Recommended Action - Retirement Plan Project

It was recommended by Vice President Rodriguez, endorsed by Interim President Owens, recommended by the Compensation and Human Resources Committee, moved by Curator _______________ and seconded by Curator __________, that the following action be approved:

A. The Board of Curators has reviewed preliminary information and recommendations at previous meetings and has considered the recommendations from Interim President Owens and Vice President Rodriguez, and the University of Missouri Ad Hoc Retirement Plan Advisory Committee (Advisory Committee) appointed by then President Gary Forsee and comprised of several current members of the University of Missouri System Retirement and Staff Benefits Committee, four members of the Intercampus Faculty Council (IFC), two members of the Intercampus Staff Advisory Council (ISAC) and a staff member from the UM Health Care System.

B. In its final report, the Advisory Committee reached consensus with respect to many of the issues it considered and felt compelled to acknowledge and emphasize the complexity of the issues and the difficulties inherent in attempting to weigh and balance numerous legitimate and competing interests. The Advisory Committee acknowledged that the health and wellbeing of the University is built upon the contributions of its employees and the Advisory Committee further acknowledged that it was fully aware that any decisions made by the University and the Board of Curators as a result of this project will have a significant and lasting impact on both the University and its employees for the foreseeable future.

C. The Advisory Committee indicated in its report dated March 11, 2011, that after careful consideration of all of the information presented (both formally and informally), identifying and analyzing a number of different options, and weighing and balancing objectives and needs, it is the Advisory Committee’s final recommendation, that if it is determined by the Board of Curators that...
the Current Retirement Plan cannot continue to be offered for new University employees hired after an unspecified future date, then its recommendation is that **the University consider a new retirement plan for new hires after some future date that provides a ‘combination’ of the defined benefit and defined contribution designs FOR NEW EMPLOYEES ONLY.**

**D.** Having considered all of the recommendations, the Board of Curators recognizes that it is important to reaffirm to retired University employees, as well as to current University employees participating in the Current Retirement Plan, that the University has every intention of honoring the University’s obligations under its Current Retirement Plan and that the Board of Curators is not considering making changes to its Current Retirement Plan that would change the amount of the retirement benefits payable under the Current Retirement Plan to retired University employees or to current University employees participating in the Current Retirement Plan.

**E.** In furtherance of the above reaffirmation by the Board of Curators, it needs to be stated that the Board, like all other institutions, organizations and individuals, is unable to predict with certainty future events and future pressures, economic and otherwise, which will face future Boards of Curators as they strive to govern the University of Missouri in the best interest of all their various constituencies including, not only the University’s faculty, staff, students and retirees, but also all the people and taxpayers of the State of Missouri. Therefore, the statements contained herein are **not** intended and should **not** hereafter be construed or interpreted as binding contractual obligations on the University or future Boards of Curators.

**F.** In light of all the foregoing, the Board of Curators has determined that it **plans to close the Current Retirement Plan to new University employees who commence employment with the University after September 30, 2012**, and it hereby directs University administration to implement all steps necessary to accomplish this plan within the following parameters:

1. That the University intends to honor its obligations under its Current Retirement Plan to former University employees receiving current or deferred retirement benefits under the Current Retirement Plan, to current University employees participating in the Current Retirement Plan and to new University employees hired prior to October 1, 2012;
2. That the University will continue to fund the annual required contribution for the Current Retirement Plan, with the majority of the contribution from the University and as low as reasonably possible mandatory contribution from University employees participating in the Current Retirement Plan, to assure that the University’s obligations under the Current Retirement Plan are met and to assure that any unfunded liability for the Current Retirement Plan is reduced or amortized in an actuarially sound manner and in a manner that does not place a burden solely on Current Retirement Plan participants now or at a future date; and

3. That the Retirement Plan Stabilization Fund, established in 2008, has served the University well since its inception and should be continued in order to mitigate or minimize the risk, for the University and to University employees participating in the Current Retirement Plan, so that severe or repeated economic downturns in the future would not require substantial and undesired increases in mandatory employee contribution rates. Further, that the University Board of Curators recognizes that the primary use of the Stabilization Fund should be to minimize the risk of future increases in the Current Retirement Plan required contributions, and that other use of the Stabilization Fund requires action by the University Board of Curators.

G. The University’s Retirement and Staff Benefits Committee (Committee) has reviewed and by majority vote, endorsed the Advisory Committee’s recommendations.

H. The Board of Curators hereby directs the University President and the Vice President for Human Resources to utilize the Committee in developing a new retirement plan for new University employees who commence employment with the University system after September 30, 2012. The work of the Committee and a recommendation for a new retirement plan for such new University employees will be presented to the Board of Curators at its October 2011 meeting or as soon as possible thereafter, and the following guidelines should be applied in the development of the proposal for the new retirement plan design:

1. The work of the Committee should build on the findings and recommendations of the Advisory Committee, specifically the
combination plan design as presented in the Advisory Committee’s final recommendation which includes a combination of defined benefit and defined contribution plan features.

2. The annual cost of the new plan design should be no more than the current normal cost of the Current Retirement Plan which is 7.25% of payroll. However a slight increase in cost for the new plan design is acceptable if the University’s risk and volatility of annual funding are appropriately mitigated.

3. The new plan design should include a mandatory employee contribution approximately the same as the mandatory employee contribution required of University employees participating in the Current Retirement Plan.

4. It should include features intended to mitigate investment and other retirement plan risks for new employees participating in it.

I. The Vice President for Human Resources and the Vice President for Finance and Administration should propose a funding model which enables the two retirement plans to be managed as a single cost to the University, and in particular a model that considers the blending of the costs of each plan.

Roll call vote of Compensation and Human Resources Committee:

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<th>Curator Bradley</th>
<th>YES</th>
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The motion ______________.
Roll call vote of Board of Curators: YES NO

Curator Bradley
Curator Cupps
Curator Downing
Curator Erdman
Curator Goode
Curator Haggard
Curator Russell
Curator Steward
Curator Van Matre

The motion ____________.