



Tax-Sheltered Annuity Review Committee

1920 Van Hise Hall 1220 Linden Dr. Madison WI

April 26, 2019 Minutes

- Members Present:** J. Michael Collins (Chair), Anoop Dhingra, Ann Iverson, Rashiqa Kamal (Vice Chair), William Maas, David J. Miller, Syed M. Moiz, David Schalow, Kimberly Sipiorski
- Members Absent:** None
- Staff:** Shenita Brokenburr, Daniel Chanen, Erin Schoonmaker, Rose Stephenson, Brianna Greenwood, Kristin Johnson (UWS Senior System Legal Counsel)
- TSA Providers:** Richard Tesch, Ameriprise Financial/RiverSource; David Bruce, Fidelity Investments; Julie Kruser, Betty Custer, Lincoln; Shawn Alvino, T. Rowe Price; Leteka Bojanowski, Jeff Wagner, TIAA
- Guests:** Ruth Ginzberg, UWSA Office of Procurement; Mark Olsen, PlanPilot; Jeff Black, Dan Pawlisch, Cynthia Zaleta, Aon Hewitt Investment Consulting; Lindsay Stortz, Willis Towers Watson

Chair J. Michael Collins called the meeting to order at 10:04 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: Kimberly Sipiorski moved to approve the minutes of the November 2, 2018 TSARC meeting. Dave Schalow seconded. Motion passed unanimously.

MOTION: Rashiqa Kamal moved to approve the minutes of the March 1, 2019 meeting held via teleconference. Kimberly Sipiorski seconded. Motion passed unanimously.

3. Request for Proposal (RFP) Update

a. UWSA Procurement – Ruth Ginzberg

Ruth gave a brief overview of the work thus far on the RFP to hire TSA Program consultants, including the review, evaluation and award processes. She noted there were no protests, but there was an inquiry from the press (*Pension & Investments*) regarding the results. Rose announced that the consultant for the recordkeeping review and the investment review was Aon Hewitt Investment Consulting and the consultant for the education and communication strategy was Willis Towers Watson.

b. PlanPilot – Mark Olsen, Managing Director

Mark provided a review of the steps taken in preparing, publishing, and evaluating the RFP for the three streams of work and in awarding the contracts. He also went over the next steps, which include TSA staff collaborating with consultants to work on timelines, developing work streams, and discussing TSARC involvement.

c. New Consultants: Introductions; Overview of Process

Aon consultants Dan Pawlisch and Jeff Black introduced themselves as the investment review consultants. Cynthia Zaleta introduced herself as the lead for the recordkeeping review. Teresa Kruse (not present) will assist Cynthia. Aon team members presented an overview of the steps involved in the recordkeeping review and the investment review along with a proposed timeline.

Willis Towers Watson consultant Lindsay Stortz introduced herself as the communications consultant. She presented a slide deck with the steps she plans to take to develop a communication strategy and a proposed timeline. The communications component will begin later in the process. When asked about what had gone wrong with communicating changes for retirement savings plans at other educational institutions, she noted if potential change is communicated too early before decisions are made, participants have expressed distress and concern – with many unknowns and considerable time before the change is even implemented. Lindsay and the Aon team discussed ways they would work together.

d. TSARC Involvement: Subcommittee or Ad Hoc Meetings

Rose asked the committee members how they would prefer to be involved in the work of the consultants – through ad hoc meetings, subcommittees, or a combination of both. Members noted that this could depend on the frequency and length of the meetings. The work beginning first will be the recordkeeping review and the investment review. TSA staff will work with Aon to determine the time commitment.

Mark Olsen mentioned that this process will take time and will require TSARC commitment. There is not only an expectation of participation during meetings but also of doing “homework,” which keeps the process moving forward. Aon recommended that at least one person be on all committees to facilitate communication. Erin noted that UWSA staff will be on all committees. Michael Collins also noted that he could serve on all committees.

Dave Schalow volunteered to be part of the Investment Subcommittee. Kimberly Sipiorski stated she was interested in communications but would serve on the Recordkeeping Review Subcommittee if needed. Dan Pawlisch commented it may be best to keep an odd number of members on each subcommittee.

