

**UNIVERSITY OF WASHINGTON  
FACULTY COUNCIL ON BENEFITS AND RETIREMENT**

The Faculty Council on Benefits and Retirement met on March 10, 2005 at 9:30 a.m. Chair Karen Boxx called the meeting to order at 9:35 a.m.

**Synopsis:**

1. Minutes, agenda, announcements
2. Fund Review Committee Policy - discussion
3. Benefits Survey Proposal - discussion

**Announcements, updates, agenda, minutes**

The agenda and the minutes were approved. Boxx asked for volunteers to attend the SEC meeting for her in April and May. Paul Constantine will attend in April, Patti Brandt in May.

**Fund Review Committee Policy**

Levis Kochin and Katy Dwyer presented for discussion a draft policy statement created by the Fund Review Committee (see appendix). Kochin commented that there is a basic tension in the UW Retirement Plan between individual choice and institutional responsibility. The policy statement tries to recognize and deal with that.

Dwyer asked that FBR review the policy to determine whether it has all the elements and values needed in such a policy, and whether FBR sees other flaws in the policy. Because the Fund Review Committee is advisory to the Executive Vice President in charge of Benefits, the policy document will not be presented to the Regents. It will instead be a "living document" that can be revised as needed and will not need the Regents' approval for each and every minor adjustment.

Dwyer commented that this policy document is only one piece of the process. The Committee's Website will include minutes, statistics, and general information, and will include professional assistance from consultants who can compile and provide investment information. Dwyer offered to email FBR a link as soon as the new Website is ready for viewing.

The Council commented on the draft policy as follows:

- The policy lacks a disclaimer such as "past performance does not guarantee future results" or words to that effect. Shouldn't it include this?
- Are there operating guidelines for the Committee? These should not be included in the policy statement, but they should exist.
- The policy statement is too long and thus may not be read by everyone who should read it. Kochin agreed, and will suggest to the FRC that they draft a one-paragraph summary for those who are unlikely to read the entire three-page policy on the Web.
- The Council would like to see some assurances in the policy that the FRC will be looking at new possibilities for investment vehicles as well as the traditional funds.
- Who will field questions from UW faculty, staff, and others on the investment policy – there should be Committee member biographies on the Website, but it is not realistic to expect FRC members to field questions from everyone (probably including vendors who want to sell their products).
- Kochin's statement that the investment plan is a balance between individual and institutional responsibility is important, and the policy should say this in so many words.

Dwyer told the Council that her office is now developing a Web-based newsletter that will be sent

to UWRP members, focusing on aspects of the retirement plan that UWRP members may not know. The newsletter should launch sometime in Spring Quarter.

### **Benefits Survey Proposal**

Boxx reported that the Benefits Survey subcommittee, which includes Martin, Brandt, Dwyer and Boxx, met to discuss scope and strategies for a survey of faculty and staff to determine what benefits people want and use most. The subcommittee presented a preliminary proposal.

A Benefits Survey has been discussed before, but became essential when FBR realized it could not answer the question posed by the Senate Planning and Budgeting Committee as to what benefits are top priorities for faculty and staff. An expansion of the Tuition Benefit was proposed and there has been some talk about a "cafeteria" benefits plan, but FBR stepped back from both of these in favor of determining exactly what benefits faculty and staff really want.

The subcommittee proposes to ask for funding to do an in-depth, professional-quality benefits survey that includes all employees, and that can be used on a regular basis to establish benchmarks and identify trends.

If there is sufficient funding, it may be possible to hire a professional to design the survey; if not, a PhD or Master's level student might do most of the work with the subcommittee analyzing the data. It was pointed out that an outside consultant would be more expensive, but would remove any perceived bias arising from an in-house survey.

The survey will drive the allocation of a lot of money, so it needs to be very high quality in both design and analysis. Response rate to the survey is an important concern. One suggestion is to do a stratified random sample, and conduct it by phone. It may also be possible to do a mix of Web-based and paper surveys.

Focus groups, conducted in advance of the survey or in conjunction with it, might improve the depth and quality of the results as well as generate some new ideas. Dwyer thought that Training and Development might be able to conduct some focus groups.

If funding can be secured quickly, it might be feasible to begin working on the survey during Summer 2005 and conduct it in October and November, 2005. This would coincide with the open enrollment period for benefits, which might get everyone thinking more about what they really want. Data might be analyzed during Winter Quarter 2005 and reported on in Spring 2006.

However, quality should not be sacrificed in order to do the survey more quickly. It is important that the survey be well planned, and that there is buy-in by key faculty members and administrators. FRB members can be of help here, by talking about the survey in their own groups and getting comments from a broad cross-section of UW employees. Paul Constantine suggested that Steve Hiller, of UW Libraries, might be a good person to ask to participate.

Dwyer cautioned that the subcommittee needs to realistically estimate the resources needed. Too many projects like this just get absorbed by overworked volunteers or by understaffed departments. It's hard on everyone and does not produce a good result.

### **Tuition Benefit Expansion Revisited**

Steve Demorest raised the issue of the Tuition Benefit Expansion, which was sidelined by the Senate Committee on Planning and Budgeting. Demorest said that the SCPB action does not invalidate the proposal, just because we don't know where it falls in the campus-wide hierarchy of

preferences. Demorest wants the proposal to go to the Faculty Senate for an indication of interest. He told FBR that the College of Arts and Sciences is now "cannibalizing" 48 faculty positions in order to reallocate money for retention of other A&S faculty. Demorest believes that the tuition waiver policies at other institutions are a strong incentive for UW faculty to move elsewhere.

