

Agenda

UMRA Board

Tuesday April 21, 2020 11 am

Zoom call in

1. Introductions
2. Approval of Minutes
3.
 - a. Membership Update Virgil
 - b. Financial Update-Carl
4. Discussion of May meeting.
 - a. Discussion of cancellation. EC recommends we cancel. No penalty and not clear if CC will be open.
 - b. Election of Officers and Board members for next year. EC proposes to go ahead by email election after the newsletter goes out.
 - c. May 19 program. We will do a presentation by zoom Myron Frans, Chief State Financial Officer, with an introduction from President Gabel
 - d. Summer programming We will do at least three zoom programs from Jon Christianson on June 16, invite Chief Arradondo for July and invite Provost Croson for August. Other programming?
 - e. Recognitions We will do our recognitions for 2019-20 at our next live meeting hopefully September
5. Planning group for retreat Frank

6. Appointing a group to review the Memorandum of Agreement with the U (required by the agreement)

7. Review and discussion of meeting with tech consultant Jerry and Chip

8. Any other topics

UMRA Board Meeting Minutes

Tuesday, February 25, 2020, 9-10:30 a.m.

Coffman Room 411

Members Present: Lynn C. Anderson, Vern Cardwell, Frank Cerra, Will Craig, William Donohue, Cherie Hamilton, Eric Hockert, Jean Kinsey, Ron Matross, Jan Morlock, Claudia Parliament, Chip Peterson, Gerald Rinehart, Terri Roe, Gloria Williams

Members Absent: Carl Adams, Virgil Larson, Jeanne Markell, Donna Peterson, Dick Poppele, KayMay Terry

Others Present: Kris Mortensen

Cherie Hamilton gave her report from the Social/Travel committee and then had to leave. So far there are 12 people signed up for the cruise and 5 signed up for the Lisbon trip. The website says the trip is full but since this is reserved for UMRA members and their guests, Cherie is checking to see what is going on. The Travel Committee will meet on Friday to plan 2 more trips for 2021. Cherrie and Will reported on attendance at the women's hockey game (5 attended out of 12 tickets sold). There was a question about the next marching band concert at Northrop; it is in November. Cherie wondered if we know why members don't renew and if they could be surveyed or called to find out. We will discuss this with V

1. Introductions: all board members and guests introduced themselves and their former unit affiliation.
2. Approval of Minutes: approved

3. Membership Update: Virgil was unable to attend but we reviewed his report and chart. Several ideas were raised: write an article about the demographics of UMRA membership to educate us and dispel myths, contact emeritus faculty over the summer to invite them to join (their names are public), contact potential members multiple times, determine demographics of who does not renew, what data do we have historically on non-renewal, what are our retention efforts and do some produce better results than others? Frank noted that the medical school does not do a good job of tracking alumni and emeritus faculty. We should make sure to inform departments when their former colleagues receive a grant from UMRA. Invite John Anderson to comment on all of these ideas.

4. Review of Today's forum and arrangements: Bill will thank the Pillars representatives for their sponsorship; they are offering the workshop this afternoon in the West Wing. Lynn noted that each of the Pillars representatives will be seated at a table with a member of the Executive Cmte in order for them to get to feel "hosted" and meet UMRA members. Bill mentioned the March 2, 1-2 p.m. discussion on immigration.

5. Nominating Committee Report: Jerry thanked the nominating committee members (Jean K, Frank, Rebecca, and Ron). They will bring the final slate of candidates to the March board meeting. The nominees will be announced in the April newsletter and their bios and photos will be in the May newsletter. The vote will be at the annual meeting in May.

6. Committee Reports:

Communications Committee: Jean reviewed the report she had prepared for us. The committee will meet again March 6. Jean will use her laptop and record today's luncheon speaker but we need someone (or two people) to do this going forward. They would need to bring their laptops and be trained to record the presentation. Bill will request volunteers at today's luncheon.

Social/Travel Committee: see above

Continuity and Organizational Memory Committee: Jerry noted that this will be a topic of discussion at the retreat this coming summer. He surveyed the Big 10 and only two responded saying they were not doing much, others that did not respond are likely not doing anything/much. Jerry shared a draft of the policy document and it was suggested that we add by whom the policy was approved and a place for the revision dates. The format for position guides is under development and Jerry will share this information at our March board meeting. They are also discussing what to keep, where to keep it, and how. Gloria Williams and Julie Wallace are working on an update of the history of UMRA.

Program Committee: Frank talked about our March luncheon speaker, Jon Christensen, who will speak on "Medicare for all, some, or more." He hopes this talk can be recorded since he anticipates there will be lots of interest in the topic.

7. Immigration Presentation on March 2, 1-2 p.m.: Bill noted that about 30 people have signed up thus far. There was a brief discussion of how UMRA members might volunteer to assist U of M international students. Lynn will check with Barbara Kappler, Director of ISSS, and report back.

8. Discussion of UMF fundraising presentation: Jane Godfrey will talk about how to donate to the U. Her presentation will be from 10:30-11:15 a.m. on the Tuesday of the luncheon in either March or April. Bill is confirming the date with her.
9. Any other topic: Lynn gave a brief report on the Armchair Traveler program. There were 38 attendees at the January 14th program. The next program will be on April 14, 3-5 p.m. at the Highland Park Community Center and Library. Ryan Mattke will talk about and show pictures showing the history of the University through maps. Ron Anderson will talk about and show pictures of Ethiopia.

MEMORANDUM

TO: Bill Donohue, President, UMRA

FROM: Ken Larson, UMRA Representative to the Retirement Subcommittee of the Faculty Senate

RE: March 2, 2020 Retirement Subcommittee Meeting

DATE: March 16, 2020

I attended the March meeting of the Retirement Subcommittee and would like to make this report to you regarding that meeting.

Representatives of Securian were invited to the meeting and made a presentation regarding the General Account. This update was done in prior years and the Subcommittee requested an update, believing that it was important even though Securian will not be providing recordkeeping services to the University beyond the end of this month. Information about the financial strength of Securian and Minnesota Life is of particular interest to General Account and General Account Limited investors because the Securian's commitment to pay at the guaranteed rates is backed up entirely by the creditworthiness of the firm and not any segregated pool of assets. University retirement plan participants have approximately \$1.5 Billion invested in the General Account (out of a total of \$26 Billion) and the University is the single largest investor in the General Account.

