Retirement Plan and Program Analysis for the Fiscal Year Ending June 30, 2007

Executive Summary

The last half of the 2007 fiscal year was a hectic one for retirement programs, with the completion of several large initiatives. Perhaps the most visible project was the discontinuance of TIAA-CREF as an ongoing investment provider, a decision which was announced on March 8, 2007, and was effective on July 1, 2007. In addition to the effort involved in this project, six new funds were added to the Faculty Retirement Plan (FRP), MSRS contribution rates increased and the FRP waiting period was eliminated for otherwise-eligible faculty, all effective the first of July.

Retirement rates remained relatively stable, ranging from one to two percent of active population. The phased retirement program continues to be a popular retirement mechanism for tenured faculty and professional and administrative employees on continuous appointments.

Financially, contributions to retirement programs exceeded $91 million, or over 22% of total budget for employee benefits. These contributions increased approximately 7% over last year, due in part to salary increases during the year. Overall investment returns in defined contribution plans were positive, and the Minnesota State Retirement System was 97% funded on an actuarial basis, though still not covering normal cost. Contributions to MSRS increased by .50% (.25% employee increase and .25% University increase) as of July 1, 2007, and will continue to increase each year at this rate through July 1, 2010.

From a communications standpoint, the sessions offered by Employee Benefits and its business partners are generally well attended. The pre-retirement series offered in the spring continues to be very popular with faculty and staff age 55 and older, with more than 400 faculty, staff and partners attending. Individual consultations continue to be available with benefits counselors throughout the year.

Employee Benefits continues to seek ways to enhance benefit programs for its faculty and staff, directly tying its efforts to the University’s overall mission to become one of the world’s top three public research institutions.
Key 2006-2007 Accomplishments

In the fiscal year ended June 30, 2007, several significant accomplishments were finalized in the retirement plan and program area.

1. Effective July 1, 2007, University retirement plan fiduciaries decided to discontinue contributions and retirement plan transfers to TIAA-CREF. University administration made this decision after receiving input over several years from multiple constituencies, including individual faculty and staff participants and representatives of faculty and staff. Accounts invested at TIAA-CREF as of July 1, 2007 remained invested as directed by the participants. Only subsequent contributions and transfers were discontinued.

2. The elimination of TIAA-CREF from the active retirement vendor listing effectively limited access to nine funds in the Faculty Retirement Plan. To ensure that funds of similar structure, asset class and investment strategy remained available, the University added 6 new FRP funds, which opened to participants on July 2, 2007: Vanguard Global Equity Fund, Vanguard PRIMECAP Fund, Vanguard Growth Index Fund, Vanguard Total Stock Market Index Fund, Vanguard Intermediate-Term Investment-Grade Fund and Vanguard Inflation-Protected Securities Fund. With over 200 alternative investments in each plan, multiple alternative investment funds are available in the Optional Retirement Plan and 457 Deferred Compensation Plans, necessitating no changes to the fund menu of those plans.

3. In conjunction with the discontinuance of the TIAA Traditional Annuity investment option, a request for proposal (RFP) for a new General Account product was issued on May 31, 2007, with responses due by June 29, 2007. Implementation timing will depend upon the results of the RFP and the requirements of the vendor selected.

4. After several years of analysis and consultation, the waiting period for the Faculty Retirement Plan was eliminated for otherwise-eligible faculty. Approximately 300 new faculty entered the plan as of July 1, 2007. Professional and Administrative (P&A) employees’ participation in the FRP remains subject to a waiting period of up to three years, depending upon salary.

5. In response to a request from the University of Minnesota Retirees Association (UMRA), the University increased the earnings limit in the Supplemental Benefit Plan from $35,000 to $36,000. This plan is a frozen plan, benefitting retirees who participated in the Faculty Retirement Plan before it was enhanced in 1963, as well as their surviving spouses.

6. During the last session, the state passed into law an increase in required contributions to the Minnesota State Retirement System (MSRS). While the General Plan at MSRS remains over 96% funded, an increase to contribution rates is necessary to cover the plan’s normal cost. The first increase (of four scheduled) occurred on July 2, 2007, and increased both the employee and University contribution rates from 4% to 4.25% of covered compensation. Please see the defined benefit section of this report for additional information.

7. Due to the growth in asset size in the Faculty Retirement Plan, Securian lowered its recordkeeping fees for Fidelity and Vanguard funds from 6 basis points to 5 basis points, resulting in a savings of almost $53,000 annually to participants.
Demographic Analysis

During the 2006-2007 fiscal year, 288 faculty and staff retired from the University of Minnesota. Retirement status at the University is based on one of three criteria:

1. Age 50 with a minimum of 15 years of service;
2. Age 55 or older with a minimum of 5 years of service; or
3. A minimum of 30 years of service at any age.

On average, 2006 retirees were 62 with 24 years of service. They earned approximately $68,479 annually. Retirement rates remained stable across employee groups. Additional retirement data on the various programs offered by the University is included below in Figure 1. Appendices A and B contain additional retirement demographic data for the past 3 fiscal years.

