

CMU Retirement Committee Meeting Minutes, May 30, 2018

Committee meeting began at 2:30 pm

Present:

Meghan Bissonnette	Jill Knuckles	Kevin Price, Insight Financial Solutions
Kristen Hague	Laura Glatt	Jason Stanfield, Insight Financial Solutions
Jared Workman	Tim Foster	Jennette Price, Insight Financial Solutions
Jeffery Doyle	Tom Benton	

During this inauguration meeting, the committee received information about the purpose of the change, expected benefits of the change and the proposed process and timeline. CMU is making this change for several reasons, including:

- Lower fees are anticipated; more transparency for participants on fees paid by participants
- Reduce main investment line-up from about 200 options to 15-20, in line with best practices; however, provide broader options for more sophisticated investors who want more investment options.
- Offer superior investment line-up.
- Provide employees “independent” investment advisor services, with local service.
- Improve CMU’s ability to meet its fiduciary responsibilities for plan administration.

The committee members also received a summary of plan assets, by vendor, and discussed the difference between group and individual contracts. The group contracts will be moved by CMU as part of the transition (to either like-investments or moved to a target date/life cycle fund), whereas the individual contracts may only be moved by express consent of the employee. Kevin indicated that of the roughly \$95M plan assets, about 50% are in group contracts and about 50% are in individual contracts. Insight believes that in the initial transition they will be able to move \$50-60M, which includes some of the individual contracts, as some employees will voluntarily move their individual accounts. With proper advising many more individual accounts are likely to be moved after the transition as employees see lower fees and better fund line-ups. Committee members noted it will be important to provide each individual employee with a list of their accounts, noting whether they are group or individual contracts, when that information is available and we understand the implications of each during the transition. Further, it was noted there will be a two to three week open enrollment window during which time employees will have the ability to map their own funds, including the group contracts, if they don’t like the CMU planned mapping option. During this open window, employees can move their current plan assets to the new line-up they define. Also, after the transition is complete employees have the opportunity, at any time, to change their investment line-up.

Laura noted that given a large portion of the current plan assets are in individual contracts, some employees may not opt to move these dollars to the new plan and thus, they will need to remain in the “old” plan. This means that CMU will have two plans—the old and the new plan—for some time. It was pointed out that all new contributions, after the transition is complete, will be made to the new plan only. No new dollars will be put into the old plan. More research is required about the structure of the remaining old plan and CMU’s ongoing obligation. Legal counsel advise will be needed to determine

whether CMU can or will remain in the shared four university plan for those assets not moved by the individual employees or a separate old plan will be created.

Kevin explained that some of the current annuity investment options include indefinite surrender charges, which may be unknown to employees. Some of the vendors are waiving these surrender charges, but not all have committed to doing so yet. Others will allow the employee to liquidate 10-20% per year without penalty. Employees will need to take this into consideration when making decisions about moving their individual account assets. Kevin noted employees might well conclude these assets are better off in the new plan, with lower fees and better returns, making the surrender charge or transition period worthwhile. These details will be reviewed with employees during individual one-on-one sessions as desired.

The Committee also discussed the student 403b plan which has a high number of plan participants, but relatively low overall plan assets. As a State University, we do not participate in social security; therefore contributions are made to the student plan in the student employee's name, if they are enrolled in fewer than 6 credit hours per term. The current student plan vendor has raised concerns about the high cost of administering this plan and has talked about assessing additional administrative fees. The Committee reinforced that the costs of the student plan should not be subsidized by the employee plan, each should stand on its own. Kevin indicated some of the vendors would likely be willing to provide fair pricing for the student plan, as part of a larger overall CMU contract award.

Discussion ensued about accessing account information between two plans, if an employee has assets in both the old plan and new plan. There is the ability to offer a single site for consolidated information but that would require a "lead" recordkeeper role which adds another level of administrative cost. The committee will continue to consider this issue and look at alternatives.

During the discussion on possible vendors, one committee member stressed the importance of keeping plan fees low, as for the younger employees this can add up significantly over time. Another member suggested we need to pay attention to the ease of access/use of vendor sites, some are not very user friendly.

The Committee reviewed the Colorado State Statute under which the CMU Board of Trustees is authorized to offer an optional retirement plan, and the related responsibilities and fiduciary duties with which the Board must comply. It was noted the Board will look to this committee to assist with some of these requirements, including monitoring the fund sponsor's performance.

A detailed process and timeline document was reviewed which outlines anticipated committee meetings, employee communications, Board action, campus open forums, one-on-one employee advising sessions, open enrollment window and the final transfer of assets. Laura reiterated that the draft is subject to change as we gain more and better information over the next several months.

Kevin indicated he has been in conversation with several vendors for recordkeeping services. He is also looking at an option through a counterpart involved in the Michigan retirement plan, which may provide

enhanced volume leverage in pricing for recordkeeper services. He will brief the committee more at the next meeting on this option, if viable.

In response to a question, Kevin indicated that fees in the current plans are not transparent to the employees as they are netted out against the returns. In the new plan, we need to ensure that all fees are transparent to the employees who are paying them.

In response to a question about the transfer of plan assets from the old to new plan, Kevin explained that the old plan assets which can be transferred by CMU will likely be mapped like-to-like investments or mapped to a target date/life cycle fund. Employees would be given a 2 to 3 week open enrollment period to map funds as they choose. At the end of that period, if no employee action is taken funds would move according to the prescribed mapping. Of course, employees have the opportunity to reallocate investments anytime after the transition is complete.

In response to a question, Kevin said it is likely that a brokerage open window will be offered in the new plan which will allow the sophisticated user access to a limitless choice of options. He noted there would likely be added trading fees for those using this option, similar to costs they are likely incurring now.

The committee discussed campus communication and it was recommended that a campus-wide communication be distributed following each committee meeting to keep employees up-to-date on Committee progress and direction. This will also allow regular opportunities for feedback from employees.

In preparation for the next committee meeting, Kevin will send out information on recordkeeper proposals and also links to their websites so committee members have an opportunity to look at the user friendliness of web sites. The Committee will also need to establish evaluation criteria for the proposal reviews. At the next meeting, the committee intends to come up with a short list of vendors for recordkeeper services, with interviews of the short-list candidates to occur in July.

Committee meeting adjourned at 4:30 pm

Future meeting dates:

June 28, 9-12

Jul 9, 2:30-5

Jul 19, 9-12