4. TSARC Member Manual

a. Member Agreements

Rose reported that Committee feedback was incorporated into the manual. Members noted that the manual was useful and particularly appreciated the onboarding and mentoring components. Rose provided member agreements for each of the TSARC members to read through, sign, and return before leaving at the end of the day, if they had no objections or questions.

b. TSARC Subcommittees

Subcommittees that were previously suggested included Employee Education and Development, Member Onboarding and Mentoring, Member Recruitment and Succession Planning, and Increasing Plan Participation and Engagement. Work on these subcommittees is on hold until a later date, because of the time required for the recordkeeping, investment, and communication review subcommittees.

5. TSA Program Finances

a. TSA Program Financial Report

Rose presented the TSA Program Financial Report as of March 31, 2019. The TSA Program requests funds from provider revenue accounts on an as needed basis.

b. Request for Approval of ALEX Expenditure for 2020 Plan Year Rose introduced the request to use TSA Program funds to pay for a portion of the \$55,283 cost for the ALEX retirement module for the 2020 plan year, using the same method that was reviewed at the spring 2018 TSARC meeting to fund the ALEX retirement module for the 2019 plan year. Erin Schoonmaker provided a brief overview of ALEX and responded to questions. Dave Schalow asked if employees have been surveyed on their opinions of ALEX. He inquired about the bounce rate, which has not been provided by Jellyvision. David pushed for more statistics on bounce rates for a clearer picture of ALEX. Erin, Dan Chanen, and Michael Collins emphasized the benefits of having different learning and communication tools since people learn different ways. Kimberly Sipiorski also requested targeted communication for TSA and ALEX.

MOTION: William Maas moved to approve the request to use \$22,832 from TSA program funds to pay for a portion of the cost for the ALEX retirement module for the 2020 plan year. Dave Schalow seconded. Motion passed unanimously.

6. TSA Plan Administration

a. Report on TSA Program Administration and Operations

Rose presented a written report and highlighted selected topics.

Loans In 2018, 193 participants initiated loans; 46 loans have been issued in 2019. The percentage of participants with a loan is 2.32%.

Freedom of Information Act (FOIA) Request UW System received a FoIA request from Schlichter, Bogard & Denton, LLP for “All annual fee disclosures made by the Plans’ recordkeepers (including, but not limited to, TIAA-CREF, Fidelity, and Ameriprise) to the Plan Sponsor or its delegee(s).”

Reduction in TIAA Recordkeeping Costs TIAA agreed to reduce its cost for providing services from 10.5 basis points times the asset base to 7 basis points.

Education, Communication, and Outreach Activities 2018 activities are detailed in the *UW TSA 403(b) Program Annual Report*. In 2019, TSA Program staff worked with TSA providers to send emails to participants encouraging them to increase contributions, and the article *Saving 1% More* was posted on the UW portal. This was scheduled to coincide with the 2% pay plan increase effective in January 2019. TSA Program staff also worked with providers to make advice and guidance available through individual counseling sessions. Through March 31, 2019, Fidelity held 11 days of individual counseling and TIAA held 18 days. TSA Program staff planned and implemented an outreach campaign in conjunction with *America Saves Week*, February 25–March 2, 2019. This campaign had an emphasis on financial wellness topics as well as saving for retirement and included a website with information, tips, links to interactive webinars, videos, and a list of events. Overall there were 408 unique participants taking part in activities, including 14 different live webinars.

b. Fidelity K6 Share Class Fund Options

Fidelity recently made a K6 share class available for several of its funds. The K6 share class benefits program participants, because the expense ratio is reduced. This share class provides no revenue to the Plan Sponsor. The Committee reviewed the list of funds, Blue Chip Growth, Contrafund, Diversified International, Growth Strategies, International Capital Appreciation, Large Cap Stock, Low-Priced Stock, Mid Cap Value, Small Cap Growth, Small Cap Stock, Value Discovery, Total Bond, the Fidelity Freedom funds, and corresponding reduced expense ratios. The Committee verified that based on TSA Program staffs' calculations of anticipated expenses and current reserves, the decreased revenue will not negatively impact program operations. If the motion were to pass, it would take effect after July 1 of the upcoming fiscal year.

MOTION: William Maas moved that in the UW TSA 403(b) Program Fidelity offer the K6 share class for the 12 Fidelity funds with that share class, plus the Fidelity Freedom funds. Rashiqa Kamal seconded. Motion passed unanimously.