Figure 1 – 2006-2007 Retirement Data

<table>
<thead>
<tr>
<th>Retirement Category</th>
<th>2006-2007 Retirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-incented Retirements</td>
<td>198</td>
</tr>
<tr>
<td>Phased Retirement</td>
<td>43</td>
</tr>
<tr>
<td>Terminal Agreement</td>
<td>7</td>
</tr>
<tr>
<td>Layoff Severance</td>
<td>33</td>
</tr>
<tr>
<td>Non Renewals</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>288</td>
</tr>
</tbody>
</table>

Financial Analysis

The University of Minnesota sponsored or contributed to thirteen retirement plans and programs for its faculty and staff in the fiscal year ending June 30, 2007 (Appendix C). University contributions to these plans during the year exceeded $91 million, or more than 22 percent of total employee benefit costs for the period. The University offers its faculty and staff a mix of defined contribution and defined benefit plans and programs, with substantially all full-time employees participating in one of several mandatory plans. Voluntary pre-tax savings plans are available to all employees paid on a regular basis.

Defined Benefit Plans

Defined benefit (DB) plans pay a certain monthly benefit at retirement, generally calculated using a percentage of compensation multiplied by years of service. For example, the Minnesota State Retirement System (MSRS) pays retirees a monthly benefit equal to 1.7% multiplied by the participant’s average monthly compensation during his or her highest 5 years of service, multiplied by the participant’s years of service. For a career employee with 35 years of service and a starting salary of $50,000, MSRS pays a monthly benefit of approximately 56% of the employee’s final monthly salary. This percentage is commonly known as the plan’s replacement ratio. Because a DB plan defines the benefit, not the funding level, risk is born by those entities responsible for funding the plan. As employers and employees share the funding requirements for MSRS, they similarly share the risk that contribution levels will need to increase in the future to cover benefits payable.
The July 1, 2006 MSRS valuation indicates that the contributions made as of that date (8% total) to the plan do not cover normal cost of 10.11% and should be increased. In addition, at market value, assets as of 7/1/06 are anticipated to fund approximately 97% of promised benefits. To remedy this situation, legislation has been passed to increase contribution levels as noted below in Figure 2. By July 1, 2010, University and Employee contributions will each increase by more than $3.5 million annually. It should be noted that these increases do not increase benefits, but maintain them at existing levels.

Figure 2 – Scheduled MSRS Contribution Rate Increases

<table>
<thead>
<tr>
<th></th>
<th>Employee</th>
<th>University</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Rates</td>
<td>4.00%</td>
<td>4.00%</td>
<td>8.00%</td>
</tr>
<tr>
<td>July 1, 2007</td>
<td>4.25%</td>
<td>4.25%</td>
<td>8.50%</td>
</tr>
<tr>
<td>July 1, 2008</td>
<td>4.50%</td>
<td>4.50%</td>
<td>9.00%</td>
</tr>
<tr>
<td>July 1, 2009</td>
<td>4.75%</td>
<td>4.75%</td>
<td>9.50%</td>
</tr>
<tr>
<td>July 1, 2010</td>
<td>5.00%</td>
<td>5.00%</td>
<td>10.00%</td>
</tr>
</tbody>
</table>

MSRS is the largest DB plan at the University, covering over 9,300 civil service and collectively bargained employees. The MSRS replacement ratio is identical to that of the defined benefit plans offered by the University’s 5 benchmark public entities. Required contribution rates, however, are higher, as detailed below. In addition, the 5.1% and 5.53% PERA contribution rates below are scheduled to increase each January 1 from 2007 through 2010, ending in an employee contribution rate of 6.0% and an employer contribution rate of 7.0% as of January 1, 2010. Again, these contribution increases do not increase benefits, only maintain them.

Figure 3 – Defined Benefit Benchmarks

<table>
<thead>
<tr>
<th></th>
<th>Percentage of Pay</th>
<th>Current Employee Contribution</th>
<th>Current Employer Contribution</th>
<th>Estimated Replacement Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Minnesota</td>
<td>1.7%</td>
<td>4%</td>
<td>4%</td>
<td>56%</td>
</tr>
<tr>
<td>State of Minnesota</td>
<td>1.7%</td>
<td>4%</td>
<td>4%</td>
<td>56%</td>
</tr>
<tr>
<td>Ramsey County</td>
<td>2.7%</td>
<td>5.1%</td>
<td>5.53%</td>
<td>56%</td>
</tr>
<tr>
<td>Hennepin County</td>
<td>2.7%</td>
<td>5.1%</td>
<td>5.53%</td>
<td>56%</td>
</tr>
<tr>
<td>City of Minneapolis</td>
<td>2.7%</td>
<td>5.1%</td>
<td>5.53%</td>
<td>56%</td>
</tr>
<tr>
<td>City of St. Paul</td>
<td>2.7%</td>
<td>5.1%</td>
<td>5.53%</td>
<td>56%</td>
</tr>
</tbody>
</table>

Defined Contribution Plans

Defined contribution (DC) plans do not promise a benefit at retirement. Instead, DC plans promise a certain contribution level, which is generally invested according to the participant’s direction. As a result, the participants, rather than the employer, bear the risk that their investments will not result in adequate retirement income.

