

**DEFINED CONTRIBUTION RETIREMENT (DCR) ADVISORY COMMITTEE  
MEETING MINUTES OF  
February 8, 2011**

**Present:** Dave Kesler, Roger Severns, Janet Tauer, Jeanne Cornish, Barbara Prince, Russ Stanton (IFO), Craig Chaikin (SegalAdvisors), Eileen Finnegan (TIAA-CREF), and Gary Janikowski

**4<sup>th</sup> Quarter Investment Analysis.** Craig Chaikin of Segal Advisors, Inc. reviewed the 4<sup>th</sup> quarter, 2010 Analysis of Investment performance report. Craig indicated that our Plans have better diversification than other plans our size; other plans tend to have a much higher allocation in stable value and life-cycle funds. Financial Market conditions during the 4<sup>th</sup> quarter reflect positive numbers. The GDP increased at a 3.2% rate, up from 2.6% during the previous quarter and the concerns regarding another recession are now gone. The unemployment rate for the quarter was down slightly to 9.4%, but unofficial unemployment could be near 15% due to unemployed individuals who have stopped searching for work. . Equity Index returns for the 4<sup>th</sup> quarter were positive across all domestic indices and fixed income returns also hit an overall positive mark for the quarter. Small businesses represent approximately 80-90% of the economy; there was a sharp increase in the small business optimism index during the last few months. While there has been a rebound in the GDP from 2009, much of this can be attributed to the spike in Government Transfer Payments, which is at a record high of over 20% of personal disposable income. Approximately one-half of the rebound in GDP can be traced to these government transfer payments.

Total Plan assets as of the end of the 4th quarter were \$1,262,187,270, with asset allocations remaining relatively well diversified. As was discussed at the fall meeting, TIAA-CREF reported on the unduplicated number of participants in each of our retirement programs. Eileen Finnegan reported that IRAP has a total of 13,629 participants (of those, 7,816 are active); SRP has a total of 10,778 participants (6,851 are active), and the TSA program has 4,116 participants (2,514 are active). The TSA program has 475 participants who are making after-tax Roth contributions. There was also a follow-up discussion on how the various fees work within our retirement plan and how those fees affect record-keeper pricing. Gary agreed to send out specific fee information, broken down by per participant charge, 12(b)(1) fees, fund management fees, etc. to the committee.

Craig highlighted the display of funds/benchmark comparison from one quarter returns through 5-year period reviews, including the percentile rank in the fund universe.  
Updates for funds on our watch-list:

*The Dodge & Cox Balanced Fund* outperformed its policy index over the 4th quarter (8.4% vs. 5.9%), but underperformed its benchmark and the median of all balanced funds for the three- and five-year time periods. The fund was placed on the watch-list on January, 2009.

The *Legg Mason Value Fund* trailed the S&P 500 Index by 2.8% for the quarter. Stock selection in the areas of Energy, Consumer Staples, and Telecommunications drove the poor performance. The fund continues to lag its benchmark and peer universe over all time periods analyzed. The fund was placed on the Watch-list in January, 2008.

The *Vanguard Strategic Equity Fund* lagged its indices for the 4<sup>th</sup> quarter (13.8% vs. 14.4% for the MSCI US Small + Mid Cap 2200 Index). The fund underperforms over all time periods. Underperformance resulted from poor stock selection. The Fund was placed on Watch-list in January, 2008.

### **TIAA-CREF Updates.**

*Winter/Spring Webinar Schedule:* Eileen Finnegan presented the proposed educational webinar sessions for the semester. The topics include: *Tax Smart Ways to Save (February 16)*; *New Ways to Save for Retirement –Roth 403(b) (March 10)*; *Charting Your Course, A Financial Guide for Women (April 19)*; and *Income Options & Distribution Options (May 4)*. Additionally, we will host our regular IRAP-TRA New Employee Education webinar on February 22. Based on Committee discussion, the March 10 date for the Roth TSA webinar may need to be re-scheduled, since that is Spring break week for many of our campuses. During the fall semester, we averaged 45 attendees for each of the webinars, a significant improvement from prior years. This is probably due to new promotion strategies for the webinars.

*Call Center Statistics:* Eileen distributed the Call Center 4th quarter report, which included phone metrics, call-type analysis and trends, etc. 37.7% of the calls for the quarter were for cash withdrawals; 9.3% were for Required Minimum Distributions; and 8.3% were for Web Assistance.

*Campus Visits and Counseling Sessions:* Eileen also distributed the list of individual counseling sessions that were held at each of our campuses in 2010 compared to visits in 2009 and 2008. The data reflects the following for these periods:

Year:	#Days	#Visits
2008	169	1164
2009	192	1150
2010	196	1188

*Lost Participant Account Update:* Eileen provided a copy of the report that reflects accounts of lost participants (i.e., those with no viable address, those who are deceased, etc.). In order to set up a reserve account, the legislative language requires that these “lost” accounts age for at least five years. As of July 1, 2011, there will be \$3,524.83 in escheatment due to deaths, where there has been no success in finding beneficiaries. TIAA-CREF’s beneficiary unit will be doing another outreach to these accounts prior to July 1, 2011. Additionally, there is one participant for whom we still have no viable address after the five year period. So that participant’s account, in the amount of \$12,507.51, will be escheated back to MnSCU as of July 1, 2011.

**“Second Chance” Elections.**

Gary reported that there were a total of 274 faculty in IFO, MSCF, and ASF who qualified for the TRA “2<sup>nd</sup> chance” election in FY2010. Of those, 33 (12%) asked for estimates of what it would cost if the purchase were to be made. Of those, a total of 13 (5%) actually made the switch to TRA under this provision. Preliminary data for FY2011 reflects similar data.

**Administrative Fee Financial Report/Budget.** Lou Urban provided the update on the administrative fee budget. Total Revenue from participant fees and bank interest through February 7, 2011 is \$86,441, with expenses totaling \$37,631 for the year thus far. The current reserves for the account are \$376,636.

**Legislative Initiative/Plan Default.** As per the discussion at the last meeting, Gary indicated that we would be pursuing a statutory language change in the 2011 Session that would put any newly eligible retirement participant who has prior vested service with one or more of the State’s defined benefit plans into TRA rather than IRAP as their mandatory retirement program. This will eliminate some of the individual bills that occasionally arise regarding this issue.

**Upcoming Committee Meeting.** The next regularly scheduled committee meeting is scheduled for May 10, 2011.