There are self-imposed and regulatory restrictions on what Securian can invest in, and it can fairly be said that its investment style is conservative. A copy of their report is being sent to you along with this Memorandum. Subcommittee members had some questions, but generally seemed satisfied with what they had heard. OHR reminded Subcommittee members that the Retirement Plan Governance Committee (comprised of SVP Brian Burnett, Acting OHR VP Ken Horstman, Chief Investment Officer Stuart Mason and Professors Murray Frank and Colleen Flaherty Manchester) reviewed Securian's performance and investment strategy on a regular basis.

The meeting also included a discussion regarding fees charged by Vanguard and others to Tier 3 brokerage window investors. OHR noted that these are "deals" between Fidelity and managers of fund families available to University retirement plan participants through the brokerage window and did not involve the University. There was some sentiment, however, that the University should have required a better deal for its retirement plan participants. More than 3,500 of the 5,000 funds available in the brokerage window trade without fees. OHR estimates that a very small percentage of funds in retirement accounts, between 3% and 5%, will be invested through the brokerage window and appropriate fee disclosures have been made.

Another concern expressed related to the risks investors will incur in this especially volatile market during the lengthy black-out window.

OHR noted that as of March 2 only about 500 of the University's 20,000 plan participants have taken advantage of the early choice window.

Finally, there was a brief discussion regarding whether the Subcommittee should remain a subcommittee of the Faculty Senate since non-faculty members (especially P & A employees and retirees) have such a large stake in the plans the Subcommittee oversees. It was suggested that reporting should possibly be to the University Senate instead. Renee Dempsey will raise that issue with the administration.

The next scheduled Retirement Subcommittee meeting is scheduled for April 6, 2020.

MEMORANDUM

TO: Bill Donohue, President, UMRA

FROM: Ken Larson, UMRA Representative to the Retirement Subcommittee of the Faculty Senate

RE: April 6, 2020 Retirement Subcommittee Meeting

DATE: April 7, 2020

I attended the April meeting of the Retirement Subcommittee and would like to make this report to you regarding that meeting.

The meeting took place on Zoom and attendance was sparse. The only topic of discussion was the delay in the transition of record keeping responsibilities from Securian to Fidelity. The transfer date has been pushed back to June 12, 2020. Retirees were previously notified of this delay in a mailing from the University. Additionally, UMRA was able to get this information to its members via email.

During the delay, Fidelity has been working with the University and vendors of funds that have been available to participants in the Faculty Retirement Plan (FRP), Optional Retirement Plan (ORP) and 457 Deferred Compensation Plan (DCP) to maximize the value of retirement plan assets that will be transferred to Fidelity “in kind.” As of March 13, 2020, OHR estimates that 90% - 97% of retirement assets can be transferred “in kind.” Committee members were pleased with the progress that has been made in this area.

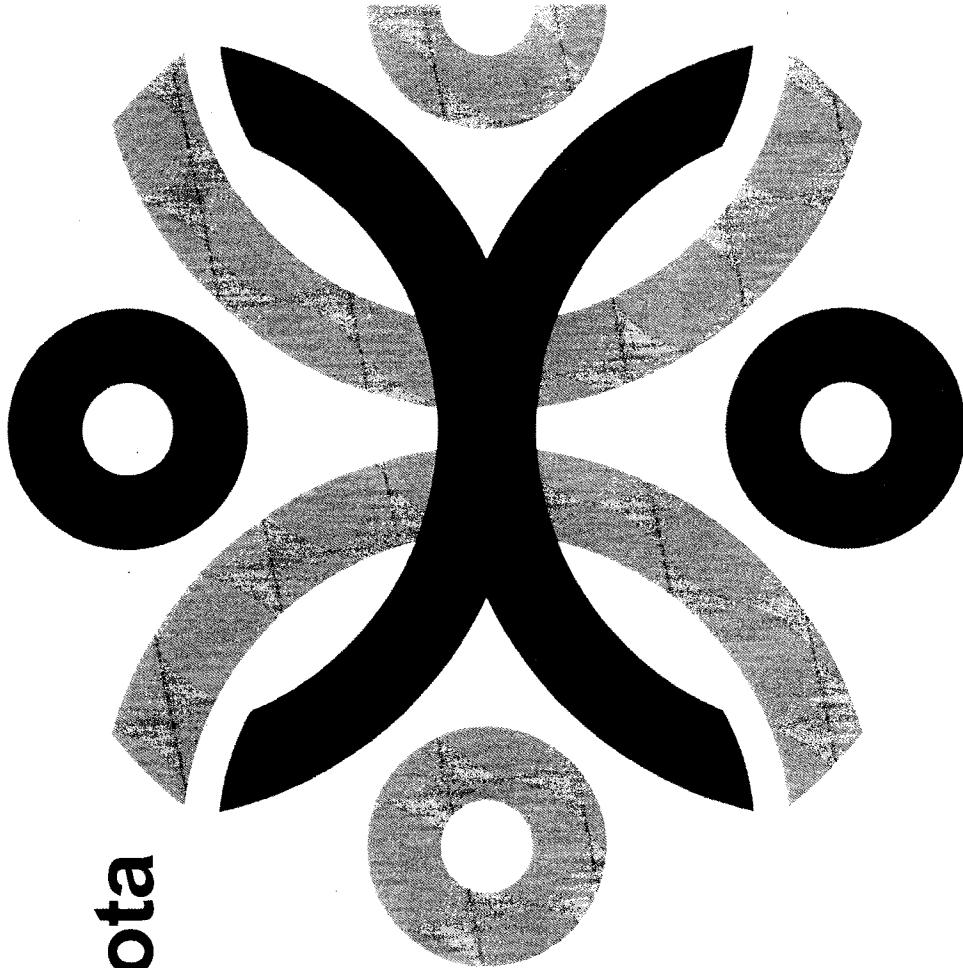
In kind transfers of some investments in Securian, Vanguard and Deutsche funds cannot, at this point, be transferred “in kind” to Fidelity’s platform. For example, of the 30 Deutsche Funds that have been available to plan participants, only 7 are supported on the Fidelity platform and can be transferred “in kind.” As I understand it, this is largely a share class issue. About 900 retirement plan participants face this issue and could be required to cash out their investments and reinvest the proceeds either in accordance with the mapping plan or in funds available in the new Tier 3. Affected participants will receive a specially tailored communication from OHR explaining the issue and alternative resolutions.

