



# Tax-Sheltered Annuity Review Committee

## Minutes

### May 4, 2018

- Members Present:** Kevin Bahr (Chair), Michael Collins, Anoop Dhingra (via phone), Howard Erlanger (Vice Chair), Rashika Kamal, Gigi Koenig, Bob Kunkel, Kimberly Sipiorski, Rob Wolf
- Members Absent:** None
- Staff:** Shenita Brokenburr, Brianna Greenwood, Jennifer Lattis (UWS Senior System Legal Counsel), Terry Lauber, Erin Schoonmaker, Rose Stephenson
- TSA Providers:** Richard Tesch, Ameriprise Financial/RiverSource; Pat Vaughan, Fidelity Investments; Julie Kruser, Lincoln (via phone); Shawn Alvino, T. Rowe Price; Leteka Bojanowski, TIAA (via phone after lunch)
- Guests:** John Burnett, UWSA Office of Procurement; Mark Olsen, PlanPilot

Kevin Bahr called the meeting to order at 10:06 a.m.

#### 1. Welcome and Introductions

The TSA Review Committee, UW System staff, provider representatives, and guests introduced themselves.

#### 2. Review and Approval of Minutes

MOTION: Howard Erlanger moved to approve the minutes of the November 3, 2017 TSARC meeting. Robert Kunkel seconded. Motion passed unanimously.

#### 3. Request for Proposal (RFP) Update

##### a. PlanPilot – Mark Olsen, Managing Director

Mark Olsen summarized the overarching goals of the project – improving compliance, oversight, fiduciary practices, and overall efficiency while proactively anticipating and/or managing risk with the main goal of improving the participant experience.

Mark next addressed the three key service needs of UW System during the RFP process: 1) recordkeeper review, 2) investment review, and 3) communication support. The RFP process could result in one, two, or three consulting companies covering the three key service needs, depending on the consultant's areas of expertise and their score(s) in the evaluation process (criteria includes firm attributes, service, compensation, and references).

Mark then introduced the cost estimates for the RFP, both for the review project and for retainer services for each key service need, with a low, medium and high cost for each. Retainer services costs would only be applicable if UW System required ongoing assistance in any of the three areas. Mark obtained the cost figures through Freedom of Information Act requests. Approval of consultant expenditures will be requested in Agenda Item 4.c., with costs to be paid from the TSA Program budget.

Committee members inquired whether the TSARC has the ability to override recommendations made by the chosen consultant. Mark made clear that consultants work for the Program and UW System Administration, and the TSARC as an advisory resource decides what recommendations it will put forward or ask for more clarification on. However, he did emphasize that part of the RFP development team's process should be trying to clearly define the goals and duties of the consultant(s) selected, including whether they should be kept on retainer.

Committee members remarked on the high costs. Mark reminded everyone that the purpose of this process was to provide a better experience for participants by simplifying the program, leading to less confusion. Using investment options as an example, Mark noted that providing services is generally more costly when there are many funds. Decreasing the number of funds offered frequently leads to a decrease in fees from the provider(s). Fidelity, TIAA, and T. Rowe Price representatives concurred that streamlining offerings would be taken into consideration when quoting prices to the program. Pat Vaughn (Fidelity) also observed that the decrease in total costs to participants from providers often offset the cost of the consultant(s), and sometimes saved participants even more.

The question was raised why the five current providers could not decrease the number of investment offerings themselves, which would save on hiring a consultant for at least that portion. Rose Stephenson responded that the consultant would work with the committee to establish an investment policy statement and look at the entire investment lineup, picking the best funds for participants. The program would offer the top-performing funds, which takes the burden of choosing good funds off the participants.

Michael Collins mentioned that although the costs may seem high, they were average for the industry and expected. He commented that the total cost of this process divided among individual participants was very low and that these processes tend to save the participants more money than is spent up front on consultants. Mark noted that PlanPilot is not bidding on any part of the RFP, and neither he nor PlanPilot has any stake in the amount of the estimated (or actual) costs.

