



# Tax-Sheltered Annuity Review Committee

Friday, November 1, 2019 10:00 am– 2:30 pm

Van Hise Hall, Room 1820, Madison, WI

## Minutes

**Members Present:** J. Michael Collins (Chair), Rashiqa Kamal (Vice Chair), Anoop Dhingra, Ann Iverson, William Maas, David J. Miller, Syed M. Moiz, David Schalow, Kimberly Sipiorski

**Members Absent:** None

**Staff:** Daniel Chanen, Brianna Greenwood, Jennifer Lattis (UWS Deputy General Counsel), Sean Nelson, Charles Saunders, Erin Schoonmaker, Rose Stephenson

**TSA Providers:** Brent Kimbel, Richard Tesch, Ameriprise Financial/RiverSource; David Bruce, Fidelity Investments; Betty Custer, Julie Kruser (teleconference), Lincoln; Shawn Alvino, Matt Petri, T. Rowe Price; Leteka Bojanowski, Eileen Finnigan, TIAA

**Guests:** Cynthia Zaleta, Teresa Kruse, Dan Pawlisch, Leon Kung, Aon; Lindsay Stortz, Willis Towers Watson

J. Michael Collins called the meeting to order at 10:02 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 from April 26 and July 29, 2019

MOTION: Dave Schalow moved to approve the minutes of the April 26, 2019 and the July 29, 2019 TSARC meetings. Ann Iverson seconded. Motion passed unanimously.

### 3. Fiduciary Responsibility Training – Jennifer Lattis, Deputy General Counsel

Jennifer Lattis provided an overview of the two duties of fiduciaries: loyalty, the duty to act at all times in the best interest of plan participants, and prudence, the duty to act with a degree of care, skill, and caution. Jennifer then referred the Committee to an advisory opinion on ERISA plans that addressed the difference between settlor expenses, which cannot be paid with plan revenue, and administrative plan expenses, which can be paid with plan revenue. Jennifer noted that, although the UW TSA 403(b) Program as a governmental plan is not subject to ERISA regulations, the plan is subject to US Treasury regulations, which use ERISA standards for plan expenses.

### 4. TSA 403(b) Program Updates

#### a. Financial Report

Rose Stephenson reviewed the TSA Program Financial Report as of 10/11/2019. She reminded the Committee that Terry Lauber's salary and fringe benefit amounts are still included in the plan expense amounts since she is on payroll through the beginning of 2020, using up her banked leave.

#### b. Plan Administration and Operational Updates

Rose referred the Committee to the memo and first discussed the loan report. As of the end of the third quarter of 2019, 136 loans have been issued, and 2.25% of participants have a loan outstanding.

Rose noted that a Fidelity audit discovered errors in the calculation of Minimum Required Distributions (MRDs) for the accounts of four beneficiaries of participants. Fidelity took steps to correct the issue; the errors may be included in a Group Voluntary Correction Program request with the IRS. David Bruce assured the Committee that Fidelity would update the UW on the status of the situation.

Rose provided a high-level overview of education initiatives, highlighting on-site workshops in the Madison area and webinar offerings, and requested Committee feedback on the website.

Michael Collins asked about the 15-year service catch-up and if it was valuable. Rose responded that it is relatively easy to administer and that many UW employees use it for their vacation payout since it could help them avoid being bumped into a higher tax bracket.

Michael also asked whether staff was familiar with the "partnership" between Annex Wealth Management and UW-Madison Athletics and other divisions at UW-Madison. He provided a link to a newspaper announcement of this partnership. Members expressed concern that the advisors

may have little understanding of the WRS, the UW TSA 403(b) Program, or WDC. Rose responded that she would follow up on this with UWS HR and Procurement.

**5. Recordkeeping Review Subcommittee Report – TSARC Recordkeeping Review Subcommittee and Cynthia Zaleta, Teresa Kruse, Aon Hewitt Investment Consulting**

Aon provided a PowerPoint for the presentation, to be shared with attendees after the meeting.

**a. Overview of the process undertaken**

Cynthia Zaleta reviewed the process the committee has taken so far and discussed the types of administrative service structures, ranging from multiple recordkeepers, multiple recordkeepers with a “master” recordkeeper, to a single recordkeeper with “compliance coordination.” She reviewed the advantages and disadvantages of each structure for plan administration and for participants.

**b. Overview of minimum required services**

Teresa Kruse led the discussion of minimum required services. Teresa and Cynthia and noted that, although any recordkeeper may complete the UW Request For Proposal (RFP), efforts during the RFP evaluation process should be focused on firms that can provide the services the plan requires. Therefore, substantial time was spent to determine the minimum required services a recordkeeper should be able to provide. There were initially 37 “must-have” priorities identified by the Subcommittee, which were narrowed down to 12 minimum requirements that a recordkeeper needs to meet in order to be considered in the RFP process. Information regarding initial priorities not included in the final 12 can be obtained through questions.

**c. Suggested future vendor structure**

For a variety of reasons, including ease of administration and participant communication, Aon recommended moving to a sole recordkeeper. Cynthia noted that there may be reasons for a plan to choose a different option.

