

VII. STANDING COMMITTEES

A. Academic and Student Affairs Committee

Appointment of University of Washington Retirement Plan Investment Consultant

RECOMMENDED ACTION

It is the recommendation of the administration and the Academic and Student Affairs Committee that the Board of Regents appoint Hewitt Investment Group LLC as Investment Consultant to the University of Washington Retirement Plan and Voluntary Investment Program effective March 18, 2010 until March 31, 2015, subject to satisfactory performance.

BACKGROUND

The University of Washington Retirement Plan (UWRP) is authorized under RCW 28.B.10.400 et seq as the primary retirement plan for faculty, librarians and professional staff. The plan is a defined contribution plan under Internal Revenue Code (IRC) Section 403(b), with a parallel defined benefit plan under IRC Section 401(a). There are currently 12,000 participants in the plan and plan assets are approximately \$2.5 billion dollars. The plan currently offers participants 67 approved funds for investment through 3 Fund Sponsors which are Fidelity, Vanguard, and TIAA-CREF. The Voluntary Investment Program (VIP) is also operated under IRC Section 403(b), and is a supplemental retirement savings program funded solely by employee contributions.

IRC Section 403(b), which relates to retirement plans for public employers and higher education institutions, has recently been updated to provide stricter guidance to employers about their fiduciary responsibilities in regards a 403(b) retirement plan. The Regents approved changes in 2008 and 2009 which meet the new regulations and ensure that our Plan Document is in compliance with IRC.

In addition to the IRS scrutiny, the Department of Labor, which is responsible for providing employers guidance regarding fiduciary responsibility, plan administration and participant education, has strengthened their rules regarding employer oversight of investment options, specifically increasing the duty for employers to monitor the funds and Fund Sponsors available to participants in their plans.

UW Human Resources - Benefits and WorkLife Office conducted a competitive search this fall to identify an Investment Consultant for the plans. Twelve firms responded to the Request for Proposals, and four were selected for interviews: AON Consulting; Hewitt Investment Consulting; Mercer; and Multnomah Group. All were invited to interviews with a University panel including: from Human Resources, the Executive Director of Benefits and WorkLife; from UW Treasury Office, the Sr. Associate Treasurer; from UW Planning and Budgeting Office, the

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Associate Vice Provost, Planning and Budgeting; participant representation on the review committee included a faculty member from the Faculty Council on Benefits and Retirement; a Librarian from the UW Libraries; a faculty member and Professor of Finance, UW School of Business.

Hewitt Investment Consulting is the most qualified firm. Founded in 1940, Hewitt is a leader in investment consulting and retirement administration services, with over 23,000 associates worldwide. Hewitt has over 160 higher education clients and is recognized for their expertise and leadership in the 403(b) area of retirement plan consulting. The annual cost for consulting services will be \$110,000, with costs to be paid from administrative fee sharing agreements developed with the current Fund Sponsors.