Faculty Retirement Plan (FRP)

As of June 30, 2007, FRP assets totaled over $2.5 billion, with annual contributions of over $87 million. Employees contribute 2.5% of salary, with the University contributing
an additional 13% of salary, which is deposited according to the employees’ investment instructions each pay period. The plan offers 27 investment funds from Securian Retirement Services, TIAA-CREF, Fidelity, and Vanguard. Securian holds the majority of FRP funds, with 47% of total assets invested in Securian/Minnesota Life products. Vanguard follows with 30% of total assets. TIAA-CREF and Fidelity trail with 17% and 6%, respectively. The investment funds with the largest asset base as of June 30, 2007 are listed in Figure 4 below. Details on the best- and worst-performing investment funds in the FRP are included in Appendix D.

**Figure 4 – Top 3 FRP Funds by Assets Invested as of June 30, 2007**

<table>
<thead>
<tr>
<th>Investment Fund</th>
<th>FRP Assets Invested 06/30/07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minnesota Life General Account Limited *</td>
<td>$620,419,619.46</td>
</tr>
<tr>
<td>Minnesota Life General Account*</td>
<td>$282,489,622.73</td>
</tr>
<tr>
<td>Minnesota Life Separate Account (frozen)</td>
<td>$271,739,844.11</td>
</tr>
</tbody>
</table>

*Additional information regarding the company credit ratings and fund size of the insurance company general accounts is included in Appendix E.

The FRP, covering over 6,700 faculty and professional and administrative (P&A) staff, is the largest DC plan at the University of Minnesota. Most of the other Top 10 Public Research Universities have defined benefit plans, making comparisons difficult. The other defined contribution plans, however, generally have higher replacement ratios and higher contribution rates as shown in Figure 5, below.

**Figure 5 – Defined Contribution Benchmarks**

<table>
<thead>
<tr>
<th></th>
<th>Employee Contribution</th>
<th>Employer Contribution</th>
<th>Estimated Replacement Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Minnesota</td>
<td>2.5%</td>
<td>13.0%</td>
<td>60%</td>
</tr>
<tr>
<td>University of Florida (DB Plan)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>University of Illinois</td>
<td>8.0%</td>
<td>7.6%</td>
<td>61%</td>
</tr>
<tr>
<td>University of Michigan</td>
<td>5.0%</td>
<td>10.0%</td>
<td>59%</td>
</tr>
<tr>
<td>Ohio State University (DB Plan)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Penn State University (DB Plan)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>University of Texas (DB Plan)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>University of California Berkeley (DB Plan)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>University of California Los Angeles (DB Plan)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>University of Washington Seattle</td>
<td>5%-10%</td>
<td>5%-10%</td>
<td>78% max</td>
</tr>
<tr>
<td>University of Wisconsin (DB Plan)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Optional Retirement Plan (ORP)

As of June 30, 2007, ORP assets totaled over $827 million, with 5,000 full- and part-time employees contributing $40 million annually. Employees may contribute a minimum of $200 annually up to 100% of compensation. The maximum contribution for employees under age 50 in 2007 is $15,500. The maximum contribution for employees age 50 and over in 2007 is $20,500. The University may make discretionary contributions for select staff, based on employment contracts. Only nine such contributions were made for the 2006-2007 fiscal year. The plan offers over 300 investment funds from Securian Retirement Services (Minnesota Life), TIAA-CREF, Fidelity, Scudder, and Vanguard.
Some additional funds are invested at T Rowe Price, though T Rowe accounts have been closed to new contributions since the early 1990s. The TIAA-CREF funds will be closed to new contributions and transfers as of July 1, 2007. The investment providers and funds with the largest asset base as of June 30, 2007 are listed in Figures 6 and 7 below. Details on the best- and worst-performing investment funds in the ORP are included in Appendix F.

Figure 6 – ORP Assets by Investment Provider as of June 30, 2007

<table>
<thead>
<tr>
<th>Investment Provider</th>
<th>ORP Assets Invested 06/30/07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fidelity Investments</td>
<td>36%</td>
</tr>
<tr>
<td>Securian Retirement Services (Minnesota Life)</td>
<td>30%</td>
</tr>
<tr>
<td>The Vanguard Group</td>
<td>18%</td>
</tr>
<tr>
<td>TIAA-CREF</td>
<td>13%</td>
</tr>
<tr>
<td>Scudder Investments</td>
<td>3%</td>
</tr>
<tr>
<td>T Rowe Price</td>
<td>0%</td>
</tr>
</tbody>
</table>

Figure 7 – Top 3 ORP Funds by Assets Invested as of June 30, 2007

<table>
<thead>
<tr>
<th>Investment Fund</th>
<th>ORP Assets Invested 06/30/07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minnesota Life General Account Limited*</td>
<td>$114,697,701.95</td>
</tr>
<tr>
<td>Minnesota Life General Account *</td>
<td>$56,482,283.74</td>
</tr>
<tr>
<td>Fidelity Contrafund</td>
<td>$46,833,728.22</td>
</tr>
</tbody>
</table>

*Additional information regarding the company credit ratings and fund size of the insurance company general accounts is included in Appendix E.

