

**Retirement Plan Investment Committee
LaSells Stewart Center
Meeting Minutes
Monday, December 3, 2007, 9:00 a.m.**

Participants

Committee Members: Michael Green, Chair; Larry Dann (Chair-Elect), Larry Curtis, Deb Janikowski, John Settle, Kip Sigetich, and Sherry Stahl.

Guests: Bob Jenkins (by phone) and Shawn Crosgrove, Fidelity Investments

Consultant: Howard Biggs, Arnerich Massena and Associates, Inc.

Other: Denise Yunker, OUS Chancellor's Office

Approval of Meeting Minutes

May 25, 2007 Minutes:

Mr. Dann made a motion to accept the May 25, 2007 minutes with the three minor changes suggested by the Committee; Ms. Janikowski seconded the motion. Unanimously approved.

June 1, 2007 Minutes:

Mr. Settle made a motion to accept the minutes as amended by two changes from the Committee; Mr. Sigetich seconded the motion. Unanimously approved.

Fidelity Freedom Funds Presentation

Shawn Crosgrove, Fidelity Relationship Manager, introduced Bob Jenkins (on phone) who works in Massachusetts in the fund management group. Mr. Jenkins walked the committee through the Fidelity Freedom Funds booklet explaining Fidelity's investment strategy approach.

Mr. Green stated that hearing from our managers to gain an understanding of how they construct their portfolios is a basic responsibility of the Investment Committee, as is determining if the approach still meets OUS and Investment Committee mandates.

Mr. Crosgrove shared materials regarding fiduciary responsibilities as a basic primer on the expectations for how a plan fiduciary needs to behave and be guided. Ms. Yunker stated that there are plans to bring Department of Justice personnel to talk about governmental plans as well.

Mr. Crosgrove concluded the Fidelity presentation by stating that this implementation has pushed Fidelity into new areas they needed to design the plan with a variable annuity product. He said many people at Fidelity tapped into this implementation process in anticipation of this being a model for the future. “The desire to get to a single recordkeeper is very strong in the marketplace.”

Third Quarter Investment Review: Howard Biggs, Arnerich Massena

Mr. Biggs presented the Third Quarter Investment Report, fielding questions and comments from the committee as he proceeded through the report.

Mr. Biggs addressed performance of the annuity products, stating these are not typical annuities, but are more like mutual funds because of the creative, new approach to remove M&E fees. Mr. Sigetich said it addressed all of his very strong reservations about the annuity products. A person holding ING products will be advised they can annuitize through ING or they have the option of purchasing an IRA. That is included in the service agreements with Fidelity, and it is built into the plan administration. When a person is ready to take a distribution, the information is available on Fidelity’s system.

Mr. Sigetich asked if one annuity product can be eliminated from the menu or is it an all-or-none choice. Mr. Biggs replied that can only be done within the ING platform, e.g. if an ING product is removed, it can only be replaced with another ING product.

Regarding the JP Morgan MdVISvc Fund, Ms. Yunker noted some persistence of marginal performance. She asked if this was something that should go on a watch list. Mr. Biggs replied that it would not be put on a watch list at this stage.

Committee members expressed concern over the JP Morgan Small Cap performance, and requested to note this concern in the minutes. It was also suggested that the committee evaluate it again during the next meeting.

Mr. Settle made a motion to accept the report; Mr. Dann seconded the motion. Motion passed unanimously.

Retirement Committee Responsibilities Matrix

Ms. Yunker presented a matrix describing Board, Retirement Committee, and staff responsibilities as a companion to the other two plan governance documents – the Investment Policy Statement, and the Committee Charter that the Board adopted.

Ms. Yunker explained that there is a Retirement Committee and two subcommittees, the Investment Committee and the Administration Committee. Internal to the Investment Committee are the trustees of the ORP.

The Investment Committee provided final comment on the allocation of responsibilities of the Board, Retirement Committee and staff in the operation of the OUS retirement plans program. The following changes were recommended:

Retirement Plan Investment Policies

Mr. Green felt that it was not clear that the Board reviews and approves the investment policy, and that the Investment Committee will develop, review, and recommend (rather than approve) to the Board investment policy statements. Mr. Green also felt it would be good to have the investment policy on a schedule for review once a year, starting with the May meeting. This schedule will align with an annual report on the retirement plan to the Board.

Oversight of Retirement Plan Operations

Last September, the Board gave Jay Kenton delegated authority for considerable action related to retirement plans. Ms. Yunker believes the annual review of Retirement Committee meeting minutes can be done by Mr. Kenton through this delegated authority. Significant discussion ensued about the Administration Committee role in making discretionary administrative decisions and reporting to the Retirement Committee.

Trust Account Management

It was agreed that the language under Administration Committee would be moved to the Investment Committee column, and this language would be removed: "and other vehicles for investment of Retirement Plan assets;"

Service Provider Management

The language is to be modified as follows:

Under Investment Committee: Acts in conjunction with the Trustees of the 401(a) Plan and Administration Committee to retain or terminate investment managers, investment consultants, and investment products.

Retirement Plans Audit

Language under Investment Committee is to be removed.

Stewardship Report

The paragraph under Investment Committee is to be changed to read:

"Provide Board annual reports of activities and actions taken by the Investment Committee, including but not limited to an investment review."

Plan Effectiveness

It was recommended that this entire row be removed

Annual Funds Performance Reviews

Ms. Yunker stated that although the TIAA and AIG-VALIC menus are not the responsibility of this committee, OUS did bring Arnerich in to do a once-a-year funds performance review as part of the retainer. Ms. Yunker asks if this committee would like to have copies of those reports, or to have them available on the web site.

Discussion ensued about the responsibility of the Investment Committee related to these reports. Ms. Yunker noted that the Investment Committee oversight applies to the custom-constructed array of investments designed to serve the OUS defined contribution plans (e.g. the OUS/Fidelity platform, not TIAA or AIG-VALIC). Committee members expressed concern that if a member believed there was a better annuity company available, they would not have authority to bring that forward and neither would anyone else. It was agreed that the investment policy language should be changed so it is clear that programs other than the custom-constructed "OUS" program of investments and services are not the responsibility of the OUS Retirement Plans Investment Committee..

Public Comment

There was no comment by members of the public.

Mr. Sigetich requested more time to review the materials and more time for discussion. Mr. Biggs agreed to provide the Retirement Committee preliminary reports one week in advance of the scheduled public meetings.

At the May meeting, the committee will review the Investment Policy Statement, and discuss with Mr. Biggs how to address concerns relating to missing opportunities to evaluate and compare investment choices compared to the investment universe.

The meeting was adjourned at 2:35 p.m.