OHR was asked whether there could be further delays in the transition. Krisann said that this was very unlikely.

A PowerPoint presented by Krisann of OHR will accompany this memo.



University of Minnesota Retirement Plans Update



March 2, 2020



Securian Financial – 2019 review



High financial strength ratings

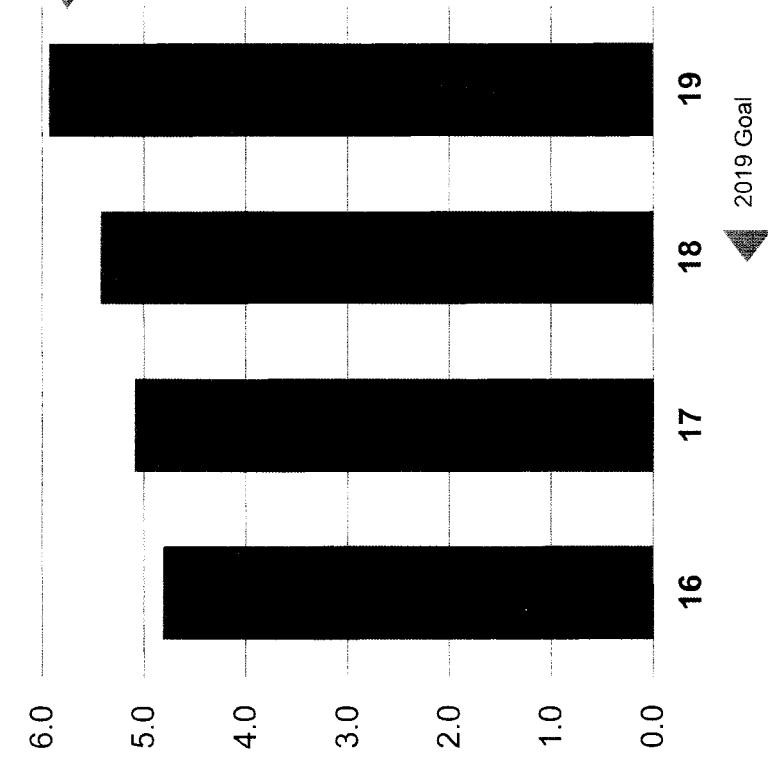


A.M. Best Company rating (second highest of 16 ratings); Fitch rating (third highest of 16 ratings); Moody's rating (fourth highest of 19 ratings); Moody's rating (fourth highest of 21 ratings); Standard & Poor's rating (fourth highest of 21 ratings). For more information about the rating agencies and to see where our ratings rank compared to other ratings, please see our website at securian.com/ratings. Ratings for financial strength and claims-paying ability are important; however they are not reflective of the performance of any registered securities or variable subaccounts. All ratings information as of December 2019.



Revenue

TOP-LINE REVENUE
\$ billion



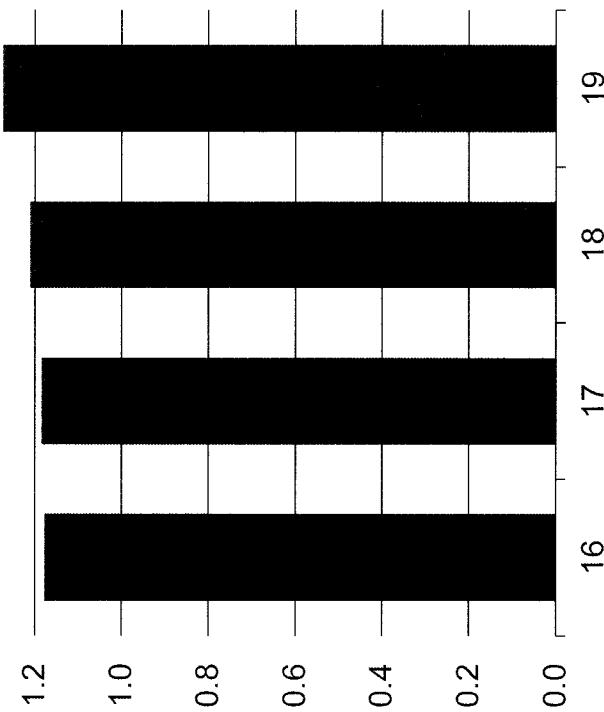
- Up 9%, 2% above goal
- Continues to outpace industry growth
- Retention at or above goal for all business lines