457 Deferred Compensation Plan (457 Plan)

As of June 30, 2007, 457 Plan assets totaled over $48 million, with over 750 full- and part-time employees contributing over $9 million annually. This plan is significantly smaller than the ORP because it has only been available since 2002. Employees contribute any amount up to 100% of compensation annually. The maximum contribution for employees under age 62 or over age 64 in 2007 is $15,500. Additional contributions are available for those who are age 62, 63 or 64 in 2007. These contribution limits are in addition to those contributions permitted to the ORP. Contributions to the ORP and 457 plans are not mutually exclusive – that is, an employee may contribute to both plans at the same time.

The plan offers over 250 investment funds from Securian Retirement Services, TIAA-CREF, Fidelity, and Vanguard, though the TIAA-CREF funds will be closed to contributions and transfers as of July 1, 2007. Unlike the ORP, Scudder elected not to participate in the 457 Plan. In addition, the General Account and the TIAA Traditional Annuity (RA) are not available in the 457 Plan. The investment providers and funds with the largest asset base as of June 30, 2006 are listed in Figures 8 and 9 below. Details on the best- and worst-performing investment funds in the 457 Plan are included in Appendix G.
**Figure 8 – 457 Plan Assets by Investment Provider as of June 30, 2007**

<table>
<thead>
<tr>
<th>Investment Provider</th>
<th>457 Assets Invested 06/30/07</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Vanguard Group</td>
<td>41%</td>
</tr>
<tr>
<td>Fidelity Investments</td>
<td>21%</td>
</tr>
<tr>
<td>TIAA-CREF</td>
<td>21%</td>
</tr>
<tr>
<td>Securian Retirement Services (Minnesota Life)</td>
<td>17%</td>
</tr>
</tbody>
</table>

**Figure 9 – Top 3 457 Plan Funds by Assets Invested as of June 30, 2007**

<table>
<thead>
<tr>
<th>Investment Fund</th>
<th>457 Assets Invested 06/30/07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minnesota Life General Account Limited*</td>
<td>$4,942,217.68</td>
</tr>
<tr>
<td>TIAA Traditional Annuity*</td>
<td>$3,510,638.23</td>
</tr>
<tr>
<td>CREF Stock</td>
<td>$2,088,709.51</td>
</tr>
</tbody>
</table>

*Additional information regarding the company credit ratings and fund size of the insurance company general accounts is included in Appendix E.

**Communications and Educational Resources**

In the 2006-2007 fiscal year, Employee Benefits staff offered 63 informational sessions on retirement topics to University faculty and staff. In addition to nine New Employee Orientation sessions and three full days of Benefits Fairs in St. Paul, Minneapolis, and Duluth, 51 retirement-specific seminars were offered on campus, as shown below in Figure 10.

**Figure 10 – Retirement Seminars Provided to Faculty and Staff**

<table>
<thead>
<tr>
<th>Number of Sessions Offered</th>
<th>Target Audience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty Retirement Plan (FRP) Enrollment Seminars</td>
<td>24 (biweekly, year-round) Faculty and professional and administrative staff newly eligible for the FRP</td>
</tr>
<tr>
<td>Voluntary Retirement Plan Seminars</td>
<td>12 (monthly, year-round) Any faculty and staff interested in more information on the Optional Retirement Plan and 457 Deferred Compensation Plan</td>
</tr>
<tr>
<td>Pre-Retirement Seminars</td>
<td>3 (March/April 2007) Faculty and staff age 55 or over, including spouses and partners</td>
</tr>
<tr>
<td>Minnesota State Retirement System</td>
<td>5 (quarterly, year-round) Newly-hired civil service and collectively bargained staff</td>
</tr>
<tr>
<td></td>
<td>Number of Sessions Offered</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>----------------------------</td>
</tr>
<tr>
<td>Basics of Investing/Savings and Investing</td>
<td>4 (quarterly, year-round)</td>
</tr>
<tr>
<td>Brown Bag Investing Seminars</td>
<td>4 (February 2007)</td>
</tr>
<tr>
<td>TIAA-CREF Workshops</td>
<td>27 (April-June, 2007)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Pre-Retirement Seminars are popular offerings each spring, with over 400 attendees in 2007. (All active faculty and staff over the age of 55 are invited to these seminars, as well as spouses or partners.) Topics included not only specifics regarding the University’s mandatory plan retirement benefits, but also sessions on Social Security and Medicare, retiree medical and dental insurance and anticipated lifestyle changes in retirement.