Erin Schoonmaker noted that the investment review would be completed once the recordkeeper process is completed, which allows investments to be chosen looking at the entire program, not by individual provider. Rose stressed that the intent of working with a consultant is to benefit the participant. Some benefits include increasing employee participation and engagement, simplifying enrollment and working to eliminate any hurdles to enter the program, and improving communication and education.

**b. UWSA Procurement – John Burnett**

John Burnett presented a high-level overview of the RFP process, laying out a five-part process:

- 1) Identifying the Need, 2) Developing the Proposal, 3) Issuing the Proposal, 4) Reviewing / Evaluating Proposals and Awarding the Contract(s), 5) Performing Post-Award Activities.

**4. TSA Program Finances**

**a. TSA Program Financial Report**

Rose presented the mid-year financial report, covering July 1, 2017 through March 31, 2018. Rose requests funding from UW accounts at Fidelity, TIAA, and T. Rowe Price, and there are substantial revenue reserves remaining there. The plan negotiates revenue from providers based on UW assets at the companies and the income providers receive from UW accounts over the amount needed to provide services.

**b. Request for Approval of ALEX Expenditure for 2019 Plan Year**

Starting with the 2018 Annual Benefit Enrollment in 2017, the UW System began using ALEX by Jellyvision, an interactive decision-support employee benefits communication tool.

Staff requested that the TSARC approve using \$21,952 from the TSA Program budget to fund a portion of the \$53,673 cost of the ALEX retirement module for the 2019 plan year, using the same method that was approved at the 2017 TSARC meeting to fund the ALEX retirement module for the 2018 plan year.

MOTION: Rob Wolf moved to approve the request to use \$21,952 from TSA Program Fund to pay for part of the ALEX retirement module in 2019. Anoop Dhingra seconded. Motion passed unanimously.

**c. Request for Approval of Consultant Expenditure(s)**

Erin explained the need to approve a budget for consultant costs for the Review Project of the RFP process, so the process can continue smoothly. She noted that the result should be an overall budget amount since that provides the flexibility to adjust within each section.

**Review Project**

	Low	Medium	High
<b>Recordkeeper Services and Fees</b>	\$50,000	\$90,000	\$120,000
<b>Investment Menu</b>	\$80,000	\$150,000	\$200,000
<b>Communications – Strategy</b>	\$20,000	\$50,000	\$75,000
<b>Communications – Transition</b>	\$130,000	\$160,000	\$200,000

Members asked whether a vendor would be disqualified if it came in over the approved amount. Erin replied that a vendor would not necessarily be disqualified, but that the team would need to come back to the committee to get approval for additional funds. The question was raised whether potential vendors would know the dollar amounts approved here. Rose responded that the TSARC meeting minutes will not be posted until after they are approved at the fall meeting. The RFP is scheduled to be published later this summer and potentially awarded before the fall meeting. Jennifer Lattis noted that vendors could technically ask for the information, as a public record.

MOTION: Rob Wolf moved to approve consultant cost estimates, and Rashika Kamal seconded.

There was a question whether an amount was provided in the motion and a discussion about the size of the amount to include.

MOTION TO AMEND MOTION: Anoop Dhingra moved to amend the motion to approve consultant cost estimates up to a total of \$500,000. Rashika Kamal seconded. Six in favor, three abstaining (Kevin Bahr, Howard Erlanger, Robert Kunkel). Amendment to the motion passed.

MOTION now reads: Approve consultant cost estimates up to a total of \$500,000. Seven in favor, two abstaining (Kevin Bahr, Robert Kunkel). Motion passed.

The meeting broke for lunch at 12:03 p.m. and reconvened at 12:53 p.m.

Due to a scheduling conflict, Kevin Bahr left the meeting, and Howard Erlanger, Vice Chair, took over.

