



# Tax-Sheltered Annuity Review Committee

Friday, April 24, 2020 9:30 am– 12:00 pm

Webex Videoconference

Minutes

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

**Members Absent:** Kimberly Sipiorski

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

**TSA Providers:** Richard Tesch, Renee Srock, Ameriprise Financial/RiverSource; David Bruce, Fidelity Investments; Julie Kruser, Lincoln; Shawn Alvino, Matt Petri, T. Rowe Price; Leteka Bojanowski, Ashley Sherman TIAA

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

J. Michael Collins called the meeting to order at 9:35 a.m.

## 1. Welcome and Introductions

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

## 2. Review and Approval of November 1, 2019 TSARC Meeting Minutes

MOTION: Rashika Kamal moved to approve the minutes of the November 1, 2019 TSARC meeting. David Schalow seconded. Motion passed unanimously.

## 3. Recordkeeping Review Subcommittee Report: Administrative Fee Structure Recommendations – TSARC Recordkeeping Review Subcommittee and Cynthia Zaleta, Teresa Kruse, Aon Investments USA Inc.

The Recordkeeping Review Subcommittee, J. Michael Collins, Ann Iverson, David Miller had met with Aon consultants and TSA Program staff in 2019 and again on March 6, 2020 to review recordkeeping structures and fees. Cynthia Zaleta provided a brief overview of the current fee structure and the ways administrative fees could be calculated – non-fixed based on assets, fixed basis points on assets, or per participant account held. She also explained that there were two methods used to pay administrative fees: revenue sharing or a direct participant charge.

Teresa Kruse provided an overview of the current fee transition model, which allows for revenue sharing that can help pay administrative fees, offset additional plan expenses, or be reallocated to participants. She then explained two options of fee equalization: per-capita (flat dollar) and pro-rata (percentage). Under per-capita, each participant would pay the same dollar amount each year as a fee, which as a percentage of balance would be higher for those with a smaller balance. Under a pro-rata model, each participant would pay the same percentage of their balance. Teresa also explained that vendors may have the ability to waive plan administration fees for participants with small balances and may be able to tier fees based on account balance bands.

Teresa stated that the committee should be aware of the cost the vendor charges for administrative recordkeeping services on the number of participants accounts when making a decision and to allocate revenue amounts no less than quarterly. The plan's demographics should be considered when making a decision between pro-rata and per-capita. The plan also needs to implement service level agreements to memorialize all decisions and monitor how fees are calculated and paid on a regular basis.

Teresa reported that the subcommittee recommended that if a Request For Proposal (RFP) for a Recordkeeper is issued, the option remain open to select per capita or pro-rata pricing and that vendors must have the ability to waive fees for small balances and apply fixed fees by account balance bands or a tiered approach.

Dave Schalow asked if the subcommittee had favored one fee structure over the other, and Michael Collins replied at this stage, they were open. The committee voiced a desire for equity for participants

but did not want to discourage participants with low balances. Rose mentioned that pricing also was not clear at this time because the plan may need to do some work before the RFP to determine participant costs.

MOTION: Will Maas moved to approve the Recordkeeping Review Subcommittee Report. Rashiqa Kamal seconded.

MOTION: Anoop Dhingra moved that a Request For Proposal (RFP) be issued for a TSA Program Recordkeeper or Recordkeepers. Rashiqa Kamal seconded.

Both Motions passed unanimously.

**4. Investment Review Subcommittee Report: Streamlined Investment Structure – TSARC Investment Subcommittee and Dan Pawlisch, Leon Kung, Aon Investments USA Inc.**

Dan Pawlisch opened his comments with a discussion of the “sweet spot” of the right number of funds to offer, which usually lands between 10 and 20 funds. The Investment Subcommittee – J. Michael Collins (Chair), Anoop Dhingra, Rashiqa Kamal, David Schalow, and William Maas – had met on December 13, 2019, February 28 and March 13, 2020 to discuss potential investment options for the TSA Program. The subcommittee decided on 19 investment options as the proposed investment structure – counting target date funds and the self-directed mutual fund window as one option each. The self-directed window will allow participants who want more independent choice to go beyond the committee-selected funds and choose their own.

Leon Kung discussed the recommended investment structure by tier, including the managers that had been researched and recommended for each fund. Leon mentioned that additional considerations would need to be made based on the provider(s) selected in the recordkeeper review process, specifically with regards to the guaranteed fixed return annuity and self-directed brokerage window.

MOTION: Will Maas moved to approve the Investment Review Subcommittee Report and to use the structure and proposed funds for the RFP. David Schalow seconded. Motion passed unanimously.

**5. Investment Policy Statement – TSARC Investment Subcommittee**

Charles Saunders noted that the Investment Policy Statement is a draft for purposes of moving forward with the RFP process but may need to be revisited again. Michael Collins reiterated that revisions to the document may still be made after approval of the initial draft.

MOTION: Rashiqa Kamal moved to approve the draft Investment Policy Statement. Ann Iverson seconded. Motion passed unanimously.