Optional Retirement Plan investment managers offer the Brown Bag Investing Seminars in the Donhowe Building over the lunch hour each spring. In February 2007, Securian Retirement Services, TIAA-CREF, Vanguard, and Fidelity participated. Topics included “A Perspective on Today’s Economy and International Investing”, “Meeting Financial Challenges at Mid Career”, “Diversify Your Investment Plan” and “Keeping Your Investment Strategy on Track”. These sessions, as all seminars, are offered free of charge to faculty and staff. In addition to formal presentations, Benefits Counselors were available throughout the year for individual meetings and retirement planning sessions.

In addition to seminar and individual meeting efforts throughout the year, Employee Benefits provides significant information via both printed materials and the Employee Benefits web site. The web site includes not only plan information and links to the investment provider web sites, but also investment return reporting and fund listings, which are updated each quarter. The web site, at [www.umn.edu/ohr/benefits](http://www.umn.edu/ohr/benefits), continues to be the best resource for quick information on University retirement plans and programs.
Future Projects and Planning

Employee Benefits, in conjunction with various administrative and employee groups, has the following projects proposed for upcoming years.

1. In May of 2007, the University of Minnesota issued a Request for Proposal (RFP), seeking a General Account investment offering to replace the TIAA Traditional Annuity, which was discontinued on July 1, 2007. Responses were due by June 29, 2007, with an analysis and vendor selection anticipated in the fall of 2007. The effective date of the new investment option is dependent upon RFP response and vendor/University system programming capabilities.

2. In the last half of 2007 and 2008, Employee Benefits will be working with internal and external counsel to review and restate existing plan documents to comply with new federal law. The FRP, ORP and 457 plans will be reviewed and submitted to the Internal Revenue Service for tax-qualified determination by January 31, 2009.

3. The Retirement Subcommittee is presently considering whether it will recommend the Roth 403(b) option for the Optional Retirement Plan. A recommendation is expected in the Spring of 2008.

4. During the 2007-2008 year, the Retirement Fiduciary Advisory Committee will continue to review University retirement plans for improvements. This Committee will also begin work on a formal Investment Policy.

5. Corresponding with the move to self-service for open enrollment in the fall of 2004, Employee Benefits is pursuing the feasibility of self-service enrollment and contribution rate changes. It is anticipated that not only will employees be able to enroll and update the University’s HRMS system, but will also be able to complete online the information needed at the various investment providers. This project is a significant endeavor and is scheduled to begin analysis after completion of the Enterprise Financial System in 2008.

It is anticipated that the work scheduled or underway will continue to maintain and enhance the attractiveness of the University of Minnesota’s retirement programs. Any questions on this report should be referred to the Employee Benefits Department at 612-624-9090 or 800-756-2363 (option 2).
Appendix A

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Incented Retirement</td>
<td>578</td>
<td>124</td>
<td>256</td>
<td>198</td>
<td></td>
</tr>
<tr>
<td>Phased Retirement</td>
<td>118</td>
<td>36</td>
<td>39</td>
<td>43</td>
<td></td>
</tr>
<tr>
<td>Terminal Agreement</td>
<td>22</td>
<td>10</td>
<td>5</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Layoff Severance*</td>
<td>71</td>
<td>30</td>
<td>8</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>Non Renewal*</td>
<td>16</td>
<td>7</td>
<td>2</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>805</td>
<td>207</td>
<td>310</td>
<td>288</td>
<td></td>
</tr>
<tr>
<td>Average Age at Retirement (in years)</td>
<td>62</td>
<td>61</td>
<td>63</td>
<td>62</td>
<td></td>
</tr>
<tr>
<td>Average Salary at Retirement</td>
<td>$63,477</td>
<td>$61,888</td>
<td>$59,892</td>
<td>$68,479</td>
<td></td>
</tr>
<tr>
<td>Average Service at Retirement (in years)</td>
<td>24</td>
<td>23</td>
<td>24</td>
<td>24</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Retirement by Employee Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty</td>
</tr>
<tr>
<td>Average Age at Retirement (in years)</td>
</tr>
<tr>
<td>Average Salary at Retirement</td>
</tr>
<tr>
<td>Average Service at Retirement (in years)</td>
</tr>
<tr>
<td>Professional and Administrative</td>
</tr>
<tr>
<td>Average Age at Retirement (in years)</td>
</tr>
<tr>
<td>Average Salary at Retirement</td>
</tr>
<tr>
<td>Average Service at Retirement (in years)</td>
</tr>
<tr>
<td>Civil Service</td>
</tr>
<tr>
<td>Average Age at Retirement (in years)</td>
</tr>
<tr>
<td>Average Salary at Retirement</td>
</tr>
<tr>
<td>Average Service at Retirement (in years)</td>
</tr>
<tr>
<td>Collectively Bargained</td>
</tr>
<tr>
<td>Average Age at Retirement (in years)</td>
</tr>
<tr>
<td>Average Salary at Retirement</td>
</tr>
<tr>
<td>Average Service at Retirement (in years)</td>
</tr>
</tbody>
</table>