## **5. UW TSA 403(b) Program Annual Report**

### **a. Process – TIAA, Leteka Bojanowski**

TSA Program staff invited all TSA providers to submit proposals to compile the *2017 UW TSA 403(b) Program Annual Report*. TIAA was chosen, with the intention of repeating the process each year. Leteka described the process of receiving provider data and information from the UW, working internally to create templates, and contracting with a third-party marketing firm to assist in the formatting and graphics. TIAA talked with Erin and Rose multiple times to review a draft copy before the final version was produced.

### **b. Report Highlights**

Rose gave a brief overview of the *2017 UW TSA 403(b) Program Annual Report*. Assets as of December 31, 2017 rose to just over \$2.6 billion from over \$2.27 billion in 2016, an increase of 16.4%. Across the five current providers, there are 20,244 participants with account balances, and participants are actively contributing to 10,015 accounts. This is the number of accounts, not unique participants, not including those at frozen providers. The highest average balance in the plan was with TIAA – \$133,657. Ameriprise participants had the lowest average balance of \$96,697 but the highest median balance of \$65,410.

Participants contribute an average of 9% of salary. Contributions to the TSA Program increased by almost 2% in 2017 to more than \$72 million. TIAA received 42% of the contributions; Fidelity – 37.6%; T. Rowe Price – 13.2%; Ameriprise – 4.4%, and Lincoln – 2.7%. Roth after-tax contributions increased from 8.3% in 2016 to 9.2% in 2017. Roth contributions have been increasing every year since their introduction into the plan in 2011. The top 50 funds account for more than 68% of contributions.

Rose thanked TIAA for their work on the *Annual Report*, and Shenita Brokenburr took a moment to thank TIAA for coordinating the visit from TIAA CEO Roger Ferguson who spoke to student groups at UW-Madison and at UW-Milwaukee as a part of the Distinguished Lecture Series.

## **6. TSARC Committee Member Processes**

### **a. TSARC Appointment/Re-appointment Process Improvement**

Rose introduced the Tax-Sheltered Annuity Review Committee Member Manual. She asked members to review the Table of Contents and provide feedback and suggestions. The manual is being drafted as a tool to help the committee by documenting processes involved, along with the duties and responsibilities of the committee. When the draft is completed, it will be sent to committee members for review and input.

### **b. Proposed TSARC Subcommittees**

One part of the improvement process is a proposal to add subcommittees to provide services for the whole committee. Ideas include Employee Education and Development, Member Onboarding and Mentoring, Member Recruitment and Succession Planning, and Increasing Plan Participation and Engagement.

## **7. TSA Plan Administration and Operational Updates**

### **a. Plan Efficiency Scorecard**

Erin presented the Scorecard summary and gave a brief overview of the process. She informed the committee that it was tweaked a little bit from the version provided in the fall 2017 to level the playing field for all providers, but the scores stayed relatively the same.

### **b. Report on Return of Revenue to Participants**

As approved during the spring 2017 TSARC meeting, the plan returned revenue to participants: \$650,000 to Fidelity participants, \$99,087 to TIAA participants, and \$94,625 to T. Rowe Price participants. Providers sent out letters and included the information on quarterly statements.

**c. Report on Loans**

As of April 2018, there were 41 loans issued for the 2018 year, and there were 696 outstanding loans.

**d. Operational updates: Program Administration; 15-year Rule Catch-ups**

Fidelity approved seven loans for participants who currently held defaulted loans and therefore should not have been allowed to have a subsequent loan. The IRS allows these loans if they are repaid through the employer's payroll. In 2017 the UW Service Center established repayment of these loans through UW payroll. One loan has since been repaid, and there are six participants with loans remaining. The Fidelity approval process has been corrected. The UW System Tax Compliance Group reviewed the details of the issue and agreed that the IRS Self Correction Program was the appropriate program to use to correct these.

Rose informed the committee that a participant's contributions had been mistakenly stopped due to a reprocessing error at the UW Service Center. Those contributions have since been restarted, and the participant was allowed to contribute for 2017, with the UW paying lost earnings on those contributions.

Rose noted that there was an increase in 15-Year Service Catch-Up requests, including some for Voluntary Separation Incentive Program payments.

