

UNIVERSITY OF WASHINGTON
FACULTY COUNCIL ON BENEFITS AND RETIREMENT
TUESDAY, DECEMBER 14, 2010
10:00 AM - 12:00 PM
SMITH ROOM, SUZZALLO LIBRARY

JOINT MEETING WITH FUND REVIEW COMMITTEE AND HEWITT CONSULTANTS

Meeting Synopsis:

1. Discussion of proposed UW Retirement Plan changes
 2. Adjournment
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Call to Order

The meeting was called to order by Chair Philipsen at 10:00 A.M.

Discussion of proposed UW Retirement Plan changes

Philipsen gave a brief overview of the FCBR's role in the review process for the proposed changes to the UW Retirement Plan, and noted that the council had provided a list of questions to Katy Dwyer, Executive Director of Benefits, Doug Wadden, Executive Vice Provost, and Hewitt Consultants. They had also met the previous day, received additional materials from the FRC and Hewitt, and had prioritized a list of questions for this meeting [Attached – Appendix A].

Dwyer reiterated the three recommendations the Fund Review Committee (FRC) made to the Provost and introduced Kevin Cress and John Doyle, consultants for Hewitt.

Cress said that there is still much work to be done. So far, the FRC has set forth that there should be a new structure, and a recordkeeper search. They don't know all the answers about how much can be saved, and won't until there are pricing bids, but indications from their work with other universities are that savings are substantial.

Cress and Doyle led the FCBR and FRC through a handout detailing their work and history as 403(b) consultants, the performance of current funds in the UWRP, rationale for changes, and investment structure alternatives.

The council followed up by asking a number of questions. Topics included the various investment structure alternatives presented, including whether they were being priced against one another; whether Hewitt would be a candidate to be recordkeeper (it was clarified that they would not); the rationale for reducing the number of funds available, which has more to do with increasing participation and making it easier for participants to invest wisely than with cost savings; whether a recordkeeper fee would be charged to each plan participant; whether a single recordkeeper would begin to perform additional services for UW and thus increase fees to plan participants; how mapping of currently invested assets would work; and what mix and number of funds offered was most appropriate.

At the conclusion of the discussion, Philipsen said it appeared that the FCBR had enough information to continue their work as a council and formulate recommendations.

Adjournment

The meeting was adjourned at 12:00 p.m.

Minutes by Craig Bosman, Council Support Analyst. cbosman@uw.edu

Present: **Faculty:** Philipsen (chair), Nihan, Brock, Breidenthal, R. Bowen, Holt
Ex-Officio Reps: Wiles, Chamberlin, J. Bowen
President's Designee: Kornberg
Guests: Dwyer

Absent: **Faculty:** Bradford

Fund Review Committee members present: Aaron Morello, Dorothy Smith, Frederica O'Connor, Gary Quarfoth, Susan Ball (in addition to FCBR/FRC members Breidenthal and J. Bowen)

Additional Present: John Doyle (Hewitt Consultants), Kevin Cress (Hewitt Consultants), Doug Wadden (Executive Vice Provost)

APPENDIX A

December 14, 2010

Topics for FCBR meeting with Hewitt Investments

(note: we only late yesterday were given access to the more detailed documents; some of these questions therefore might be answered in these documents)

1. Will fees and/or expenses be reduced by moving from multiple record-keepers to one record-keeper? How much in savings could be attributed to such a shift?
2. Will fees and/or expenses be reduced by restricting the number of core funds? How much in savings could be attributed to such a shift?
3. Could fees and/or expenses not be reduced simply by the FRC approving Institutional or Admiral class versions of present funds? For example, other Puget Sound employers provide a cost to participant of 0.05 ER for Vanguard 500 Index Fund, where the UWRP restricts participants to the Investor class of this fund and its 0.18 ER. Or could not reduced fees simply be negotiated with the record-keeper(s)?
4. Will there be any new fees imposed on accounts, e.g., a record-keeper fee? If not, how does the record keeper get its money? How does a single record keeper save money since the fund (that is not a record keeper) still has to keep records — it seems that total costs almost have to go up with an incremental (overall) record keeper.
5. Would admin costs (e.g., systems issues) normally borne by the University might be outsourced to this single record keeper and then passed along to UWRP participants. UWRP participants end up paying for University overhead and also lose control over total fees in that participants cannot prevent this transfer of overhead to the recordkeeper. Under the current system, with adequate transparency, one can in theory choose low total cost funds, e.g., if a fund raises its fees, one can transfer to another fund. Under the proposal as I understand it, a chunk of these admin costs will be centralized and allocated to all UWRP participants. What controls exist to keep this centralized record keeping cost from escalating?
6. We understand that Hewitt has been hired as advisor to the UWRP. Will it also be applying to be the record-keeper? If so, is there a conflict of interest?
7. In terms of the overall structure of the new plan, as well as some of its details, were any alternatives considered or did the FRC devote its study only to this one scheme? If an alternative was considered, what is it? Why was the present plan selected rather than some alternative? The development of “cons” in the power-point like outline we saw was very skimpy.
8. Given the current state of scholarly discussion of retirement savings, we are concerned with what has been discussed with regard to annuities. In the present UWRP offerings, participants can choose the Traditional annuity (that is like a stable-value plan) and the Variable Annuities of CREF and TIAA Real Estate. Will there be a reduction in the annuity offerings, e.g., the elimination of CREF Variable Annuities? Has there been discussion of the unique role of CREF Variable Annuities in a comprehensive retirement plan offering? Or were the CREF funds considered only as mutual funds?
9. Is the new plan voluntary rather than compulsory? Can we have some enlightenment on this? Which of the changes proposed are actually required now under IRS Code as it applies with to public universities?
10. We have not seen a discussion of restrictions, if any, on participants’ freedom to move money from fund to fund or fund family to fund family. Has anything about this been worked out yet? Likewise we have not seen anything pertaining to the services the participants would receive from the record-keeper.
11. What accommodations will be made for plan participants whose present investment vehicles are not taken over into the new structure? There are non-trivial but sometimes hidden costs to plan participants when their plan no longer supports funds that have been rendered inactive.