



THE UNIVERSITY of TENNESSEE
KNOXVILLE, CHATTANOOGA, MARTIN, TULLAHOMA, MEMPHIS

UNIVERSITY FACULTY COUNCIL

Special Called Meeting
24 January 2018
Videoconference
MINUTES (approved)

UT Faculty Council Voting Members (Quorum, 5 voting members, established)

UTHSC	Martin Donaldson (Faculty Senate President)	present
	Phyllis A. Richey (Campus Representative)	present
UTK	Beauvais Lyons (Faculty Senate President)	present
	Bruce MacLennan (Campus Representative)	present
UTM	Chris Caldwell (Faculty Senate President)	present
	Robert Nanney (Campus Representative)	present
UTC	Gretchen Potts (Faculty Senate President)	present
	Gavin Townsend (Campus Representative)	present

Trustees (Ex-Officio voting)

	Susan Davidson (Board of Trustees faculty voting member)	absent
	Terry Cooper (Board of Trustees faculty non-voting member)	present

UT Faculty Council Ex-Officio Non-voting Members

UT	Dr. Joe DiPietro (System President)	absent
UT	Linda Martin (Vice President, Academic Affairs and Student Success)	absent

Faculty Council Guests

UT	India Lane (System Office of Academic Affairs and Student Success)	absent
UT	David Miller, Chief Financial Officer, UT System	present
Treas.	David Lillard, Treasurer, State of Tennessee	present
Treas.	Joy Harris, Assistant Treasurer, State of Tennessee	present
Treas.	Courtney Hess, Manager, Legislative and Agency Affairs,	present
Treas.	Casey Lance, Director, State DA's office	present
Treas.	Hunter Bethay, Assistant Director of Compensation	present
Treas.	Ashley Neighbors, Senior Director of Financial Empowerment	present
UTHSC	Anthony Ferrara, Vice Chancellor, CFO	present
UTC	Richard Brown, Vice Chancellor, CFO	present
UT	Rob Chance, Director of Payroll	present

UTK	Gregory Kaplin, Faculty Senate Head of Benefits	present
UTIA	Tim Fawver, Chief Business Officer	present
UTIPS	Gail White, Chief Business Officer	present
TIAA	Jason Andrade, Relationship Manager	present
TIAA	Martha Wood, Regional Vice President	present
VALIC	Mark Tusa, Investment Advisor Representative	present
VOYA	Natalie Daniels, Vice President, Strategic Relationship Management	Present
VOYA	Jon Cox, Regional Vice President	

Call to Order 4:00 PM EST by Bruce MacLennan

Bruce began by thanking everyone for joining the meeting. He hoped that the meeting might address faculty concerns regarding the proposed transfer of retirement funds from university to state management. David followed with thanks to Treasurer Lillard and Assistant Treasurer Harris for preparing the two-page outline of the proposed bill, distributed to the UCF two days earlier.

Preamble by Treasurer Lillard

The Treasurer's Office:

- handles over \$40 Billion in assets with the help of 15 chartered analysts and a total of some 30 investment professionals;
- has a long history with public universities in the state, providing the best possible retirement options;
- continually reviews the retirement options to benefit the state employees;
- uses its leverage to negotiate the best deals with ORP vendors to assure low expenses and robust options;
- is open to having periodic meetings with faculty representatives;
- seeks to provide a coordinated program of managed retirement options;
- wishes to continually educate state employees about retirement.

Opening Statement by Assistant Treasurer Harris

The proposed bill is intended to:

1. eliminate the requirement to annuitize 50% of an employee's ORP funds upon retirement;
2. eliminate the rule forcing the state to have at least two but no more than three ORP vendors;
3. shift the management of the 403B contracts from the university to the state.

Benchmark Studies have revealed that Tennessee is the only state in the nation to have legislation restricting the withdrawal of retirement funds. Also, in states requiring more than one vendor, state employees are paying higher fees;

Questions for the Treasurer

Beauvais asked what would happen, assuming this bill passes, to funds currently invested in, say,

VALIC, but VALIC is not chosen as one of the state's providers? Treasurer Lillard responded that the investments would be mapped over from VALIC to comparable funds in one of the accepted vendors. The aim would be to provide an assortment of funds, even should there be but one vendor. There would be adequate choices to allow the mirroring of investments.