*Though the layoff severance and non-renewal programs are not retirement programs, 267 individuals who qualified for University retirement left under these programs from July 1, 2002 through June 30, 2007.*
# Appendix B
## Retirements by Campus, College or Administrative Unit
### 07/01/06 – 06/30/07

<table>
<thead>
<tr>
<th></th>
<th>Phased Retirement</th>
<th>Terminal Agreement</th>
<th>Layoff</th>
<th>Non-Renewal</th>
<th>Normal Retirement</th>
<th>Total</th>
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<tr>
<td><strong>Campuses</strong></td>
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<td><strong>Academic Health Center Units</strong></td>
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<td><strong>Twin Cities Colleges</strong></td>
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<td>Office of University Relations</td>
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<tr>
<td>Senior VP of Academic Affairs</td>
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<td>Senior VP of System Administration</td>
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<td>VP/V Provost Equity and Diversity</td>
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<tr>
<td><strong>Total Retirements</strong></td>
<td>43</td>
<td>7</td>
<td>33</td>
<td>7</td>
<td>198</td>
<td>288</td>
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</table>
## Appendix C
Retirement Plans and Programs at the University of Minnesota

<table>
<thead>
<tr>
<th>Plan/Program</th>
<th>Type*</th>
<th>Employee Group Participation</th>
<th>Eligible Active Employees on June 30, 2007</th>
<th>FY 06-07 Employee Contributions (millions)</th>
<th>FY 06-07 University Contributions (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Minnesota Faculty Retirement Plan</td>
<td>DC</td>
<td>Faculty and Professional and Administrative Staff</td>
<td>6,700</td>
<td>$14.07</td>
<td>$73.15</td>
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<tr>
<td>University of Minnesota Optional Retirement Plan</td>
<td>DC</td>
<td>Substantially all Faculty and Staff</td>
<td>20,000+</td>
<td>$40.00</td>
<td>$0.24</td>
</tr>
<tr>
<td>University of Minnesota Section 457 Deferred Compensation Plan</td>
<td>DC</td>
<td>Substantially all Faculty and Staff</td>
<td>20,000+</td>
<td>$9.75</td>
<td>N/A</td>
</tr>
<tr>
<td>Minnesota State Retirement System General Plan</td>
<td>DB</td>
<td>Civil Service and Represented Bargaining Unit Staff</td>
<td>9,400</td>
<td>$15.79</td>
<td>$15.79</td>
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<tr>
<td>Public Employees Retirement Association</td>
<td>DB</td>
<td>Law Enforcement Staff</td>
<td>58</td>
<td>$0.30</td>
<td>$0.45</td>
</tr>
<tr>
<td>Civil Service Retirement System</td>
<td>DB</td>
<td>Certain Federal Staff</td>
<td>57</td>
<td>$0.48</td>
<td>$0.32</td>
</tr>
<tr>
<td>Civil Service Retirement System Offset Retirement</td>
<td>DB</td>
<td>Certain Federal Staff</td>
<td>8</td>
<td>$0.01</td>
<td>$0.05</td>
</tr>
<tr>
<td>Federal Employees Retirement System</td>
<td>DB</td>
<td>Certain Federal Staff</td>
<td>147</td>
<td>$0.12</td>
<td>$1.10</td>
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<tr>
<td>University of Minnesota 415(m) Retirement Plan</td>
<td>DC</td>
<td>Select administrators</td>
<td>11</td>
<td>N/A</td>
<td>$0.42</td>
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<tr>
<td>Special Retirement Plan of the Board of Regents of the University of Minnesota</td>
<td>DB (Policy)</td>
<td>Former employee only – no current participation</td>
<td>0</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Terminal Agreement Programs</td>
<td>DC (Policy)</td>
<td>Tenured Faculty and Continuous Appointment Academic Professionals</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Phased Retirement Program</td>
<td>DC (Policy)</td>
<td>Tenured Faculty and Continuous Appointment Academic Professionals</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>University of Minnesota Supplemental Benefits Plan</td>
<td>DB (Policy)</td>
<td>Pre-1963 FRP participants and pre-1982 female FRP annuitants</td>
<td>274</td>
<td>N/A</td>
<td>$.39</td>
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</table>

*DC – Defined Contribution Plan, DB – Defined Benefit Plan
Appendix D
Faculty Retirement Plan Fund Performance as of June 30, 2007

Highest-Performing FRP Funds
(Excluding Money Market Funds)

