

UW 403(b) Supplemental Retirement Program Advisory Committee (SRPAC) Meeting

Friday, November 3rd, 2023 – 10:00 a.m. to 2:00 p.m.
780 Regent Street RM. 126 A&B & Zoom Conference

Members Present:	J. Michael Collins (Chair), Rashika Kamal (Vice Chair), Veena Brown, Ann Iverson, Shauna Kuether, Will Mass, David Miller, Syed Moiz
Members Absent:	None
Staff:	Jennifer Lattis, Linsey Nelson, Katherine Ptaszek, Charles Saunders, Rose Stephenson
403(b) Recordkeepers:	Catina Hampton, Ernest Alexander, and Ron Barthel (webcast); TIAA; David Bruce and Jason Honey (webcast), Fidelity
Consultants:	Dan Pawlisch, Aon Investments USA Inc.
Guests:	Erin Schoonmaker, Universities of Wisconsin; Shari Galitzer and Edward Murphy, Universities of Wisconsin, Office of Information Security; Jack Burlingame, UW-Madison

Meeting called to order at 10:01 a.m.

1. Welcome and Introductions

Michael Collins welcomed those attending, extending a special welcome to new SRPAC member, Shauna Kuether; SRPAC members, staff, 403(b) recordkeepers, consultant, and guests introduced themselves.

2. Review and Approval of November 4, 2022, SRPAC Meeting Minutes +*

The Committee reviewed the minutes of the April 28, 2023, SRPAC meeting. Rashika Kamal noted that David Schalow's name was misspelled.

MOTION: Rashika Kamal moved to approve the minutes from the April 28th, 2023, SRPAC meeting, as amended. Will Maas seconded. Motion passed unanimously.

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

Jennifer Lattis presented an annual fiduciary refresher. She reminded the Committee that governmental plans are not subject to ERISA. However, SRPAC members should look to ERISA for best practice guidelines. She noted that plan fiduciaries have two primary duties: the duty of loyalty and the duty of prudence. As fiduciaries, SRPAC members must make decisions in the best interest of participants.

4. Cyber Security Discussion+ –

Ron Barthel, TIAA's Sr. Director of Cybersecurity Awareness, indicated we are all under virtual threat and the individuals behind these threats are often part of organized and well-funded groups. He reported the Department of Labor released guidelines on cyber security in April 2021, delineating optimal practices for plan sponsors, plan fiduciaries, service providers, and plan participants. These guidelines aim to assist plan sponsors in establishing sound cyber security programs within the framework of retirement plans. Mr. Barthel indicated that cyber security is a top priority at TIAA. He discussed TIAA's robust cybersecurity program including a 24/7 security center, broader phishing awareness training, data-loss prevention programs, implementation of multifactor authentication, participation in an independent cyber security review required by the DOL, and a commitment to ongoing innovation and collaboration within the industry. Mr. Barthel noted that TIAA guarantees to make participants whole due to any unauthorized financial activity.

Rose Stephenson asked about the recent PBI data breach. Mr. Barthel responded he had been alerted about the breach on June 1, 2023, and then determined which participants were affected. Rose inquired about the number of complaints and questions TIAA received. Mr. Barthel noted that while TIAA received several complaints, they have now subsided. Ed Murphy indicated that roughly 400 UW employees had been affected by the PBI breach through TIAA.

Jason Honey, Fidelity's Team Leader of Customer Protection Experience, reiterated that we are all under some kind of virtual threat. He reported that between 2021 and 2022, 22 billion usernames and passwords were found on the dark web. Mr. Honey indicated that Fidelity was also affected by the PBI data breach; however, no UW participants were affected. Mr. Honey indicated the best way to combat scammers and other cybersecurity threats is through education and ongoing outreach to individuals. He noted that Fidelity worked with the DOL to help create the April 2021 cyber security guidelines and is committed to protecting their customers. Mr. Honey indicated that Fidelity provides 24/7 oversight and employs over 1,000 individuals within their cybersecurity department.

Rashiq Kamal questioned the number of usernames and passwords found on the dark web and asked how Fidelity responded. Mr. Honey noted that individuals do not typically have just one username and password, and Fidelity shut down 1.3 million participant accounts after their usernames and passwords were found on the dark web. Rose Stephenson asked about the use of voice authentication and whether AI could be used to circumvent Fidelity's cyber security protocols. Mr. Honey acknowledged that while AI could possibly get through voice identification, he emphasized the robustness of Fidelity's multifactor approach. Will Maas asked if Fidelity's two-year credit monitoring term was sufficient. Mr. Honey discussed Fidelity's Customer Protection Guarantee which will reimburse participants for any financial losses that result from unauthorized activity on their accounts.