Building secure tomorrows

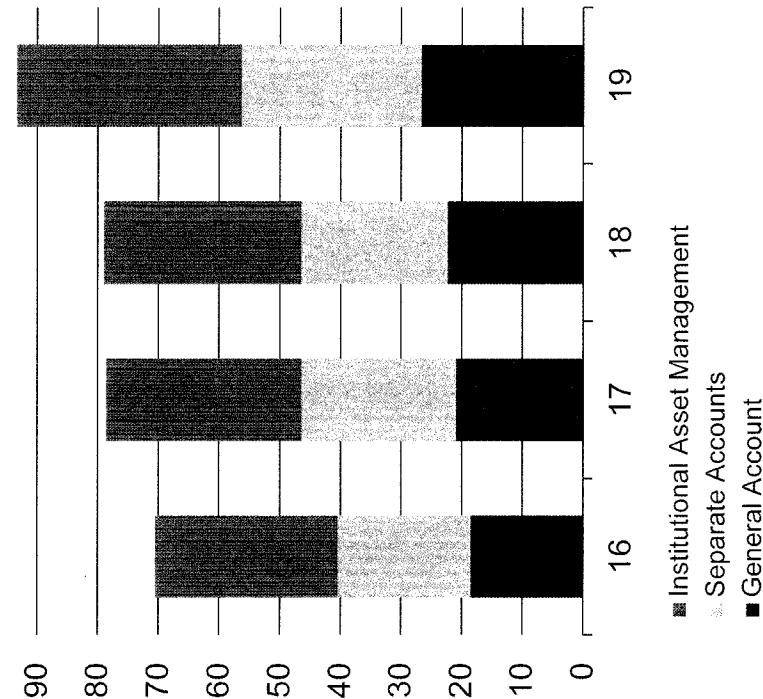
Insurance in Force

\$ trillion



Assets Under Management

\$ billion





Capital growth within risk tolerance

Capital to remain at AAA level

Exceeds our capital target of 480% in 2019

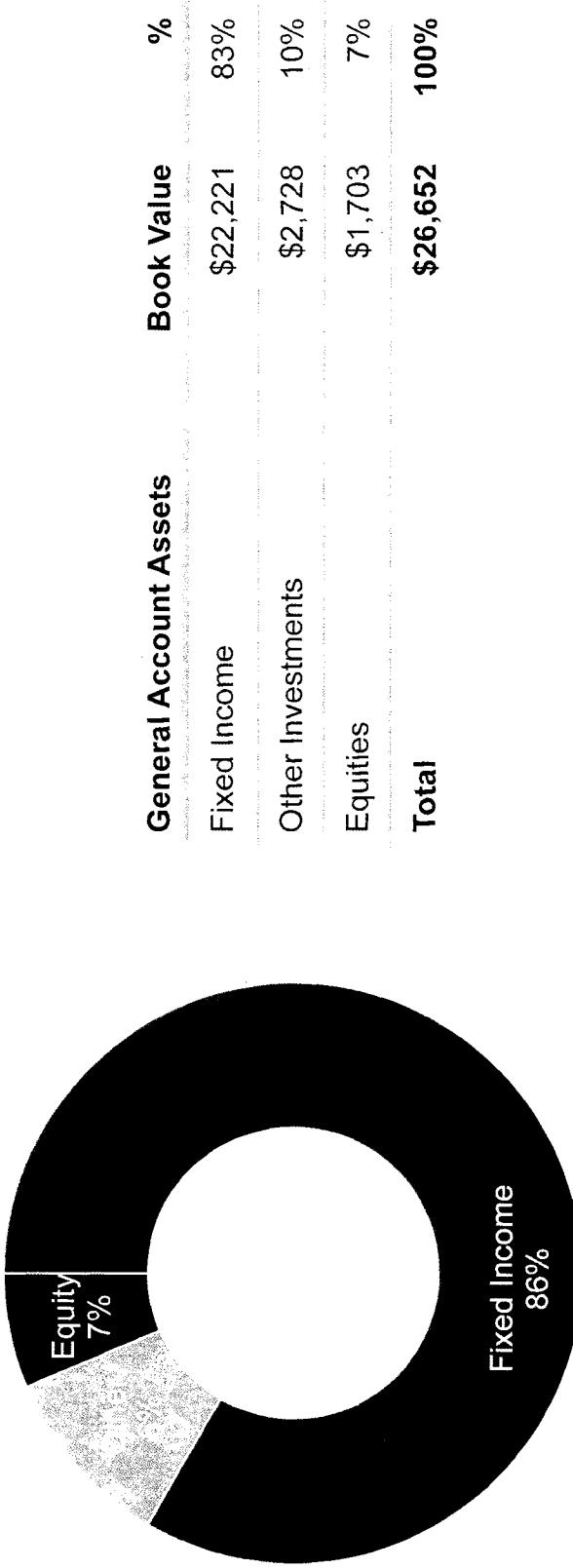
	2016	2017	2018	2019
RBC Ratio	517%	530%	480%	493%

General Agent Program





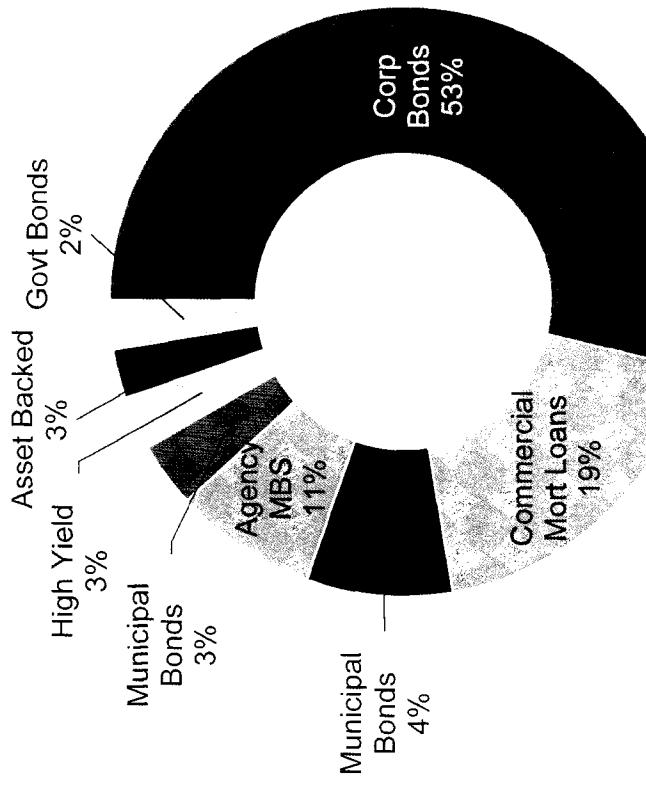
Minnesota Life General Account (Millions)





Fixed Income

Assets (millions)



Fixed Income

	Book Value	%
Corporate Bonds	\$11,912	54%
Commercial Mortgage Loans	\$4,149	19%
Commercial MBS	\$1,786	8%
Agency MBS	\$1,738	8%
Municipal Bonds	\$804	4%
High Yield (NAIC 3-6)	\$650	3%
Asset Backed Securities	\$592	3%
Government Bonds	\$590	3%
Total	\$22,221	100%

Fixed Income

Weighted Average Duration	7.43
Average Credit Rating (composite)	A2

\$S 127,000



Fixed Income

Quality ratings

NAIC Bond Category	ML 12/31/19	ML 12/31/18	Industry* 09/30/19
	Investment Grade	Below Investment Grade	Industry
1	59.3%	58.9%	60.2%
2	<u>37.5%</u>	<u>37.3%</u>	<u>34.5%</u>
	96.7%	96.2%	94.7%

- Investment grade bonds are in line with the industry, however we have a higher weighting to NAIC 2's.
- Below investment grade bonds are moderately below industry averages, but 4-6's are less than half the industry average.

