

UNIVERSITY OF WASHINGTON
FACULTY COUNCIL ON BENEFITS AND RETIREMENT
THURSDAY, MAY 27, 2010
36 GERBERDING

Meeting Synopsis:

1. Call to Order
2. Approval of Minutes
3. Report on Fund Review Committee (Katy Dwyer)
4. Draft of proposed changes to UWRP and VIP Plan documents (Katy Dwyer)
5. Business/Discussion:
 - a. Merit raises for 40% retired faculty
 - b. Option to pay for investment advisors directly out of retirement accounts
6. Adjournment

Call to Order

The meeting was called to order by Chair Breidenthal at 1:00 P.M.

Approval of the minutes from the January 6, 2010 and February 25, 2010 meetings

The minutes of the January 6, 2010 meeting were approved with one change. The minutes of the February 25, 2010 meeting were approved.

ITEMS DISCUSSED

1. Report on Fund Review Committee (Katy Dwyer)

Katy Dwyer gave a presentation on the Fund Review Committee (FRC). She said that the committee went through a Request for Proposals process for investment consultants in Fall of 2009 and received 12-14 responses. Four firms were interviewed and Hewitt Associates was selected. The contract began in February 2010, structured as a one-year contract with options to renew that are expected to last for a five-year term. Hewitt's role will be to analyze data and provide advice, and they have a strong background working with higher education clients and fund review work. A data sharing agreement has been reached that will allow them to look at data from fund sponsors and funds currently approved by the University of Washington Retirement Plan (UWRP) and Voluntary Investment Program (VIP), with UWRP being the focus. As a neutral party working on UW's behalf, Hewitt will analyze the quality, management, fees, and benchmark levels of the various funds on an ongoing basis.

Three meetings have been held thus far with Hewitt. Discussions included goals, the UW's structure and interests, and what they should be looking at. An investment policy statement was drafted to provide guidance, a live document that should be reviewed at least once a year. They also discussed fiduciary fund responsibilities and the requirement for FRC to act in the best interests of the participants.

At the third meeting on May 25th, they started looking at data they've pulled. A "watch list" is being established so the committee can track a fund that might not be meeting the set standards. All UW-invested funds have been reviewed to see which All the funds have been reviewed to see which don't appear to be making the benchmarks or following the investment policy statement. They are looking at investment funds at peer institutions and think that UW's 67 available funds might be a lot. They are looking at reducing the number of funds.

2. Draft of proposed changes to UWRP and VIP Plan documents (Katy Dwyer)

Dwyer presented the draft Plan Document language. The IRS requires this document to be followed. The changes present on the handout have already been approved by the FRC. The document received input from several people, although there may be a few tweaks to the wording. Some of the changes are mechanical, like replacing "funding vehicles" with "investment options", while others were more substantive.

Membership of the Fund Review Committee was established several years ago, but included are updates of who is involved. Bob is the FCBR representative.

A member asked who is responsible for deciding whether there is "one or more" representative of the Faculty. Dwyer answered that the Faculty Senate Executive Committee can recommend anybody they like and the Provost ultimately decides.

A council member pointed out that, to the extent that there may be conflicts on issues between the administration and faculty/librarians/staff, the proposed membership shifts the balance of power to the administration, and asked what the discussion was with regard to proposed membership changes. Dwyer answered that right now, the administration would be a bit underrepresented. The FCR is required by the Department of Labor to work for the best interest of the participants, which includes looking at funds to ensure they are high quality. One area of concern, however, might be the number of funds available. Administratively, it is more difficult to have many funds in multiple fund sponsors. She asked for an example of where there might be division between the administration and faculty/librarians/staff, since everybody is required to act in the best interest of participants.

A council member gave the example of the breadth of offerings. There could be issues over not allowing faculty to make more of their own choices, and putting a "value judgment" on what is appropriate investing. It was also said that there could be other areas of conflict that are not yet anticipated, but basically it is a fund for faculty, librarians and staff administered by the university.

Dwyer pointed out that for the investment funds, the Board of Regents is the fiduciary and is obligated to operate the plan in the best interest of the participants, and will take this role seriously.

A council member brought up some concerns. First, he echoed concerns with the change in membership and a possible shift of power, but pointed out that it would depend on how many faculty representatives were ultimately added. He also noted that the VIP participant could be

selected by the Vice President of Human Resources so as to be sympathetic to the “administrative” side. He asked about the membership of non-voting members on the committee. Dwyer mentioned that CWU and WWU each have a non-voting member in order to take advantage of the expertise and knowledge on the committee. The FCBR member said that in the context of a meeting, non-voting members still have influence on the proceedings, and could represent an administration view.

Second, he expressed concern with the proposed removal of the paragraph requiring groups recommending members to seek to identify individuals who have expertise in pertinent areas. He mentioned that this is a highly technical subject area and to the extent that members with expertise can be appointed, the committee is better off and to the extent that people without expertise are appointed, it could further shift the balance of power toward the administration. Dwyer said that Hewitt recommended the removal of that paragraph because it might discourage potential participants. There could be a wide range of people on the committee, and they didn’t want to intimidate. However, she would be perfectly fine with putting the language back in.

The Council also discussed the role of the Fund Review Committee, FCBR, and the Faculty Senate on these matters. The Council discussed brokerage windows and how fund money cannot be used to pay fees for advice. Awareness of the Fund Review Committee or a lack thereof was discussed as well as possible strategies to address the matter. The makeup of the Fund Review Committee was then discussed as Bowen proposed to change the number of faculty from one or more to two or more. The Council agreed with the proposal and a few other changes. The Council then voted to endorse the changes to documents as changed. The documents were then to be sent to the Senate Executive Committee, the Professional Staff Organization, and the Associated Librarians of the UW for endorsement.

3. Merit raises for 40% retired faculty

The issue of retired faculty working 40% being able to receive merit raises was discussed by the Council. The Council discussed the history of the issue.

4. Option to pay for investment advisors directly out of retirement accounts

The Council then moved on to discuss paying advisors directly from retirement accounts. Bob Bowen opined that it is one place where there is a parental attitude, a good parental attitude. He said that most economists see such advice as an economic dead weight loss. He went on to say that the biggest issue for faculty would be to move from an opt-in model to an opt-out.

Adjournment

Chair Breidenthal then thanked everyone for their service and explained that Gerry Philpsen would be taking over as chair of the Council for next year.

Chair Breidenthal ended the meeting at 2:28 p.m.

Minutes by Alex Bolton
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Present: **Faculty:** Breidenthal (Chair), Bowen
President's Designee: Kornberg
 Ex-Officio Reps: Chamberlin, Russell, Bowen
 Guests: Dwyer

Absent: **Faculty:** Brandt, Bradford, Brock
 Ex Officio Rep: Brenc, Sukol