA as the recordkeeper for the following reasons:

- Will be viewed as least disruptive to participants, as about 65% of CMU's total plan assets are with TIAA-CREF currently;
- Access to TIAA traditional annuity. Kevin reported that CMU will only be able to access the TIAA traditional annuity if TIAA is selected as the recordkeeper. Kevin said although there are alternatives available elsewhere, the interest rate is not quite as good as TIAA's for providing a guaranteed lifetime income stream. CMU's plan participants currently have about \$10M in the TIAA traditional annuity. The Committee discussed the importance of examining whether younger employees use this alternative at the same rate as long-term employees or not. Kevin said he would gather that information. Also, in response to a question Kevin indicated participants will not be able to access the TIAA traditional annuity through the brokerage window.
- Brokerage window fees. Kevin said TIAA and Fidelity will not charge a flat fee to access the brokerage window. The participant would pay any specific investment fund fee and trading fees, although many investment options will be available within the window that do not have trading fees.
- Costs are similar across the vendors. Laura reported she will be visiting with Metro, Adams and Western on August 6th about the possibility of a master recordkeeper agreement, wherein each institution could have its own stand-alone plan, but could level purchasing power in negotiating recordkeeper service pricing. This would reduce the proposed fees even further for CMU participants.
- TIAA, as the current student plan administrator, has a good handle on the plan and has suggestions for streamlining.

Tom asked about reference checks, regarding conversion service experience. Kevin noted that references have not yet been contacted until the committee narrows the field of viable candidates.

Prior to the next meeting, Kevin will gather more information on:

- Confirm funds earn interest during blackout period between payroll admittance during conversion period.
- Check references on conversion experience.
- Participant demographic breakdown for use of the TIAA traditional annuity fund.
- Clarification on student plan proposal from Fidelity and proposed pricing.
- Does each allow a custom target date option, and what is the related cost.
- Employee participation demographic data to determine if selections currently vary between younger, new employees and longer-term employees, both between current vendors and investment options.

Based on evaluation and discussion, the committee unanimously agreed to discontinue further consideration of VALIC as CMU's recordkeeper.

Investment Policy Statement (IPS)

Laura briefly reviewed the components of the IPS, which was distributed prior the meeting. She said this document covers the following essential elements:

- Outline statutory rules regarding plan oversight
- Process for selection of investments
- Investment monitoring process
- Investment termination process

She specifically pointed out the sections that address the investment line-up selection. She encouraged Committee members to carefully review the IPS and previously distributed Committee Charter and provide any feedback prior to the next Committee meeting.

Core investment line-up

Kevin presented a performance review of CMU's current plan investments. He indicated there are several that would have received a failing grade according to the proposed 12 point monitoring scoring metric. Although this is an LLP (Insight parent organization) developed monitoring system, he said all data comes from Morningstar. He said the new investment line-up would not have anything less than a three star investment and more than likely will be 4 to 5 star.

Kevin recommended that CMU have in its new core investment line-up the following asset classes:

Large cap value	Large cap blend (index fund)
Large cap growth	Mid-cap (value or blend or growth)
Small cap value	Small cap growth
Balanced fund	International
Socially responsible	Emerging markets
Specialty (e.g real estate)	Short-term bond
Intermediate term bond	Inflation Protected bond

One fixed account (annuity)

Target date or lifecycle funds

The committee briefly discussed whether the plan would pose any limits on the amount of an individual participant's funds which could be managed through the brokerage window. Kevin said many plans put in place a limit to minimize the amount of potential participant risk. Laura noted that conversely the window is being made available as an alternative for the select few participants whom want to actively manage their funds and placing a limit is contrary to that flexibility. The committee agreed there would need to be continued discussion on this point as the plan develops. CMU may want to consider having participants sign an agreement acknowledging their responsibilities while in the brokerage window.

In response to a question, Kevin said custom target date fund, if developed would be formed from the core investment fund options. Target dates would also come with a glide path, using Morningstar and Ibbotson tools.

Kevin said allowing the core line-up to potentially reach 20 funds would not be problematic. Tom noted that if we choose to go beyond 15, he would recommend any added funds be recognizable.

Jill suggested that Insight provide a one page fact sheet for each recommended investment. This would include information including history of the fund, top ten holdings, industry focus, manager information, etc.

August 15th Board Update

Laura said the President has asked an update to be provided to the Board at their August 15th meeting. Megan and Kristen volunteered to present the update. Laura said she would get back to them with more information on the logistics.

Next meeting date

Laura said she would survey committee members availability for another meeting in August, working around vacation schedules and teaching responsibilities.

The meeting adjourned at 11:15 am.