Edward Murphy, Chief Information Security Officer, and Shari Galitzer, GRC Security Analyst, discussed the Universities of Wisconsin Information Security Program. Ed indicated the Program was created in 2018 to bolster cybersecurity at the Universities. Shari noted that higher education is the number one target for cyber security threats. Ed Murphy led a discussion of the Program's three-level vendor risk assessment along with information that is provided to campuses to minimize risks to information. He noted that while the Universities of Wisconsin has cyber security insurance, it is a very complex and expensive policy to maintain. In addition, there is a 50% deductible on ransomware breaches. Ed stated that awareness and communication cyber security threats are key to remind employees of their information security obligations.

Dave Bruce and Jason Honey noted that several participants have not accessed their accounts or engaged in email exchanges, which may create communication challenges if a cyber threat is realized. After discussion, Committee members requested periodic updates regarding security safeguards to protect participant information from possible data breaches.

5. Report of SRPAC Investment Subcommittee – J. Michael Collins

Michael Collins reported that Investment Subcommittee members (Rashiq Kamal, Dave Schalow, Will Maas, Syed Moiz, and Michael Collins) met virtually on September 8, 2023. During the meeting, Subcommittee members heard from Dan Pawlisch, Aon Investments, regarding capital market and investment manager performance. Michael noted the Subcommittee unanimously approved a transition from the Vanguard Federal Money Market Fund Investor Shares to the lower-cost Vanguard Cash Reserves Federal Money Market Fund Admiral Shares.

Michael Collins also noted the Investment Subcommittee reviewed an updated copy of the UW 403(b) SRP Investment Policy Statement in September; it included corrections and edits recommended by Aon Investments for internal consistency and adherence to current advice. He highlighted the incorporation of proxy voting language as a substantial change, influenced by DOL guidance on the importance of voting proxies.

MOTION: Michael Collins asked the Committee to approve the SRPAC Investment Subcommittee Report and the Investment Policy Statement revisions. Motion passed unanimously.

6. Review and Approval UW 403(b) Supplemental Retirement Program Plan Document Updates+*

Rose Stephenson discussed the annual process for reviewing both the Investment Policy Statement and the Plan Document during the fall SRPAC meetings, emphasizing the need for alignment between documented procedures and actual practices. She acknowledged the evolving regulatory landscape, noting implementation of certain provisions from the Cares Act, as well as SECURE 1.0 and SECURE 2.0 changes. She mentioned that since several SECURE 2.0 provisions do not take effect until January 1, 2024, or later, a discussion of the optional SECURE 2.0 provisions would occur during the Spring 2024 SRPAC meeting.

Rose Stephenson indicated that beginning in 2024, the Universities of Wisconsin will have 403(b) SRP and 457 WDC contributions on 24 of the 26 biweekly payrolls in order to facilitate a smooth transition from Peoplesoft HRS to Workday in July 2025. She outlined specific amendments to section 3.1 of the Plan Document, including the removal of language pertaining to deductions from every payroll and the incorporation of new requirements from SECURE 2.0, such as minimum distribution ages and withdrawal opportunities for qualified birth or adoption events. Ann Iverson asked about incorporating the updated branding name change to “Universities of Wisconsin” in the Plan Document. Jennifer Lattis indicated that “Board of Regents of the University of Wisconsin System” is the legal name of the university referred to in Wisconsin State Statutes, which therefore must be used in contracts and legal documents. Jennifer stated she is unaware of any current plans to pursue name changes in the statutes.

Rose thanked representatives from TIAA and Fidelity for their review of the proposed Plan Document revisions, including necessary changes due to legislation. She noted that SECURE 2.0 updates were made to the website on a timely basis in January. She also acknowledged an extended timeline for government plans to amend their plan documents to comply with SECURE 2.0 and Cares Act.

Michael Collins led the Committee in a discussion of any remaining concerns or considerations.

MOTION: Veena Brown moved to approve the Plan Document changes; Will Maas seconded. Motion passed unanimously.

7. 3Q23 Capital Markets and Performance Review+-Dan Pawlisch, Aon Investments USA Inc.

Dan Pawlisch reviewed the current state of the overall economy and capital markets during the third quarter of 2023. He also led a discussion of the investments offered in the Plan, noting and discussing situations in which there are exceptions to, or comments on, the targeted performance, company structure or other relevant aspects of the funds offered against the Plan’s Investment Policy Statement (IPS). In a discussion of Aon’s investment watch list, which reflects funds on “watch” for the quarter, Mr. Pawlisch indicated no funds are currently listed on the Watch List. He reviewed the management fees for the investments in the Plan, comparing them to the medians of the applicable peer groups.

