The UA System Benefits Committee met in the 8th Floor UAS Conference Room in the Birmingham Office, Thursday, November 13, 2014.

On roll call, the following offices and members were present:

Mike Boyd, Director of Benefits, UAB
Ginny Pelliccio, Manager of Benefits, UAB
Sandra Parton, Director of Benefits, UAHuntsville
Patricia Ackers, Assistant Director for Benefits and Compensation, UAHuntsville
David Bertanzetti, Director of Benefits, UA
Sandra Abrams, Manager of Benefits, UA
Jon Garner, Director of Human Resources, UAS
Norma Lemley, UA Office of Counsel
Terri Alexander, UAB Office of Counsel
Scott McDuffie, Willis
Tania Barfield, Willis
UA System Benefits Committee Agenda
Thursday, November 13, 2014
UAB System Office 8th Floor Conference Room

9:30 – 11:00
• HCR Update
  • HPID Delay
  • Reinsurance Fee Deadline
  • Other
• RFP Prescription Drugs – Discussion
• Blue Cross Blue Shield - Goals for UA System (discussion for Ray’s meeting with Blue Cross 11/19/2014)
• Retirement Manager

11:00 – 11:30
• Call with Kathy Golden
  • Campus agenda for Daniel Morris, Economist and Global Investment Strategist for TIAA-CREF
  • Multi-Class Pricing Structure for CREF

11:30 - 12:30 - Lunch

12:30 – 1:30
• Call with The Standard
  • Leslie Huffman Introduction
  • Voluntary Life/AD&D Open Enrollment Spring 2015

1:30 – 2:30
• Sageview
  • Investment Review
  • Removal of PIMCO Total Return Fund - timeframe
  • Upcoming RFI Discussion
  • Self-Directed Brokerage Accounts

2:30 – 3:00  Wrap-up
HCR Update / RFP Prescription Drugs / BCBS Goals / Retirement Manager
(open discussions with Committee and Scott McDuffie with Willis)

There was a delay in the requirement to obtain the HPID number. UA and the System Office had already obtained the number before the deadline was extended. Other campuses will wait for further instruction.

Healthefx will do the 1095 filing that is due in March 2016, UAB is looking into Healthefx but has not made a decision to utilize at this time.

Reinsurance fees are due by January 15, 2015 which all campuses felt they were ready.

Legislature is possibly changing 30 hour per week minimum for health coverage requirement to a 40 hour per week minimum. Willis will keep committee updated. David Bertanzetti added that the lobbyist should be helping to get changes through to legislature to benefit the educational institutions following these new guidelines.

Committee discussed they are unhappy with the tier prescriptions that BCBS is pushing out and would like to do an RFP for the Prescription Drug portion. UAB would not participate in the RFP for prescriptions, rest of the committee stated they would consider.

TIAA-CREF Update
(Kathy Golden with TIAA CREF)

Kathy had a letter distributed to the committee that will go to participants in the Thornburg International Value R6 Fund concerning a dividend distribution rate error and had discussions on those affected.

Kathy then discussed multi-class pricing structure for CREF with Larissa joining the call. Kathy said TIAA did not have details at this point, just information and Larissa confirmed she only had information as well, no confirmed details. Changes are scheduled to take effect April 24, 2015. Due to legislation TIAA CREF is moving to an even more extensive way to do plan economics looking at the CREF account instead of having one share class and everyone paying the same in expenses they are looking on April 24th to break that into three different share classes, very similar to the way you have different share classes for the CREF mutual funds, reflecting three separate share classes. The details she didn’t have at this point are really what that break point is as to when the plan qualifies for the lower share class or exactly what those expenses would be. Based on the size of the System plan she thinks this is good news for the plan and participants. They will be able to give details around December 1st. Each relationship manager and us
as plan administrators around December 1st will receive notification of where the plan falls within those share classes plus some of the additional details as to the impact to the plan. Also, TIAA CREF will notify participants on our behalf as to those changes so there will be nothing required from the System or any of the campuses, TIAA CREF will handle all notices. Since our plan is non-ERISA we are not required to do fee disclosures but they will notify employees of what is coming as well as they will receive confirmation on their quarterly statement as confirmation about the share class change as well. Notices to individual participants are currently slated to be released to participants between January 26th and February 17th, as you can imagine this is a huge endeavor so there will be some staggering of those notices. Kathy assumes the System will be notified within the same timeline but corporately they are being staggered. David Bertanzetti asked if they could receive copies of the notice which Kathy confirmed they will receive a copy. She does not feel there will not be any editorial changes for that particular notice because it is going to all their CREF participants that will be impacted but she’ll let the committee see that in advance of it going out. Participants will get a confirmation shortly after April 24th when this goes into place and it will also be reflected on their quarterly confirmation they receive in early July.