Source: 2019 Investment Bulletin, Bond Quality
*Industry Structure



Fixed Income

Internal watch list (millions)

CORPORATE BONDS

12/31/2019

12/31/2018

STRUCTURED SECURITIES

12/31/2018

Status	No.	Book Value	Market Value	Book Value	Market Value	Book Value	Market Value
Bankrupt	0	\$0.0	\$0.0	0	\$0.0	0	\$0.0
Serious	2	\$1.2	\$1.3	2	\$1.4	\$1.4	3
Watch	7	<u>\$66.4</u>	<u>\$66.1</u>	9	<u>\$36.5</u>	<u>\$35.7</u>	2
Total	9	\$67.6	\$67.4	11	\$37.9	\$37.1	6
% Bonds		0.37%			0.24%		0.03%
% Assets		0.26%			0.18%		0.02%

- Total Watch List holdings increased to \$72.4 million, a \$17.8 million increase from 12/31/18.
 - Total unrealized gains were \$0.7 million

Securian's internal policies allow less than \$100K to be not reflected due to rounding.



Fixed Income Corporate Bond investing approach

- Bond by bond, relative value decision framework
- Common-sense approach confirmed – not driven – by models
- Investment disciplines based on ongoing assessment of bond thesis
- Majority of team members have earned a CFA
- Average industry experience of 20 years
- Analyst compensation aligned with client goals



Collaborative approach

Frequent, thoughtful interaction drives results

PARTICIPANTS	MEETINGS	PURPOSE
Portfolio management Research Trading	DAILY New issue Morning credit PM daily	New issue discussion Credit/headline events Tactical portfolio adjustments
Portfolio management Research	WEEKLY Credit update PM weekly	Activity recap Trade ideas Credit concerns
Portfolio management Research/analytics Trading	MONTHLY Portfolio positioning Risk management	Risk assessment Strategic adjustments
Portfolio management Research RiskAnalytics Trading	QUARTERLY Firm outlook Strategy outlook Performance	Sector outlooks Macro discussion Attribution analysis

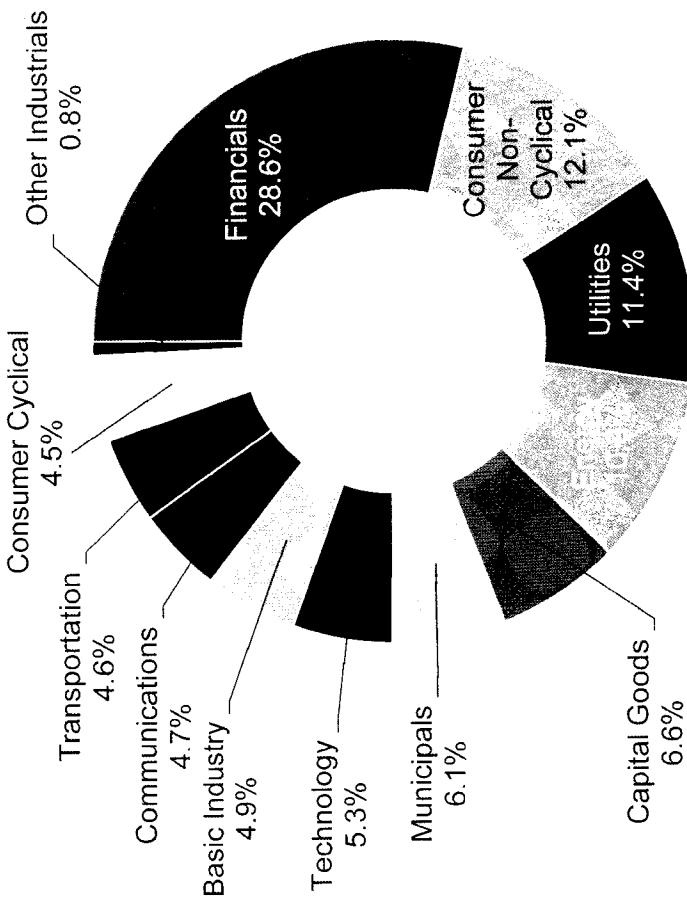
Portfolio managers may use some or all of the techniques and processes described. Investing involves many inherent risks. Investments can lose value, including the potential loss of the entire investment.



Fixed Income

Corporate Bonds - diversification

SECTOR BREAKDOWN \$13,277 MILLION





Fixed Income

Corporate Bonds – 10 largest holdings

Company	S&P Rating	Moody's Rating	Book Value (Millions)	Percent of Total Assets
Microsoft Corp	AAA	Aaa	\$87.9	0.34%
Bristol Myers Squibb Co	A+	A2	78.5	0.31%
Comcast Corp	A-	A3	78.4	0.30%
Mars Inc.	A	A1	78.0	0.30%
Apple Inc.	AA+	Aa1	74.9	0.29%
Oracle Corp	A+	A1	69.4	0.27%
3M Co	AA-	A1	69.1	0.27%
Verizon Communications	BBB+	Baa1	68.9	0.27%
JPMorgan & Chase Co	A-	A2	68.3	0.27%
Bank of America Corp	A-	A2	67.4	0.26%
			\$740.7	2.89%

AS of 12/31/2014
* Moody's Corporate Family Strength Assessment (CCFA) methodology



Fixed Income

Commercial Mortgage Loans

- **National footprint**
 - Diversified by geography
 - Diversified by sector
- **No delinquencies**
- **No defaults**
- **NAIC portfolio statistics**
 - Weighted average loan-to-value: 43%
 - Weighted average debt service coverage: 2.5x
 - 90% of loans received highest score
- **Past 20 year performance**
 - 1,233 loans, \$6.8 billion
 - 10 loans foreclosed, \$18.2 million credit loss



Commercial Real Estate Loan Portfolio

Diversification – loan portfolio – 657 loans

TOP 10 STATES OF EXPOSURE

State	Principal Balance*	Percent
California	\$758	18%
Texas	342	8%
Maryland	325	8%
New York	271	7%
Ohio	246	6%
Florida	236	6%
Minnesota	179	4%
Wisconsin	175	4%
Washington	152	4%
Colorado	140	3%
Remaining	1,324	32%
Total Portfolio	\$4,149	100%

PROPERTY TYPE BREAKDOWN BY PERCENTAGE

	Property Type	Principal Balance*	Percentage of Total for Each Group
Office		\$587	14%
Apartment		\$886	21%
Industrial (& Flex)		\$1,256	30%
Retail		\$1,092	26%
Hotel/Motel		\$169	4%
Other		\$159	4%
Totals		\$4,149	100.0%