Mr. Pawlisch also discussed legislative efforts to control costs, highlighting legislative initiatives like the Retirement Fairness for Charities and Education Institutions Act of 2023 that would allow 403(b) plans to invest in Collective Investment Trusts (CITs).

After thorough discussion and based on the materials provided, the SRPAC concluded that it would be in the best interest of the UW 403(b) SRP participants and beneficiaries to make no changes, other than those previously agreed and in progress, to the UW 403(b) SRP investment lineup at this time.

8 UW 403(b) Supplemental Retirement Program Updates

Rose Stephenson discussed participant utilization of loans. She noted a slight increase in the number of loans issued in 2023 compared to 2022. Rose acknowledged the economic challenges faced by UW employees, such as increased inflation and stagnant pay plan increases, as a possible driver of higher loan utilization. She also highlighted the low utilization of the Plan’s special 15-year catch-up contribution. Rose noted its significance for individuals planning their retirement and receiving payout of accrued vacation.

Rose noted an increase in EZ enrollments following email communications sent in December 2022, and April and September of 2023. She emphasized the correlation between email outreach to employees and increased enrollments. She mentioned the implementation of the SECURE 2.0 Roth catch-up requirement was postponed by the IRS until January 1, 2026. Committee members discussed potential challenges associated with this provision.

Rose discussed the importance of education, communication, and outreach activities in ensuring participants are well-informed about the 403(b) Supplemental Retirement program. She highlighted coordinated messaging efforts between UW and program providers, as well as presentations conducted at various UW benefit fairs. She provided information about upcoming events and changes, such as a UW 403(b) SRP message on the November 16 earnings statement and the creation of an administrative program specialist position to streamline program administration tasks.

Rose expressed a desire to reactivate the Communication Subcommittee, pending resource availability. She also informed the Committee of David Shalow's resignation due to his retirement.

Rose presented the UW 403(b) Financial Report, noting challenges in reconciling invoices attributed to different fiscal years.

9. Executive Summary of Plan Activity+: TIAA – Catina Hampton; David Bruce – Fidelity

TIAA

Catina Hampton introduced Ernest Alexander, Managing Director, Market Leader Retirement Solutions. Catina remarked on the 45-year history of collaboration between TIAA and the University of Wisconsin 403(b) Program. She highlighted notable trends and figures, including almost \$1.8 billion under management, annual contributions close to \$63 million, and annual annuity payouts totaling \$5.7 million. The average annual annuity payout was around \$15,000, with the largest annual payout being \$176,999.

Catina highlighted key metrics around participant engagement: 12% of participants had at least one mobile login, 23% met with a TIAA consultant, and 81% of participants have email addresses on file. She also discussed TIAA's loyalty bonus program, which seeks to provide investors in TIAA Traditional with higher payout rates in retirement.

Fidelity

David Bruce provided a summary of plan assets and participation trends from the end of 2022 through September 30, 2023. He noted an increase in assets to \$1.12 billion. Dave attributed this increase to positive investment performance, despite \$10 million of negative cash flow year to date. He noted continuous growth in the number of plan participants (9,530 participants as of September 30, 2023), noting the ongoing increase despite the initiative undertaken in September to distribute accounts under \$500 for participants separated from UW employment. Dave discussed participant engagement, savings rate, asset allocation, and engagement data from 2020 through 2023. He underscored consistent participant contributions and an increase in assets observed in 2022, following the vendor consolidation efforts. Dave highlighted an average contribution amount of approximately \$8,200, despite prevailing market uncertainties such as inflation.

Dave also highlighted the Plan's elevated participant engagement rate, although there has been a slight decline since the consolidation in 2021. He noted that approximately 30% of participants utilize Fidelity's mobile app which is indicative of a growing trend among participants to utilize mobile apps. He also indicated there were more than 1,000 one-on-one participant meetings conducted within a rolling 12-month period. He emphasized the continued efficacy of virtual engagement channels and underscored Fidelity's commitment to providing dedicated support to participants. Dave also noted Fidelity's collaborative efforts with TIAA during America Saves Week, to leverage joint educational workshops to foster financial literacy among participants.

10. Next Meeting

The SRPAC agreed to hold its Spring meeting Friday, May 3, with a tentative time of 10:00 a.m. to 2:00 p.m.

11. Adjourn

MOTION: Will Mass made a motion to adjourn the meeting. Rashiqa Kamal seconded. Motion passed unanimously. The meeting was adjourned at 2:03pm.