AGENDA ITEM SUMMARY

1. **NAME OF ITEM:** Approval and Ratification of CAPTRUST Financial Advisors – Defined Contribution Plan Recommendations

2. **INITIATED BY:** James H. Page, Chancellor

3. **BOARD INFORMATION:**

4. **BOARD ACTION:** X

**BACKGROUND:**

CAPTRUST is currently working with a UMS Committee comprised of system office and campus staff including human resources, finance, labor relations, union representatives, and faculty to provide improved oversight of the Defined Contribution (DC) plan. At the July 15th BOT meeting, Tracy Elliott, UMS Director of Finance and Controller, will briefly summarize the work to date and the recommendations presented below.

CAPTRUST is guiding the UMS in:

- Evaluating responses from the current 4 vendors regarding administrative pricing under a sole record keeper scenario.

- Reviewing and making recommendations to restructure the DC plan investment menu including recommending appropriate asset classes and fund offerings to allow for proper fiduciary oversight and improved participant investment outcomes. Considerations include ensuring investment offerings:

  - consist of a full array of appropriately priced Actively Managed, Passively Managed (Index) and Target Date funds,
  - are comprised of a “best in class” fund lineup using an “open investment architecture” strategy,
  - are of appropriate quality that meet qualitative and quantitative measures,
  - are competitively priced for the type of investment, and
  - are reasonable in number to allow for proper diversification by participants and fiduciary oversight by administration and the Trustees.
Michael Pratico and Barron Schmitt, Senior Vice Presidents with CAPTRUST Financial Advisors, met with the Investment Committee meeting on May 30th to provide a progress report on the work to date including recommendations to adopt a sole-recordkeeper approach, construction of a three tiered DC investment menu, and recommendations to adopt an investment line-up. Further details regarding these recommendations are included in the following document.

Next Steps: Next steps include:

- Continue working with the unions regarding DC plan changes, including discussions regarding the impacts on collective bargaining agreements and any corresponding negotiations that may be required.
- Communicating with appropriate groups and participants regarding changes and opportunities.
- Implementing changes.
- Ongoing monitoring, communication, and improvements.

Additionally, CAPTRUST will assist UMS in:

- Developing an Investment Policy Statement establishing on-going monitoring guidelines.
- Providing ongoing oversight including but not limited to monitoring of investment offerings and related fund fees, and assisting with replacement of investment offerings when appropriate.
- Communicating program changes to participants.
- Reporting to the Investment Committee and to other advisory committees regarding the above matters.
- Advising on any improvements that should be made regarding UMS’ third party record keeping relationships including improvements to the scope of services and fees charged.
- Coordinating and communicating any record keeper and/or menu changes to ensure a smooth transition.

Recommendations:

The Investment Committee approved and is forwarding the following recommendations to the Board of Trustees for its approval and ratification:

- Consolidation of the UMS Defined Contribution Plan from the current multi-vendor environment to a single vendor with that vendor being TIAA-CREF.
- A three tiered approach to menu construction including target-date mutual funds, a core line-up of active and passive funds and a mutual fund brokerage window.
• The investment lineup as supported by the internal UMS DC Plan Investment Subcommittee with the exception that a bond index fund will not be offered until improvements in the interest rate and bond market environments.

Implementation is to occur upon resolution of collective bargaining matters related to the Defined Contribution Plan

5. TEXT OF PROPOSED RESOLUTION:

That the Board of Trustees approve the Investment Committee’s recommendations as presented above.