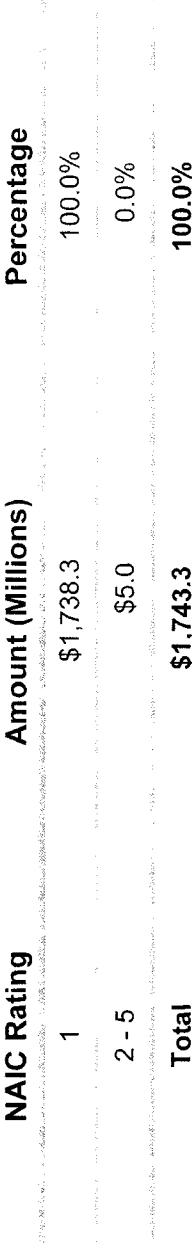
CALIFORNIA EXPOSURE

	Quantity	Current* DSC	Current* LTV
Northern	54	3.1x	33%
Southern	90	2.8x	35%

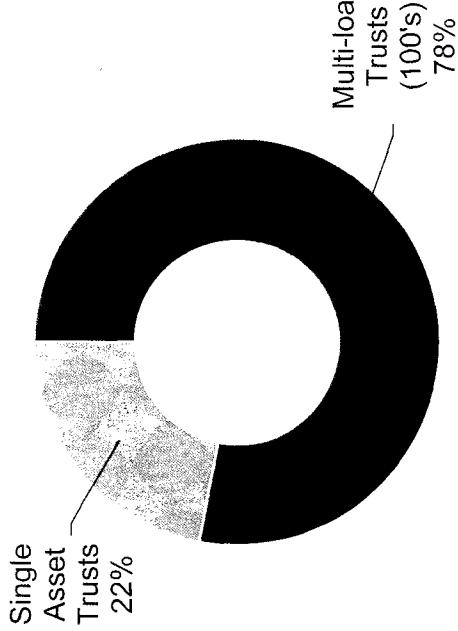
As of 12/31/2012
*Par Value, PP, Net Present Value



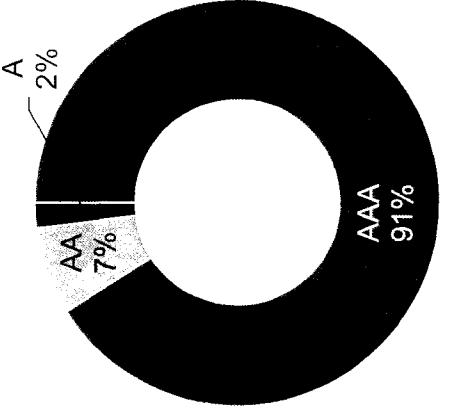
Fixed Income Commercial MBS Portfolio Ratings



PROPERTY TYPE



RATINGS





Equities

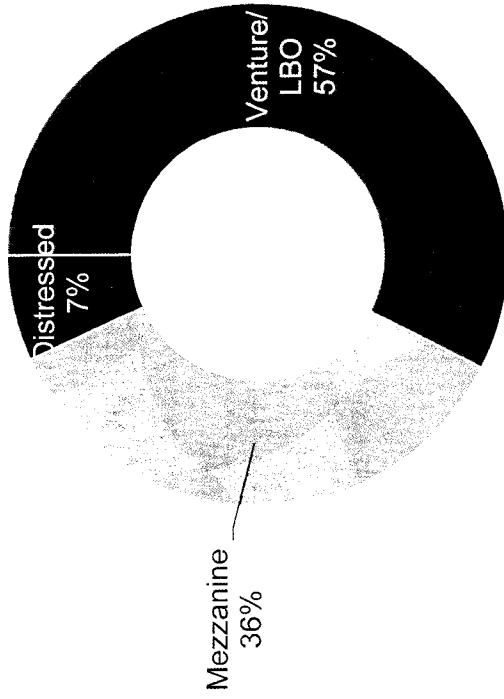
Assets (millions)





Equities

Alternatives - \$714.5 million



Market Value *

Asset Type	Market Value (Millions)
Mezzanine Debt/Income Strategies	\$254.9

Venture Capital/LBO Buyout

\$410.8

Subordinated debt used primarily in support of leveraged buyouts

Distressed Securities

\$48.8

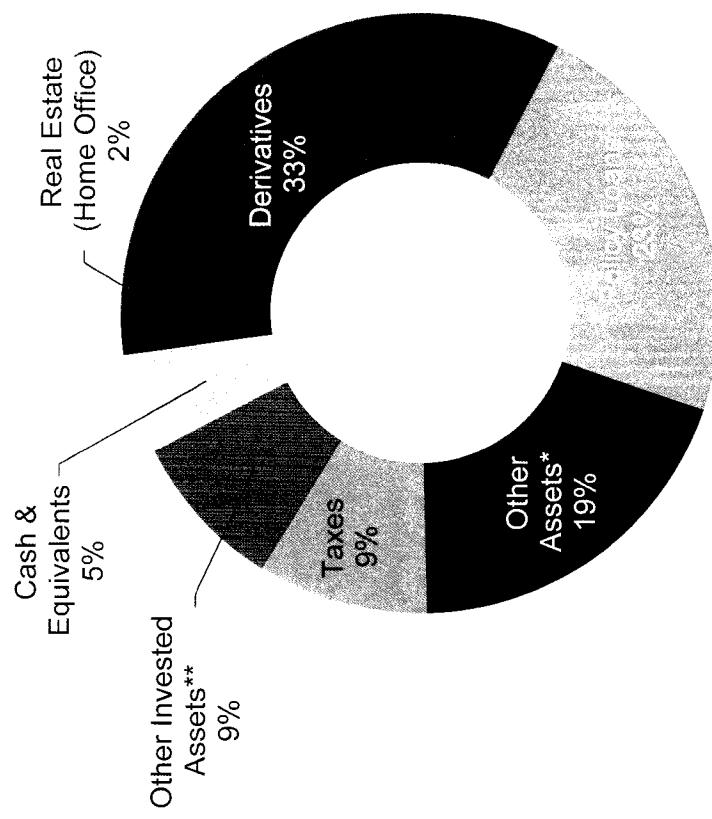
Equity investments in privately held companies

Debt and equity investments in distressed securities, turnarounds, and special situations

* As of 12/31/01
Source: Private
Start with market value



Other Investments (Millions)