Kathy then moved next to discuss an opportunity they have in the first quarter of next year. Daniel Morris is a Director and Local Investment Strategist with TIAA CREF. Similar to what Brett Hammond did in the past, Daniel can come out and do group meetings or executive level meetings to give incite to the economy and how that impacts employee retirement investments. Kathy wanted to know if that is something that the System is interested in, she stated one of the deans at UA was interested in them doing that on the UA campus. It came up because when the dean was doing and individual counseling session with Kevin Porter he mentioned the Brett Hammond meetings in the past and said it would be nice if TIAA would repeat that and have an updated seminar for employees as well as possibly doing something for the finance students. She asked if the committee would you like to see it done on all three campuses. Previously Brett Hammond only did an executive meeting at UAB with the President’s Cabinet, not all employees. At UAH she thought they had a meeting with the executives and the finance group and business students. Sandra Parton asked if they had information on him they could forward to the business school. Kathy said she would send all of the information to the committee (bios and papers he put together). Sandra Parton asked a timeframe he would be coming. Kathy said she’ll give committee ample time for pre-planning so looking at February or March next year. The campuses will let her know if they are interested after receiving the information.
**Special Open Enrollment for Spring 2015 with The Standard**  
*(conference call with Leslie Huffman at The Standard)*

Leslie Huffman introduced herself to the committee as the new System representative. The committee agreed to a special enrollment for voluntary life and AD&D Insurance in April 2015. Campuses were going to reach out to Benefit Focus to discuss the logistics of the special enrollment and follow up later on the logistics of rolling it out to participants.

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**Sageview Review**  
*(Larissa Whittle with Sageview)*

Larissa began with the TIAA CREF quarterly review from 9/30/2014, discussing in general the Global Economic Summary, Capital Markets Overviews, U.S. Equities, International Equities, Fixed Income, Commodities. David Bertanzetti asked if we have an obligation to share the U.S. Equities Category Performance chart with employees and should we. Larissa stated there is not an obligation necessarily, you provide them with links to the prospectus online and that is all you are required to do. As a point of having an educational meeting for participants where you would get into talking about asset allocation and you could show them something like this as a part of that process. Larissa added the charts on pages 15 and 16 showing asset class returns would also be a good tool to show participants in an educational session, showing why you should be diversified in your investments.

Larissa reviewed the Sageview Investment Committee Update and went into detail on Legislative Updates on Pages 20 - 23. She stated that each quarter they would review fiduciary requirements, as noted on Pages 28-30. This would allow the committee during an audit to say they have had training every quarter, it is ongoing. Larissa then went into detail on “What is a Fiduciary?” on Page 28-20 of the review and discussed the difference between an ERISA Section 3(21) and ERISA Section 3(38). David Bertanzetti asked how much of the fiduciary responsibility are they personally liable for (each person on the committee). Larissa stated under ERISA you are personally liable but added that we are not ERISA, which Norma Lemley with UA office of counsel reiterated. Larissa stated we have state fiduciary laws but they are not as harsh as ERISA. Norma Lemley added that there would have to be research done to see if our institution is even subject to those rules. David deferred to Norma Lemley with UA legal to ask if a committee member could be named individually in a lawsuit. Norma said the CGL would step in and defend you because it is your professional liability insurance, acting as an employee of the System.
Next Larissa reviewed the TIAA Plan Summary on Pages 32-34 showing plan assets at $1,916,038,617.26 and the average account balance at $117,179.60 in 403(b) and $52,408.65 in 457(b). Reviewing the Historical Portfolio Composition, Portfolio Return vs. Custom Benchmark and the Investment Summary.