**6. TSARC Communication Subcommittee Report: Strategic Plan, Naming and Branding – TSARC Communication Subcommittee and Lindsay Stortz, Willis Towers Watson**

Lindsay Stortz reviewed the communication objectives agreed upon by the committee, which include articulating the value of the program, marketing the program to attract participant, educating people on the program, and offering communication that is concise and clear and connects to the UW System brand. The Communication Subcommittee, J. Michael Collins, Kimberly Sipiorski and Syed Moiz, had met January 13 and February 10, 2020 to develop a communication timeline and potential names for the Program. Lindsay provided highlights of the communications timeline through early 2021, which includes introducing the new name branding updating program, and some of the upcoming messaging.

Lindsay presented the rebranding that the subcommittee had discussed, including the material design and two program name recommendations. In addition to employee feedback via a focus group that Rose Stephenson and Dan Chanen are assembling, Lindsay and Dan asked the Committee for their opinions on the rebranding materials. David Miller and Dave Schalow responded they preferred UW 403(b) Retirement Savings Program [UW 403(b) RSP] over UW Retirement Savings Program (403(b)). Dan also asked if the Committee felt the Program should align with UW System colors and themes. Ann Iverson commented that she felt the plan should leverage the System colors, unless there was a real need to stand alone.

## **7. TSA 403(b) Program Updates**

### **a. Plan Administration and Operational Updates**

Rose Stephenson discussed the CARES Act, which was signed into law on Friday, March 27, 2020. The Program adopted the provisions and will amend the plan document prior to December 31, 2024. Rose also reviewed loan information as of March 31, 2020. Of all participants in the plan, only 2.2% currently have loans. The Program expects, with furloughs and need during the COVID-19 pandemic, that loans may increase in 2020.

Rose provided an update on the 15-Year Service Catch-Up: 19 participants have requested and are using this catch-up as of March 31, 2020 and noted that many participants use this catch-up for their vacation payout. In 2014, EZ Enrollments were implemented for Fidelity, T. Rowe Price, and TIAA and in 2019, all three providers agreed to consolidate the forms into one form. There has since been an uptick in use of the form.

Education, communication, and outreach is an important part of the Program. Earning statement messages, workshops, webinars, individual counseling sessions, articles, emails and America Saves Week are all different activities and events that contributed towards outreach to participants. With COVID-19, many professional development events have been cancelled. Rose plans to complete the plain language certificate online.

### **b. Financial Report**

The Program received a Conseco fair fund settlement check for \$500 and was able to return funds to some participants but not all. The money came from an SEC settlement for a variable annuity sub-account offered through American United Life (AUL). For funds that could not be returned, the money was added to the revenue of the Program. Rose noted that for salaries and expenses, Terry Lauber came off payroll in January 2020.

### **c. Fidelity K6 Share Class Fund Options**

Michael Collins introduced two new Fidelity K6 Share Class fund options. The funds – International Discovery Fund and Fidelity Growth Company – are four and 30 points basis points lower, respectively than the K share class counterparts, saving participants \$55,000 annually, based on 12/31/2019 assets.

MOTION: Dave Schalow moved to approve the fund options. Will Maas seconded. Motion passed unanimously.

### **d. Request for Approval of ALEX Expenditure for 2021 Plan Year**

Rose reviewed the statistics from ALEX for 2019 plan year and explained that it was not possible to see how many people were accessing the retirement module without paying extra. Michael asked if there were any questions about the request of approving approximately \$24,000 for the ALEX expenditure. Rose mentioned that there were limited updates that could be made, but for 2021, the Program could include high-level information about changes coming as a way to contribute to the communication campaign. Dan Chanen noted that it was important that the Program be included in ALEX so the benefits UW System offered were shown as a complete package. It would be difficult to include this information if the module is not partially funded by the TSA Program.

MOTION: Will Maas moved to approve the ALEX expenditure. Rashiqa Kamal seconded. Motion passed unanimously.

## **8. UW TSA 403(b) Plan Annual Report – Highlights**

Rose provided highlights of the 2019 Annual Report and thanked TIAA for compiling the information. Program assets as of 12/31/2019 were up 16% for \$2.86 billion, up from \$2.5 billion in 2018.

The highest average account balance was with TIAA at \$144,842. The highest median balance was with Ameriprise at \$67,340. Across all providers able to provide information by gender, male average balances are considerably higher than female average balances. However, by participation, more

women than men are in the plan (799 more). As expected, the average balance for younger participants is lower than for older participants.

As shown in the Top 50 Investments, the TIAA Traditional has received the most contributions. The top 10 funds account for 29% of all contributions and the top 50 funds account for 68%.

According to UW System HR records, there were \$77.2 million in contributions to the Program for 2019. There may be a difference between HR records and provider records due to errors that are corrected, such as mistake of facts. Roth (after-tax) contributions increase each year, with 2019 contributions at 13% of all contributions and 2018 at 11%. The majority of participants choosing the Roth option are younger participants.

Program participants increased again in 2019, with a total of 9,408 participants. Most participants are between the ages of 40 and 60 years old, though there are several under 20 or 80 years of age or over.

## **9. Other**

### **10. Next Meeting: Potential Dates Friday, September 25, or October 2**

The committee chose to meet again on October 2, 2020.

### **11. Adjourn**

MOTION: William Maas made a motion to adjourn. David Miller seconded. Motion passed unanimously.

Meeting adjourned at 12:04 p.m.