As of 12/31/14

* Assured premiums, investment income and other company receivables

** Miscellaneous invested assets, direct investments, Receivables for securities, and investment income from affiliated

	Book Value	%
Derivatives	\$845	32.6%
Policy Loans	\$588	22.7%
Other Assets*	\$503	19.4%
Taxes	\$240	9.2%
Other Invested Assets**	\$222	8.5%
Cash & Equivalents	\$139	5.4%
Real Estate (Home Office)	\$59	2.3%
Total Other Assets	\$1,751	100.0%

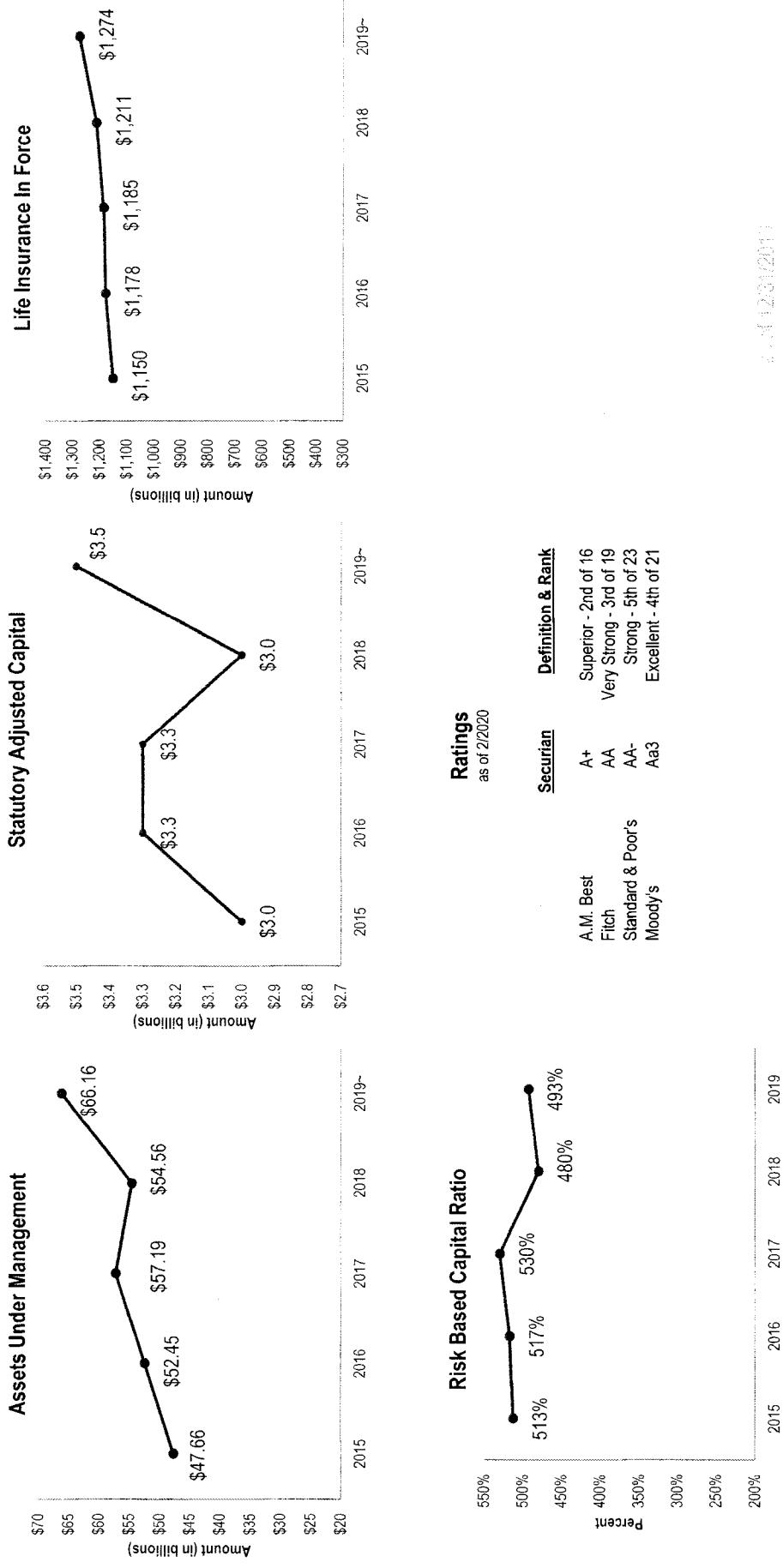


Appendix 1 – Securian fact sheet



Securian Financial Group

Financial strength fact sheet

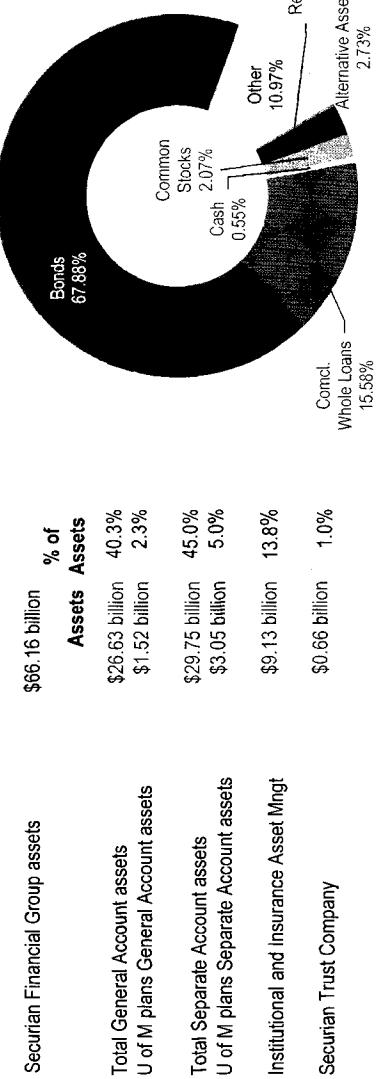




Minnesota Life's General Account

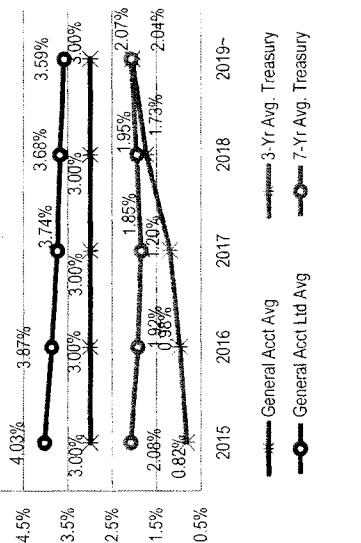
Asset Quality and Crediting Rate Fact Sheet