<table>
<thead>
<tr>
<th>Investment Fund</th>
<th>Annualized Investment Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-year Return</td>
<td></td>
</tr>
<tr>
<td>Vanguard Total International Index Fund</td>
<td>29.35%</td>
</tr>
<tr>
<td>Vanguard International Value Fund</td>
<td>28.14%</td>
</tr>
<tr>
<td>Fidelity OTC Portfolio</td>
<td>26.62%</td>
</tr>
<tr>
<td>5-year Return</td>
<td></td>
</tr>
<tr>
<td>Vanguard International Value Fund</td>
<td>19.12%</td>
</tr>
<tr>
<td>Vanguard Total International Index Fund</td>
<td>18.91%</td>
</tr>
<tr>
<td>Vanguard Extended Market Index Fund</td>
<td>16.09%</td>
</tr>
<tr>
<td>10-year Return</td>
<td></td>
</tr>
<tr>
<td>Fidelity Contrafund</td>
<td>10.74%</td>
</tr>
<tr>
<td>Vanguard Small Cap Index Fund</td>
<td>9.75%</td>
</tr>
<tr>
<td>Vanguard Windsor II Fund</td>
<td>9.55%</td>
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</tbody>
</table>

Lowest-Performing FRP Funds
(Excluding Money Market Funds)

<table>
<thead>
<tr>
<th>Investment Fund</th>
<th>Annualized Investment Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-year Return</td>
<td></td>
</tr>
<tr>
<td>CREF Inflation-Linked Bond Account</td>
<td>0.35%</td>
</tr>
<tr>
<td>Minnesota Life General Account</td>
<td>4.41%</td>
</tr>
<tr>
<td>TIAA Traditional Annuity</td>
<td>4.99%</td>
</tr>
<tr>
<td>5-year Return</td>
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</tr>
<tr>
<td>Minnesota Life General Account</td>
<td>3.95%</td>
</tr>
<tr>
<td>Vanguard GNMA Fund</td>
<td>3.97%</td>
</tr>
<tr>
<td>CREF Bond Account</td>
<td>4.39%</td>
</tr>
<tr>
<td>10-year Return</td>
<td></td>
</tr>
<tr>
<td>CREF Growth Account</td>
<td>3.02%</td>
</tr>
<tr>
<td>Minnesota Life General Account</td>
<td>5.20%</td>
</tr>
<tr>
<td>Vanguard GNMA Fund</td>
<td>5.64%</td>
</tr>
</tbody>
</table>
Appendix E
Insurance Company General Account Supplemental Information

Insurance company general accounts (Minnesota Life General Account, Minnesota Life General Account Limited and TIAA Traditional Annuity) are generally the most conservative funds offered in University retirement plans, and as such, can be less subject to market risk but more subject to inflation and interest-rate risks. They historically provide investment returns lower than more volatile investment options. While these accounts promise “guarantee” of principal, with a minimum 3% return, the promise is backed solely by the institution’s financial strength and credit quality.

Company Credit Ratings (as of July 31, 2007)

<table>
<thead>
<tr>
<th>Credit Rating Agency</th>
<th>Minnesota Life</th>
<th>TIAA-CREF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard &amp; Poor’s</td>
<td>AA-</td>
<td>AAA</td>
</tr>
<tr>
<td>Moody’s</td>
<td>Aa2</td>
<td>Aaa</td>
</tr>
<tr>
<td>A. M. Best</td>
<td>A+</td>
<td>A++</td>
</tr>
<tr>
<td>Fitch</td>
<td>AA</td>
<td>AAA</td>
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</table>

University of Minnesota Retirement Plan Holdings as of June 30, 2007 (in millions)

<table>
<thead>
<tr>
<th></th>
<th>Minnesota Life</th>
<th>TIAA-CREF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty Retirement Plan</td>
<td>$902.9</td>
<td>$124.3</td>
</tr>
<tr>
<td>Optional Retirement Plan</td>
<td>$171.2</td>
<td>$35.3</td>
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<tr>
<td>457 Deferred Comp Plan</td>
<td>$4.9</td>
<td>$3.5</td>
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<tr>
<td>Total</td>
<td>$1,079.0</td>
<td>$163.1</td>
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<td>Total Fund Assets</td>
<td>$10,300</td>
<td>$167,130</td>
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# Appendix F
Optional Retirement Plan Fund Performance as of June 30, 2007

## Highest-Performing ORP Funds
(Excluding Money Market Funds)

<table>
<thead>
<tr>
<th>Investment Fund</th>
<th>Annualized Investment Return</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1-year Return</strong></td>
<td></td>
</tr>
<tr>
<td>Fidelity Southeast Asia Fund</td>
<td>62.62%</td>
</tr>
<tr>
<td>Fidelity Latin America Fund</td>
<td>57.67%</td>
</tr>
<tr>
<td>DWS Latin America Equity Fund</td>
<td>57.01%</td>
</tr>
<tr>
<td><strong>5-year Return</strong></td>
<td></td>
</tr>
<tr>
<td>Fidelity Latin America Fund</td>
<td>42.35%</td>
</tr>
<tr>
<td>DWS Latin America Equity Fund</td>
<td>38.73%</td>
</tr>
<tr>
<td>Fidelity Leveraged Company Stock Fund</td>
<td>37.92%</td>
</tr>
<tr>
<td><strong>10-year Return</strong></td>
<td></td>
</tr>
<tr>
<td>Vanguard Energy Fund</td>
<td>17.83%</td>
</tr>
<tr>
<td>Fidelity Select Natural Gas Fund</td>
<td>17.02%</td>
</tr>
<tr>
<td>Vanguard Capital Opportunity Fund</td>
<td>16.92%</td>
</tr>
</tbody>
</table>