**e. Communication and Outreach**

- TSA staff worked with providers and institution benefits staff to plan America Saves Week. The campaign included workshops, one-on-one counseling sessions with TSA providers, and UW Credit Union credit checkups, as well as a website with information and online tools and resources.
- Employees received a message about the TSA Program via their earning statement (biweekly paycheck on March 15, 2018; monthly paycheck on March 30, 2018).
- TSA staff worked with Fidelity to create an introductory UW TSA 403(b) Program presentation.
- TSA staff made the website more mobile and user friendly and are currently creating short educational videos. The ALEX retirement module is another example of a recent enhancement.

**f. Staff Professional Development**

There have been and will be several staff professional development events throughout the year.

- January 29–30, 2018: TIAA Site Visit
- March 6–7, 2018: UW Law Days
- April 23–25, 2018: TIAA Client Forum
- August 2–3, 2018: UW System Annual Human Resources Conference

**8. TSA Provider Updates by Representatives**

**a. Lincoln**

Julie Kruser reported on a series of webcasts for plan sponsor education to better engage millennials into employer-sponsored retirement plans. Lincoln is increasing its website content, including calculators that show the cost of delaying retirement, debt repayment, and how a contribution change affects long-term savings.

**b. Fidelity**

Pat Vaughan provided an update on student loan forgiveness. The Omnibus Bill allocated \$350 million towards loan forgiveness on a first-come first-serve basis. The Department of Education was given \$2.3 million dollars to provide outreach to borrowers. Fidelity's website allows borrowers to review a checklist and use a student debt tool. Fidelity has been working on financial wellness and the impediments to saving for retirement, including competing items like student loan debt. Fidelity provides a number that employees can text to let them plug in their information; they then receive a financial wellness score.

**c. T. Rowe Price**

Shawn Alvino reported that all participants have access to a cash flow management tool, DoubleNetPay, that allows them to set a savings goal and pay down debt. It allows participants to track their bills and due dates, then schedule bill payments around their paycheck cycles. She also touched on cyber security and fraud protection. T. Rowe Price will handle individual situations as they always have but are pushing for participants and plan sponsors to be vigilant though the use of 2-factor authentication.

**d. TIAA**

Leteka Bojanowski announced the upcoming launch of the TIAA bank, with more information coming in June 2018, and that TIAA received the 2018 Lipper Award. TIAA also hired a new field consultant to do one-on-one counseling sessions at the Madison office.

**e. Ameriprise/RiverSource**

Richard Tesch presented Ameriprise's Ages, Stages & Money Study, which surveyed more than 3,000 Americans ages 30–79 with at least \$100,000 in investable assets about their financial wellness. The majority reported feeling confident about retirement and that they were doing better than their peers; they attributed their success to diversification of funds and paying down debt.

**9. Resolutions**

Robert Wolf is leaving the UW System, and the terms of Robert Kunkel and Howard Erlanger end in August 2018. Kevin Bahr announced, before he left at the lunch break, that although he had one more year remaining on his term, he was stepping down from the committee.

Rose took a moment to recognize the service of all four members and read Resolutions of Commendation for each, citing their leadership, expertise, and outstanding service on behalf of System colleagues. Erin awarded each a plaque, signed by President Cross, in recognition and appreciation of their service.

MOTION: Michael Collins moved that the TSARC approve the Resolutions of Commendation for Kevin Bahr, Howard Erlanger, Robert Kunkel, and Robert Wolf. Kimberly Sipiorski seconded. Motion passed unanimously.

**10. Other**

**11. Next Meeting Date**

The next meeting is on November 2, 2018. The meeting will be going green; all materials and presentations will be provided electronically ahead of time as usual. Printed copies will not be provided at the meeting; however, WiFi will be available to access the materials electronically.

**12. Adjourn**

MOTION: Gigi Koenig moved to adjourn. Rob Wolf seconded. Motion passed unanimously. The meeting adjourned at 2:10 p.m.