Asset Breakdown (as of 12/31/2019)



General Account Allocation (as of 12/31/2019)

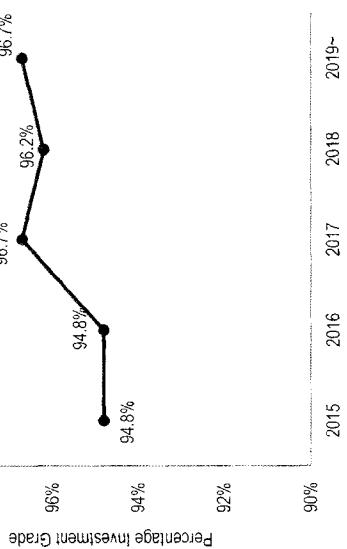
Total assets: \$26.63 billion (as of 12/31/2019)



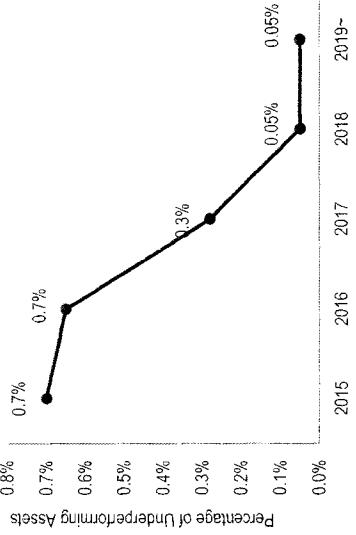
Fixed Income Statistics (as of 12/31/2019)

Average Credit Rating	A2
Portfolio Duration	7.44
Portfolio Average Life	10.51 years
Unrealized gain/loss (QTD GAAP bond only)	(\$48,707)

Quality Diversification



Underperforming Assets



Definitions

Statutory Adjusted Capital

Statutory Adjusted Capital is defined as: Minnesota Life's surplus + capital + Asset Valuation Reserves (AVR) + 1/2 of apportioned dividend liability.

Assets Under Management

Assets Under Management includes the total Minnesota Life General Account and Separate Account assets reported on a statutory basis, unaffiliated clients of Securian Asset Management, and assets managed by Securian Trust Company.

Life Insurance In Force

Securian Financial Group, Inc., is a part of an insurance company holding group. The In Force figure is inclusive of all SFG insurance companies, including our two primary insurance affiliates, Minnesota Life Insurance Company and Securian Life Insurance Company. The figures exclude Securian's historical participation in FEGLI and SGLI.

Ratings

Securian Financial Group, Inc., is a part of an insurance company holding group. These ratings are assigned to the following Securian Financial Group member companies: Minnesota Life Insurance Company and Securian Life Insurance Company. Ratings for financial strength and claims-paying ability are important; however, they are not reflective of the performance of any registered securities or variable subaccounts.

Fixed Income Statistics

Summary statistics of Minnesota Life's General Account fixed income portfolio holdings as of the date reported.

Risk-Based Capital Ratio

Statutory regulations require insurance companies to hold a minimum amount of capital, defined as "risk-based capital" or "RBC," to support overall business operations relative to size and risk profile. The RBC calculation considers General Account asset risks, insurance risks inherent in the products offered, economic risks (e.g., interest rates and equity markets) and general business risks. Regulatory actions are determined by the ratio of actual capital, defined as "total adjusted capital" or "TAC," to minimum required RBC. The NAIC has defined four RBC action levels when the ratio falls below certain thresholds:

- Company Action Level (TAC falls below required RBC) – Insurance company must file a plan of action with the state insurance commissioner.
- Regulatory Action Level (TAC falls below 75% of required RBC) – Insurance regulators perform examination and analysis to ensure the company plan of action is adequate.
- Authorized Control Level (TAC falls below 50% of required RBC) – Insurance regulators have authorization to take whatever regulatory actions considered necessary to protect the best interest of policyholders and creditors of the insurance company.
- Mandatory Control Level (TAC falls below 35% of required RBC) – Insurance regulators take actions necessary to place the insurance company under regulatory control (e.g., rehabilitation or liquidation).

Quality Diversification

Percentage of Minnesota Life General Account portfolio bond holdings categorized as investment-grade as rated by independent rating agencies and the NAIC.

Underperforming Assets

Minnesota Life's General Account underperforming assets (bonds in or near default, mortgages with interest 3 months overdue, mortgages in process of foreclosure, real estate acquired in satisfaction of debt and mortgage loans with restructured terms as a % of total capital) as a percentage of statutory capital.

Crediting Rates

Minnesota Life's General Account (GA) and General Account Limited (GAL) figures represent the weighted average effective portfolio crediting rates, respectively. U.S. Treasury rates represent mean of historical moving averages for the 3- and 7-year U.S. Treasury rates.



UMRA

Third Quarter Financial Report 2019-2020

(January 1, 2020 – March 31, 2020)

	<u>1/1/20</u>	<u>3/31/20</u>
Savings Account	\$ 6,972	\$ 6,972
Savings Certificate	10, 000	10,201
Checking Account	<u>8,516</u>	<u>1,938</u>
Total Checking and Savings	\$25,488	\$19,111
 Revenue		
Luncheons	\$1,527	
Dues and Ppd Lunch (2/3 -1/3)	3,014	
Sponsorships	<u>2,750</u>	
Total Revenue	\$6,179	
 Expense		
Luncheons	\$9,243	
Newsletter	3,014	
Memorials	199	
Miscellaneous	<u>302</u>	
Total Expense	\$12,758	

Net Loss \$6,179 – 12,758 = \$6,579 (loss)

Expense Details

Luncheons

<u>Food/Bev</u>	<u>Room</u>	<u>AV</u>	<u>Tx/Svc</u>	<u>Prk</u>	<u>Total</u>
5,602	1,839*	89	1,714	58	9,302

Newsletter

<u>Edit</u>	<u>Print</u>	<u>Mail</u>	<u>Total</u>
2,700	153	161	3.014

*includes \$339 for linens and bar.