Boxx clarified the SCPB comments, which placed the proposal "on hold" until Spring Quarter because of the uncertainty of new money coming out of the legislature. FBR might now go back to SEC and ask for an advisory indication on the proposal by the Faculty Senate.

It was agreed to add the Tuition Benefits Expansion proposal to FBR's agenda, so the proposal can be revisited for clarity, revised as needed, and presented to the Faculty Senate.

The meeting was adjourned at 11:00 a.m. *Minutes by Linda Fullerton, Recorder.*

**PRESENT: Professors:** Boxx, Brandt, Demorest, Kochin, Martin, Waaland

*Ex-officio:* Constantine, Dwyer, Henley, Cameron

**ABSENT: Professors:** Breidenthal, Johnson, Kartsonis,

*Ex-officio:* Constantine, Dougherty, McKenzie, Parks

## **APPENDIX**

### **University of Washington Investment Policy Statement**

#### **Goal of the Retirement Plan**

The goal of the University of Washington Retirement Plan (the Plan) is to provide for the long-term retirement income of each participant by offering investment vehicles for contributions made by University of Washington (UW) and each participant. We do this by affording participants an opportunity to participate in a range of permissible investment funds to attain a range of possible returns within reasonable levels of risk.

#### **Investment Philosophy**

We believe that the assets in the Plan should be managed in a fashion that reflects the best interests of the Plan and the participants, by incorporating accepted investment theory and reliable, empirical evidence. Specifically, we have adopted the following principles:

- Both cost and effort for the participant are minimized;
- Asset allocation drives return;
- Diversification is the primary risk control element;
- Returns should be evaluated over the long-term;
- A range of passive to active managed portfolios is provided.

#### **Time Horizon & Risk Tolerances**

We recognize that individual participants' investment horizons and risk tolerances will vary considerably. Interim fluctuations in investment performance should be viewed by the plan participants in light of these different horizons and tolerances. Due to the different investment horizons that individual Plan participants may face, we recognize that Plan participants will seek various combinations of risk and return to achieve their individual investment objectives.

### **Responsibilities of the Fund Review Committee**

The duties and responsibilities of the Fund Review Committee (the Committee) include:

- Developing, reviewing, and revising the Plan's investment policies;
- Evaluating fund sponsors and individual investment option performance;
- Providing recommendations to Executive Vice President to add or delete fund sponsors and/or investment options.

The Committee recognizes its responsibility to work with the campus community and within campus practices. The Committee does not suggest, by setting forth its general investment policies and objectives in this Statement, that it or the Fund Sponsor(s) can guarantee the attainment of these objectives.

### **Fund Sponsor Responsibilities**

The duties and responsibilities of the Plan's Fund Sponsor(s) include:

- Communicating with and reporting to the UW Benefits Office and the Committee on a regular basis;
- Notifying the Committee of any issue that may impact the investment of Plan assets, e.g., change in ownership, professional staff, investment philosophy and/or process;
- Investing Plan assets with the care, skill, prudence and diligence that a prudent investment professional would exercise in the investment of those assets; and
- Meeting as requested with the Committee to discuss investment strategy and review past performance.

### **Investment Option Review Criteria**

The selection of investment options for the Plan will be performed in a manner consistent with generally accepted standards of fiduciary responsibility. All determinations undertaken on behalf of the Plan will be for the sole benefit of the Plan's participants and beneficiaries.

The Committee considers a number of qualitative and quantitative factors when selecting and monitoring any investment option recognizing that:

- Investment styles tend to move in cycles. Normally, investment performance for a mutual fund should be judged over a period of five years, i.e., a complete economic cycle. True investment success will be viewed as a long-term proposition.
- A fund's performance should be evaluated in the context of its investment style and peers, its role in the Plan's lineup, and in the context of the markets. In general, each investment option should outperform median returns for similar investment options as well as their prospectus market indices.
- Factors such as changes in manager's investment philosophy, manager tenure, and the fund sponsor's financial condition may introduce unacceptable uncertainty when considering the long-term use of the fund in the Plan.
- Low expenses and cost management provide additional return to the participants.

The Committee, at its discretion may recommend assistance from outside consultants to assist in the evaluation of data, and make recommendations for fund additions and/or replacements. The consultants will be appointed by and will serve the Plan by acting in the best interest of plan participants and their beneficiaries.

The Committee will track performance of investment options on a semiannual basis and fully review these options at least annually. No single qualitative or quantitative factor will determine whether an investment option should be added, retained, or eliminated; however, certain factors may carry more weight in the Committee's final analysis.

Should an investment option fail to satisfy its performance criteria, or should some other material change prompt concerns as to the appropriateness of a fund to continue to serve as an investment option in the Plan, the Committee may recommend any or all of the following actions:

- Establish a probationary period during which the area of concern will be assessed and, if necessary, corrected;
- Supplement the investment option with another investment option for that category;
- Replace the investment option with another investment option for that category;
- Eliminate that investment option.

### **Review of Statement**

This Statement of Investment Policies and Guidelines will be reviewed periodically by the Committee and will be amended when warranted by changing terms of the Plan or changing market conditions. Any changes the Committee makes to this Statement must be provided in writing to the appropriate parties and University committees as soon as possible. The Committee will make detailed information about the Plan and investment options available to employees.