Terry asked what the historic rate of return is for state-run ORPs compared with university-run ORPs. What historic performance trends suggest that assets are best managed by the state? Treasurer Lillard said that it's hard to compare, given how long the state has managed such funds. He reminded us that the state has a fiduciary board that meets quarterly to assess the performance of state-sponsored ORPs and deferment plans.

Terry then asked how many people are on the decision-making committee and whether the state would be open to university representation on this committee. The Treasurer said that there are four people now on the committee: The Treasurer, the Commissioner of Finance and Administration, and the two chairs of the House and Senate. But there's a much larger fiduciary committee that evaluates the vendors and advises the four committee members. University representation would be welcome on this advisory committee.

Terry asked how the data was collected regarding faculty opinion on the bill. The Treasurer indicated that he has received many indignant letters from faculty regarding the 50% restriction. Such letters are what prompted the Treasurer to research the ORP restrictions held by other states in the first place.

Terry asked about the nature of the employee support promised by the state should the bill pass. The Treasurer said that the state resources would ensure the best retirement deals for state employees. The state can provide a level of financial expertise exceeding that of university.

If the state decided to go in one direction and the university in another, asked Terry, how would this problem be resolved? Treasurer Lillard said the only thing at issue is whether the state should take over the management of the 403B plan. The Treasurer considers himself open to hearing whatever concerns may arise.

Greg Kaplin, Head of Benefits from UTK, stated that one of the selling points on the university-run 403B program is how many different funds are available to employee investors. Will such variety still exist if the state were to take over? Treasurer Lillard said yes, that would be the intent. He would be open to faculty wishes in this regard.

Gretchen wanted verification that university staff would be represented in this decision.

David Miller wanted to know how many vendors the state currently includes in its state-managed

457 and 401K funds? The Treasurer confirmed that there was just one: Empower. That prompted Gretchen to wonder what would prevent that state from limiting 403B options to one provider too. The Treasurer said, in theory, it could go to one. But he doubts it would because higher education employees have indicated they want more than one. Besides, the fiduciary obligations of a state-run program would be to meet the desires of state employees.

Phyllis asked about staff, many of whom are in TCRS (Tennessee Consolidated Retirement System). The Treasurer said that was all pre-defined. It just depends on the conditions of the plan. The proposed legislation has nothing to do with TCRS.

Richard Brown asked if employees would still have the option to annuitize part of their 403Bs should the funds come under state management. The Treasurer responded: "I'm sure they would." There are always ways to annuitize a lump sum.

Greg Kaplin asked if there's been any thought to increasing the matching funds provided by the state to enhance employee retirement accounts. The Treasurer agreed that this would be an excellent move; we just need to convince legislators to allot more money to the 401K and 457 plans. The current match of \$600 a year has increased state employee participation from 15% to something over 70%.

Beauvais asked the TIAA or VALIC representatives if they had any idea what percentage of ORP funds are typically annuitized once an employee completes, say, a thirty-year career. Jason Andrade from TIAA estimated it's about 50%. It depends on what income stream they anticipate from Social Security, and in what state the employee resides.

David Miller asked the vendor representatives if they have a position regarding the proposed legislation. Martha from TIAA said she is supportive of the objectives of the legislation. Jon Cox of VOYA also welcomes these proposed changes, as well as a competitive process.

Gavin asked Joy Harris to confirm the data indicating that those states with a single ORP vendor seem to enjoy lower fees. Wouldn't having multiple vendors lead to more competitive (lower) fees? Joy clarified: the benchmark study revealed that when state law requires more than one vendor, participants pay more. If vendors know that a state MUST have more than one vendor, vendors are less motivated to offer the best deals.

Robert asked how faculty might be involved in ORP management. The Treasurer repeated his willingness to have faculty participate in the advisory fiduciary committee. Efforts would be made to solicit employee wishes when it comes to retirement plans.

Beauvais thanked everybody for their participation, especially given how quickly the meeting

was planned. He indicated that he was generally comfortable with the proposal and appreciated the transparency. Terry agreed and offered similar thanks. Treasurer Lillard asked us to call him with any concerns.

Meeting adjourned 4:58 PM EST

Respectfully submitted,

Gavin Townsend

UFC Representative
Professor of Art History
The University of Tennessee at Chattanooga