David Bertanzetti stated UA had some push back recently that the plan had too few funds and vendors. Larissa stated we have more than other defined contribution plans. Larissa reviewed changes from back in May on Pages 40-41. She then looked at the Asset Allocation by Plan by Fund on Page 42 and pointed out that the UAB Hospital and Callahan Eye Hospital plans had been added to this slide. Going through the Fund Performance Summary, IPS Historical Ranking, Real Estate Account Review.

Larissa then went to Page 56 with what Sageview is proposing in regards to PIMCO. At the end of September Bill Gross, manager who managed at one time the largest mutual fund out there, the PIMCO Total Return Fund, abruptly decided to resign not only from managing this Fund which was his “baby” but he resigned from the company he had founded, PIMCO. This fund was already on watch list earlier because his co-investment officer resigned earlier this year in January. Sageview’s internal investment committee held an emergency meeting since they had so many clients with holdings in this fund. Normally Sageview would just watch list it for a while however this fund had already been on the watch list since March of this year for our plan. Investment committee looked at the fund, the management and the outflow. They are seeing that entities are now making the decision to move their assets out of this fund specifically. Other PIMCO funds they do not think will be as affected by this, simply because he was the heart and soul of this fund. Sageview is recommending all their clients move out of PIMCO. Sageview and the Benefit Committee has already made that recommendation internally and evaluated the different options. Sageview is waiting on TIAA CREF to give a date, TIAA CREF contacted Sageview the day this happened since the System had this fund. TIAA has a team working on mapping to new funds and getting arrangements in place to offer the Prudential Total Return Bond Q Fund. Sageview does not have a firm date from TIAA yet but they will let the committee know as they receive that date. Sageview feels there will continue to be outflows out of this fund and it will adversely affect the managers that are left there and their ability to manage that fund with all the outflows. For that reason the investment committee said do not wait until the next investment review go ahead and contact your clients and look at alternatives. Jon Garner added that we need to discuss communication, the last time TIAA and VALIC made fund changes they sent the draft letters participants thought there was not enough information in that letter. Committee discussed that as long as the letters had some type of explanation of why the change was being made it would work. Jon will receive a draft of the letter and provide to the committee before the letters are distributed.

Mike Boyd asked if the delay from TIAA to get the funds mapped was because Prudential was not one of their clients. He asked if Sageview recommended any others
that were already on their platform. Larissa said their second best recommendation would be Metropolitan West but their concern with that one is they are getting a lot of influx and they will have trouble accommodating, and the performance in the Prudential is better. Sageview will keep reviewing if the time to make the change is going to be too long and come back to the committee if needed. VALIC does not have the PIMCO fund so there is no letter or changes on their platform concerning this.

There is no other change recommended with the exception of taking one of the funds, CREF Global Equity off the watch list as of the third quarter. Other funds shown on Page 56 in blue remain on watch list: CREF Bond Market, TIAA-CREF Large-Cap Value Premier and RidgeWorth MidCap Value Equity I. She added that there is a summary of each fund starting on Page 59 detailing why they are on watch.

Reviewing VALIC on Pages 4-5 Quarterly Review from 9/30/2014 there are $16,216,902.83 in Plan Assets and an average account balance of $32,112.68 in the 403b plan. The 457(b) Plan Assets are at $1,972,908.37 with an average account balance of $37,940.55, also reviewing the Historical Portfolio Composition on page 6.

Reviewing benchmarks on Pages 8-9 and then looking at the Investment Summary on Page 11. The question was asked concerning the average costs on TIAA vs. VALIC. VALIC is more expensive because it has a lot less assets so you are not eligible for some of the share class break points. It has been asked if the System would want to do an RFI taking this VALIC portion out to market. Committee discussed and stated it might make VALIC sharpen their pencils some on their fees. Sageview said they didn’t see another vendor coming that far off from what we currently have. It would not be a full RFI, more limited on pricing and then if something looked great we could step into more detail.

Next we reviewed the recent investment changes on pages 12-13, then showing the Investment Menu Proposal on pages 24-25 placing/keeping the following funds on Watch List: PIMCO Real Return A, Sentinel Government Securities, Fidelity Advisor Strategic Income A, Fidelity Advisor New Insights A, RidgeWorth Mid-Cap Value Equity A, Royce Special Equity Svc.

With no further business before the Committee the meeting was adjourned at 4:00pm.