**d. Recommended next steps**

Anoop Dhingra asked for clarification about accepting the report as far as multiple recordkeepers versus a sole recordkeeper is concerned. Cynthia Zaleta clarified that the decision on multiple recordkeepers versus a sole recordkeeper can be made during the RFP evaluation phase and that pricing may be a factor. Rose and Michael stated that the goal is to continue work on the suggestions presented and continue background work on issuing an RFP.

MOTION: David Miller moved to accept the report as submitted and to recommend the Subcommittee continue to work towards issuing an RFP for a recordkeeper or recordkeepers. Michael Collins seconded. Motion passed unanimously.

**6. Investment Review – Dan Pawlisch, Leon Kung, Aon Hewitt Investment Consulting**

**a. Investment Policy Statement (IPS)**

Dan Pawlisch led the Committee through suggested revisions to the proposed Investment Policy Statement that the Committee provided during the July 29 meeting and additional suggestions from staff made after the meeting. Vice President Nelson expressed concern regarding the approval process of deciding investment options in the plan and recommended approval of the IPS be deferred until these issues can be worked out. Jennifer Lattis stated that these issues can be resolved as the process continues. Michael agreed that this is workable since the IPS could not be implemented until after a recordkeeper(s) is selected to implement a chosen investment line-up.

The Committee decided to continue to work with Aon, staff, and UWS administration to develop an IPS and to bring it up again during the spring TSARC meeting.

**b. Performance reports for the vendors (as of June 30, 2019)**

Leon Kung reviewed the investment structure and investment performance of the five providers, including participant investment allocation.

**c. Recommendations for a streamlined investment structure**

Aon suggested that the plan have four tiers: Tier 1 – Target Date Funds, Tier 2 – Index Funds, Tier 3 – Active Funds, and Tier 4 – Self-Directed Window. Tier 4 would allow participants with more

investment knowledge to be engaged in choosing their investments. Working with Aon, the TSARC would have responsibility for recommending to UWS Administration the investments in Tier 1, 2 and 3. Dan will work with the Investment Subcommittee to begin choosing the types of funds in the investment line-up. Once those are determined, Aon will provide information on individual funds.

**7. Naming the UW TSA 403(b) Program Investment Subcommittee and the UW TSA 403(b) Program Communications Subcommittee**

Rose directed the Committee's attention to the proposed list of TSARC Subcommittee members and noted that J. Michael Collins, Ann Iverson, and David Miller serve on the Recordkeeping Review Subcommittee.

MOTION: Rashiqa Kamal moved to approve the membership of the UW TSA Program Investment Subcommittee as follows: J. Michael Collins, Anoop Dhingra, Rashiqa Kamal, William Maas, and David Schalow. David Miller seconded. Motion passed unanimously on voice vote.

MOTION: David Schalow moved to approve the membership of the UW TSA Program Communications Subcommittee as follows: J. Michael Collins, Syed Moiz, and Kimberly Sipiorski. Kimberly Sipiorski seconded. Motion passed unanimously.

**8. Communications Update – Lindsay Stortz, Willis Towers Watson**

Lindsay Stortz noted that there are two parts to developing a communications strategy for the UW TSA Program. The first piece is to review items like the branding of the plan/program, the participant experience, the participant's current view of the plan, the timing of communications coming from the UW or a third party, the plan objectives, and the story that the plan is telling. The second piece would take place after the RFP process and may include communication about plan changes and what those changes may mean for participants.

**9. TSA Provider Updates by Representatives**

**a. Lincoln – Corporate Social Responsibility Report**

Betty Custer gave a brief overview of the Lincoln report on social responsibility.

**b. Fidelity – ESG (Environmental, Social, Governance) Investing Primer for DC Plan Sponsors**

David Bruce presented an overview of Fidelity's newly published white paper on ESG investing. Among other issues, the paper addressed performance and fees in Fidelity ESG investments.

**c. TIAA – TIAA Safe Estate; “Never Run Out” Campaign**

Leteka Bojanowski informed the committee about TIAA's Safe Estate, a digital lockbox to store different documents and information. She also mentioned the new TIAA commercials that showcase new products and their benefits.

**d. T. Rowe Price – Visualize Retirement; Helping Millennial Women Close the Retirement Savings Gap**

Shawn Alvino presented printed materials on ways millennial women can close the retirement savings gap and what plans can do to help this population. She also discussed the importance of visualizing retirement because many people don't see themselves in retirement.

**e. Ameriprise/RiverSource – Enhancements to the Client Experience**

Richard Tesch reported on the enhancements to the client website, which allows participants to track their goals and see the potential effect of changing benchmarks and goals.

**10. Other?**

**11. Next Meeting: Potential Dates Friday, April 24 or May 8, 2020**

The spring meeting will be Friday, April 24, 2020.

**12. Adjourn**

MOTION: William Maas made a motion to adjourn. Rashiqa Kamal seconded. Motion passed unanimously. Meeting adjourned at 2:34 p.m.