

UBC Minutes - November 12, 2012

The University Benefits Committee met at 1:30 p.m. Monday, November 12, 2012 in the Human Resources Conference Room.

Members in attendance: Martin Begleiter (Chair); Inchul Suh, Venessa Macro, John Stacy, Chrystal Stanley, Rhea Ann Frost-Clewell, Cheryl Clarke, and Gretchen Beckley.

Members not in attendance: Jana Peterson and Marc Busch.

M. Begleiter opened the meeting at 1:32 p.m. and welcomed Dick Shafer of Well and Good LLC, independent advisor to Drake's Investment Review Committee.

Long-Term Care

Following introductions, M. Heuertz provided a brief report on the committee's recommendation to enlist the services of Rhonda Bills, local long-term care insurance agent. She reminded members of the services Rhonda provides to Drake employees, including access to several top-rated vendors, educational seminars, and individual meetings. Rhonda provided two educational seminars in October, and seven individual meetings with Drake employees. Additional seminars will be held next spring.

Retirement Plan Investment Options

M. Begleiter reported he received a request from Faculty Senate to investigate the availability of indexed funds, as well as the amount of fees charged by TIAA-CREF. V. Macro reported that Drake retained a third-party independent advisor, Dick Shafer of Well and Good, LLC to assist the University with a review of the retirement plan, including investment options and fees. She noted that while there has consistently been a review of the plans, the addition of a third party consultant brings an added level of expertise. She reported Drake's Investment Review Committee (V. Macro, G. Johnson, N. Crittenden and M. Heuertz) meet quarterly to review Plan funds. V. Macro introduced D. Shafer to the Committee and asked that he report on the recommendations presented and adopted by Drake's Investment Review Committee.

Recommended Investment Substitutions

D. Shafer reported his initial review indicated Drake has a good retirement plan, overall. D. Shafer noted, however, that the plan could be further enhanced with some substitutions and some additions. D. Shafer recommended Drake substitute indexed Lifecycle Funds for the current (10) actively-managed Lifecycle Funds. This change will lower fees and reduce volatility for plan participants.

I. Suh suggested some Russell Funds have lower fees than Drake's Lifecycle Funds. D. Shafer reminded the Committee that organizations such as TIAA-CREF bundle funding vehicles with services such as online advice, educational workshops and individual counseling sessions. He indicated Russell and Vanguard do not provide such ancillary services, and reported Drake has already worked with TIAA-CREF to reduce fees without diminishing services. He noted continued monitoring is appropriate.

D. Shafer also recommended Drake substitute Vanguard's S&P 500 Index for Drake's Large Cap Blend, which will also provide for a dramatic reduction in fees. He indicated such a change will not result in a reduction in services, as TIAA-CREF allows Vanguard to run on their platform.

C. Clarke asked whether participants will be made aware of these changes. D. Shafer stated that TIAA-CREF will announce the changes to participants; that current Lifecycle Fund holdings will be sold and

equivalent amounts of indexed Lifecycle Funds automatically purchased for participants. R. Frost-Clewell stated participants wanting to transfer funds to Vanguard's S&P 500 Index must elect to do so.

Recommended Investment Additions

D. Shafer reported that because the number of indexed funds within Drake's Plan is somewhat limited, participants may experience higher fees as well as increased volatility. He recommended Drake add the following investment options as well:

- DFA Emerging Markets (Dimensional Fund Advisors)
- TIAA Stable Value Fund
- TIAA-CREF Short-term Bond
- TIAA-CREF Small-Cap Blend Index
- TIAA-CREF International Equity Index

D. Shafer stated an emerging market fund will allow for broader diversification for Plan participants. He stated DFA fund advisors are strong proponents of the Efficient Market Theory, which utilizes a combination of indexed and actively managed funds. He indicated participants will have access to an annual prospectus, and that an indexed fund may be considered in the future if the Plan experiences large participation.

D. Shafer reported the stable value fund will serve as an additional guaranteed investment option. Unlike the current TIAA Traditional fund, participants will not experience limited access to stable value fund contributions, which will serve opposite the emerging market fund.

D. Shafer stated a short-term bond fund will provide another means for participants to earn interest. While there is no guaranteed rate of return, this fund will have the potential to generate more interest than the Plan's money market fund.

M. Begleiter asked why the Plan does not provide indexed alternatives for all active funds. D. Shafer suggested there is a role for actively managed funds as well as indexed funds. He indicated Drake's Plan must provide a balance, and reminded the Committee that the performance and fees of all investment funds will continue to be monitored.

V. Macro stated all asset classes are currently provided for within the Plan, and suggested that offering too many options may overwhelm participants. D. Shafer reported that upon implementation of the suggested substitutions and additions, the Plan will provide twenty investment options, which is best practice for defined contribution plans.

M. Begleiter inquired about the role of the University Benefits Committee (UBC) regarding the suggested investment option changes. V. Macro reported the UBC serves as an advisory committee; that concerns and questions are important to any final recommendations that may be forwarded. The UBC elected to take a vote and the members unanimously endorsed the changes recommended by the Investment Review Committee.

M. Begleiter asked members to tentatively mark their calendars for meetings to be held at 9:00 a.m. on the following dates: January 25, 2013; February 22, 2013 and March 8, 2013.

The meeting was adjourned at 2:30 p.m.

Respectfully submitted by Marlene Heuertz