DEFINED CONTRIBUTION RETIREMENT (DCR) ADVISORY COMMITTEE MEETING MINUTES OF October 11, 2011

Present: Jeanne Cornish, Shawn Bjerke, Barbara Prince, Roger Severns, Heather Kidd (OOC), Kim Phelps (OOC), John Doyle (Hewitt EnnisKnupp), Claire Shaughnessy (Hewitt EnnisKnupp), Eileen Finnegan (TIAA-CREF), Paul Hovelsrud (TIAA-CREF), and Gary Janikowski

Introductions and Committee Member Terms. Gary reviewed the term expiration years for the committee and introduced Heather Kidd and Kim Phelps, both with the Office of the Chancellor Human Resources division. Kim will be directly working with the retirement plan and will serve as liaison with campus HR offices and TIAA-CREF. She will also be reviewing and testing campus retirement reports to ensure participant eligibility is correctly being coded.

Feedback on Transition to New Fund Structure. For the most part, the transition to the new fund structure went very smoothly. However, there were a few problematic areas. Shawn Bjerke indicated he had encountered a technological glitch when trying to move funds from one fund to another. This problem was eventually resolved through the call center. Shawn also indicated a problem with the brokerage window: Brokerage accounts are set up on-line and are supposed to be set up within 48 hours. It took about three weeks to set up his account in the window. There was also some confusion about the fees that are being assessed for brokerage. The $35 fee is waived if the participant makes on-going payroll contributions into the brokerage account.

Eileen indicated that they also encountered people who didn't open and read their mail regarding the upcoming changes and just recently noticed that their money had been mapped to the new accounts. These individuals are being encouraged to contact the Bloomington office to schedule a consultation. There is also a 10-minute webinar available on the MnSCU HR web-site that highlights changes that were made for those who weren't able to attend one of the live webinars during the summer or early fall.

Some participants expressed displeasure that we had eliminated the Inflation-linked Bond fund. It was suggested that if participants want access to such a fund (or any other niche fund not included in the array), they should know that such funds are available through the brokerage window.

Quarterly Investment Analysis. John Doyle and Claire Shaughnessy of Hewitt EnnisKnupp Consulting, reviewed the 3rd quarter, 2011 Performance Review and Investment Manager Evaluation report. Both YTD and the 3rd quarter were negative in almost all equity categories. The quarter also saw lots of volatility in the markets: There was the August debt ceiling issue and the downgrading of S&P from AAA to a AA+ rating.

For the quarter, plan assets totaled $1.217 billion. It was suggested that TIAA-CREF review allocation data and reach out to those participants who have very small allocations in the Target funds, since these amounts were most likely the result of our mapping strategy. There are no funds that are on the watch-list for the quarter. John reviewed the criteria that will be used for fund placement on the watch-list. There will be both quantitative and qualitative measures.

Administrative Fee/Financial Report/Budget. Gary noted that Lou Urban is no longer working in the Business Office, so there was no budget report for the quarter. He will work with Colin Dougherty of the Business Office to develop the report for the next quarterly meeting. Since the plan is now set up to provide revenue sharing under an ERISA account, we will have to provide updates on that information in future reports. Also, we'll have to provide a "fenced" area for lost participant accounts that have aged for at least five years under Minnesota Statutes.

Default for Participants with Prior DB Service in the State. During the special legislative session that was held in the summer, the Omnibus Pension Bill was passed. Included in that bill was a provision that requires any newly eligible retirement plan participant with prior service in a defined benefit plan within the State of Minnesota to default into TRA rather than IRAP. These individuals would then have the right to irrevocably elect IRAP within one year of employment. Communications and forms have been updated for the campuses. This new provision had an effective date of July 1, 2011.

TIAA-CREF Updates. Paul Hovelsrud distributed the webinar schedule and topics for the fall semester. There are monthly educational webinars being offered on these topics: *How Am I Doing? (For the mid-career employee), Save For Tomorrow—Start Today, Investing For Life's Goals, and Income Options and Distribution Options.* In addition, we will sponsor a webinar for new employees that explain the differences between TRA and IRAP.

Paul also reviewed the Individual Consultant Activity report which revealed the number of visits at each of our campuses. In 2010, there were a total of 196 visit days, with 1,188 scheduled appointments. Thus far in 2011, there have been 150 scheduled visit days, with 960 scheduled appointments. It was also noted that Bill Thorne will be meeting with the delegate assemblies for both IFO and MSCF in the Spring.

Eileen Finnegan reviewed the Call Center report for the quarter. As would be expected, calls peaked in July and August due to the conversion to the new funds. Most of the calls were attributable to cash withdrawals, internal fund transfers/allocations, and investment inquiries.

In order to save on administrative costs, we annually force out small, inactive participant accounts in the summer. These are accounts with a value under $1,000 which have been inactive for at least one year. This year, there were 206 such force-outs, with an additional 69 small IRAP account holders who had their balances move to the Supplemental Retirement Plan (SRP).

Upcoming DCR Meetings. The next DCR Committee meetings will be held on February 15, 2012 and April 26, 2012.