## Lowest-Performing ORP Funds
(Excluding Money Market Funds)

<table>
<thead>
<tr>
<th>Investment Fund</th>
<th>Annualized Investment Return</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1-year Return</strong></td>
<td></td>
</tr>
<tr>
<td>Fidelity Japan Smaller Companies Fund</td>
<td>(10.98%)</td>
</tr>
<tr>
<td>Advantus International Bond Fund</td>
<td>0.51%</td>
</tr>
<tr>
<td>Fidelity Inflation-Protected Bond Fund</td>
<td>3.37%</td>
</tr>
<tr>
<td><strong>5-year Return</strong></td>
<td></td>
</tr>
<tr>
<td>Fidelity Institutional Short-Intermed Gov’t Bond Fund</td>
<td>2.92%</td>
</tr>
<tr>
<td>Vanguard Short-Term Treasury Fund</td>
<td>3.06%</td>
</tr>
<tr>
<td>Vanguard Short-Term Federal Fund</td>
<td>3.08%</td>
</tr>
<tr>
<td><strong>10-year Return</strong></td>
<td></td>
</tr>
<tr>
<td>Vanguard Growth Fund</td>
<td>0.45%</td>
</tr>
<tr>
<td>Fidelity Select Environmental Fund</td>
<td>1.72%</td>
</tr>
<tr>
<td>Vanguard Pacific Stock Index Fund</td>
<td>2.91%</td>
</tr>
</tbody>
</table>
Appendix G
457 Deferred Compensation Plan Fund Performance as of June 30, 2007

Highest-Performing 457 Funds
(Excluding Money Market Funds)

<table>
<thead>
<tr>
<th>Investment Fund</th>
<th>Annualized Investment Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-year Return</td>
<td></td>
</tr>
<tr>
<td>Fidelity Southeast Asia Fund</td>
<td>62.62%</td>
</tr>
<tr>
<td>Fidelity Latin America Fund</td>
<td>57.67%</td>
</tr>
<tr>
<td>Fidelity Emerging Markets Fund</td>
<td>47.56%</td>
</tr>
<tr>
<td>5-year Return</td>
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</tr>
<tr>
<td>Fidelity Latin America Fund</td>
<td>42.35%</td>
</tr>
<tr>
<td>Fidelity Leveraged Company Stock Fund</td>
<td>37.92%</td>
</tr>
<tr>
<td>Fidelity Emerging Markets Fund</td>
<td>30.67%</td>
</tr>
<tr>
<td>10-year Return</td>
<td></td>
</tr>
<tr>
<td>Vanguard Energy Fund</td>
<td>17.83%</td>
</tr>
<tr>
<td>Fidelity Select Natural Gas Fund</td>
<td>17.02%</td>
</tr>
<tr>
<td>Vanguard Capital Opportunity Fund</td>
<td>16.92%</td>
</tr>
</tbody>
</table>

Lowest-Performing 457 Funds
(Excluding Money Market Funds)

<table>
<thead>
<tr>
<th>Investment Fund</th>
<th>Annualized Investment Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-year Return</td>
<td></td>
</tr>
<tr>
<td>Fidelity Japan Smaller Companies Fund</td>
<td>(10.98%)</td>
</tr>
<tr>
<td>Advantus International Bond Fund</td>
<td>0.51%</td>
</tr>
<tr>
<td>Fidelity Inflation-Protected Bond Fund</td>
<td>3.37%</td>
</tr>
<tr>
<td>5-year Return</td>
<td></td>
</tr>
<tr>
<td>Fidelity Institutional Short-Intermed Gov't Bond Fund</td>
<td>2.92%</td>
</tr>
<tr>
<td>Vanguard Short-Term Treasury Fund</td>
<td>3.06%</td>
</tr>
<tr>
<td>Vanguard Short-Term Federal Fund</td>
<td>3.08%</td>
</tr>
<tr>
<td>10-year Return</td>
<td></td>
</tr>
<tr>
<td>Vanguard Growth Fund</td>
<td>0.45%</td>
</tr>
<tr>
<td>Fidelity Select Environmental Fund</td>
<td>1.72%</td>
</tr>
<tr>
<td>Vanguard Pacific Stock Index Fund</td>
<td>2.91%</td>
</tr>
</tbody>
</table>