7. UW TSA 403(b) Plan Annual Report Highlights

Rose provided highlights from the 2018 Annual Report. Assets as of December 31, 2018 were approximately \$2.46 billion – down 5.7% from 2017 assets of \$2.6 billion, which reflects 2018 market performance. Across the five current providers, there are 20,505 participants with account balances. There was a 10% increase in enrollments in 2018 over 2017.

The highest average balance in the plan was with TIAA – \$128,631; the highest median balance was with Ameriprise – \$61,478. Although there are 211 more women participants than men, the average balance for women was lower across all providers.

Participants contribute an average of 10% of salary. Contributions to the TSA Program increased by 3.75% in 2018 to almost \$74.7 million. TIAA received more than 41.3% of the contributions; Fidelity – 39.6%; T. Rowe Price – 12.5%; Ameriprise – 4.1%, and Lincoln – 2.4%. There are 21 Target Date funds in the top 50 funds; contributions to the top 50 funds account for 67% of contributions. Roth after-tax contributions increased from 9.2% in 2017 to 11% in 2018. Roth contributions have been increasing every year since their introduction into the plan in 2011.

8. TSA Provider Information Regarding Deforestation Investment Policies

Each of the five providers spoke about their practices regarding environmental, social and governance (ESG) issues.

- **TIAA and Nuveen** collaborated with the UN to draft six Principles for Responsible Investment, a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. Leteka Bojanowski presented Nuveen's Zero Deforestation policy and the TIAA Farmland Report. TIAA reports activities each year. In order to be transparent, TIAA has maps of farms on its website, lists every country in which they operate, and follows all laws, along with their own guidelines and principles.
- **Lincoln** provided slides on sustainability and emphasized that 85% of their funds have an ESG score of average or above.
- **Fidelity** is a signatory of the UN Principles of Responsible Investing (PRI). David Bruce went over the six principles of PRI and volunteered to bring back more information on ESG investments at the fall meeting.

- **T. Rowe Price** is also a signatory of the UN PRI. In coordination with analysts and portfolio managers, ESG specialists at T. Rowe Price look at factors and give ratings on the securities they purchase and invest in.
- **Ameriprise** presented its Responsible Business Report. Through Columbia Threadneedle, the global asset management group of Ameriprise, it has championed supplier diversity and invested in low-income housing initiatives. Ameriprise offers a range of ESG investments and services.

Rose asked how the committee would like to proceed, since the UW-Madison Faculty Senate requested an answer. Anoop Dhingra mentioned that since the investments would already be under review with the investment review process, review for ESG considerations could be part of that. Michael stated he would work with TSA Program staff to draft a letter and would provide it to the Committee for review.

9. TSA Provider Updates by Representatives

a. T. Rowe Price – New Participant Website

Shawn Alvino reported that T. Rowe Price is focused on motivating employees to save and driving employees to take action. In keeping with this, T. Rowe Price has revamped its participant website; with the new site, each participant will have a personalized homepage.

b. Lincoln – Comprehensive Fiduciary Guide

Julia Kruser described a series of plan sponsor webinars that Lincoln provides and presented the Comprehensive Fiduciary Guide, which gives information on fiduciary responsibilities including how to evaluate service providers and plan expenses, and how ensure employees are adequately prepared for retirement.

c. Ameriprise/RiverSource – Modern Money Survey

Richard Tesch discussed the *Modern Money Survey*, a survey of people who reported being financially better off than their parents, citing their ability to help their kids, even though they would also need to push retirement out. He also highlighted the generational difference between millennials and baby boomers when discussing money – the former prefers to speak openly and the latter does not.

d. Fidelity – Educational Commitment through Webcasts

David Bruce introduced Fidelity’s calendar of webcasts, which includes topics such as retirement, social security, women in investing, and protecting personal information. The website also allows employees to view historic webcasts.

e. TIAA – Live Webinars, Virtual Counseling, Financial Wellness Portal

Leteka Bojanowski reported on digitization and virtual counseling sessions on campuses. She addressed the push for live webinars (including the calendar they send each month). She also mentioned that there would be a toolkit developed to help communicate information to the campuses.

10. Other

11. Next Meeting Date

The next meeting will be on November 1, 2019.

12. Adjourn

MOTION: Rashiqa Kamal moved to adjourn. Syed Moiz seconded. Motion passed unanimously. The meeting was adjourned at 2:05 p.m.