Benefits Committee Report  
By Ron MacQuarrie, Chair  

An important issue for retirees, as well as current employees, is the strength and stability of the financial holdings that provide the retirement benefits for these individuals. This report by the Benefits Committee of the UMKC Retirees Association provides an overview of the financial status of the University's Retirement, Disability and Death Benefit Plan, commonly referred to as the Retirement Fund, and which is the source of the funds for the defined pension plan and other stipulated benefits to qualified employees. The Trust was established in 1958 and is funded for the purpose of providing the financial security of those benefits. The Retirement Fund is managed by the UM System Finance and Administration Department (http://www.umsystem.edu/ums/fa), the primary mission of which is to maximize the financial and physical capacity of the University to Support its teaching, research, and outreach activities. The activities of the department include the planning and management of investments and debt, internal auditing, accounting, and budgeting. The Board of Curators of the University of Missouri bears the ultimate fiduciary responsibility for the prudent investment of the trust assets and established the investment guidelines in 1991 and amended them in 2009. The Fund is managed by professional money managers and is diversified across asset classes to reduce overall portfolio risk. The University is guided by four basic principles in managing its Retirement Fund:  

- Provide sufficient funding to meet the retirement fund's objective.  
- Focus on the long-term performance.  
- Seek out investment opportunities that offer superior returns.  
- Diversify investments to reduce risk.  

The primary objective of the Finance and Administration Department in managing the trust assets is to provide for the full and timely payment of retirement, disability and death benefits to qualified employees. To accomplish this objective and to maintain an appropriate level of assets, the department uses two primary sources of funding: the total investment return on Plan assets and the amount of University contributions. A strategy used to accomplish this is to maximize the investment returns.  

In the most recent UM System report on the Retirement Fund, dated September 2011, the fund balance was $2.49 billion. In general, the size of the fund has been relatively stable over many years (and has increased slightly over the past ten years). By these and other measures, the fund has done well over the years. As reported by BusinessInsider in 2010, the UM System fund is one of the best-managed university endowment funds. (For more information see the following website: (http://www.businessinsider.com/the-10-best-managed-university-endowments-2010-2#ixzzlkww5ifzK). Other well managed endowment funds include those from Washington State, Pepperdine, the University of South Carolina and the University of Massachusetts. Harvard's endowment was the largest and has lost the most in absolute dollars. In addition, it has had one of the largest declines in percentage terms as indicated in the report. Duke and Yale each did almost as poorly as Harvard. In recent years, the UM System Finance Department and the Board of Curators have considered changes to the defined benefit plan and the addition of a defined contribution plan. After much consideration, the Board of Curators approved a new retirement plan design for employees hired after Sept. 30, 2012 (http://www.umsystem.edu/president/10202011_systemwide). This retirement plan for new employees is a combination of a defined benefit and defined contribution plan. The defined benefit portion of the plan is similar to the university's existing retirement plan and uses the same benefit calculation method with a multiplier formula of 1 percent of base pay. The required employee contribution is identical to that of the current plan. The terms for employee vesting in the defined benefit portion of the plan also are identical to the university's existing plan. The current university defined benefit plan for existing employees and retirees remains in effect. The defined contribution portion of the new retirement plan includes a university contribution of 2 percent of pay to an employee-directed investment account. Vesting for this portion of the plan design will be three nonconsecutive years of benefits-eligible employment. New employees may elect to make tax-deferred voluntary contributions to their defined contribution accounts, which will be matched 100 percent by university contributions up to 3 percent of pay.  

During the period in which this new benefit plan was being considered, the UMKC Faculty Senate and other groups and individuals had numerous comments and questions about the new plan and its relationship to the existing defined benefit plan. A report on this subject from the UMKC Faculty Senate may be found at this address:  
http://www.umkc.edu/facultysenate/index.shtml