Tax-Sheltered Annuity Review Committee
Minutes
October 23, 2015

Members Present: Kevin Bahr (Chair), Michael Collins, Kimberly Danielson, Anoop Dhingra, Howard Erlanger, Rashiqa Kamal, Robert Kunkel, Michael Stifter, Robert Wolf

Members Absent: Susan Fontana

Staff: Rose Stephenson, Jennifer Lattis (Legal Counsel), Terry Lauber, LaDonna Steinert

TSA Companies: Brent Kimbel, Ameriprise/RiverSource; Patrick Vaughan, Fidelity; Betty Custer, Julie Kruser, Lincoln; Leteka Bojanowski, TIAA-CREF; Shawn Alvino, Adam Brown, Robert Sage, T. Rowe Price

Guests: Margo Lessard, Sandy Smith (Service Center), Diann Sypula (Service Center)

Kevin Bahr called the meeting to order at 10:00 a.m.

1. Introductions
   The TSA Review Committee, UW System staff, TSA company representatives, and guests introduced themselves.

2. Approval of Minutes
   MOTION: Mike Stifter moved the approval of the minutes of the May 1, 2015, TSARC meeting. Rashiqa Kamal seconded. Motion passed unanimously.

3. Fiduciary Responsibility Training
   Jennifer Lattis, UW System Administration Legal Counsel, presented a fiduciary duty booster shot. She explained that committee members, to the extent they have discretionary authority over the 403(b) plan and management of its assets, are fiduciaries with respect to the plan. She provided a summary of these duties with regard to loyalty and prudence.

   Loyalty:
   - Duty to act in the participants’ interest
   - Duty to collect contributions
   - Duty to pay benefits on time, to the right person, and in the correct amount
   - Duty to develop a sound plan that conforms with law and regulation
   - Duty to comply with plan documents, applicable laws
   - Duty to inform participants
   - Duty to defray the expenses of administering the system in a reasonable manner
   - Duty not to use position for personal gain; avoid conflict of interest

   Prudence:
   - Duty to expend funds where necessary for sound plan maintenance
   - Duty of care and due diligence
   - Duty to understand the plan
   - Duty to understand the applicable laws and regulations
   - Duty to hire and supervise experts
Committee members noted that they bear responsibility for ensuring that the plan is administered correctly and that staff members have the expertise they need to administer the plan. Committee members addressed the necessity of providing staff with professional development opportunities, so that staff members are current on laws, requirements, and best practices. TSARC members also remarked on the need to ensure that staffing levels are sufficient to complete all the work associated with plan administration timely and correctly and that compensation levels are appropriate. The fear was voiced that should something happen to current staff, the compensation would not be adequate to find a replacement. Committee members discussed possible ways to way to get information regarding funding, staffing and compensation for 403(b) plans at other peer institutions.

MOTION: Howard Erlanger moved that UW System Administration do a comprehensive review of staffing and staff compensation levels for comparable retirement programs at peer institutions and also for comparable programs within the State of Wisconsin by March 1. One focus of the survey should be on gender compensation differential. Bob Kunkel seconded. Motion passed unanimously.

Rose stressed for the record that she did not have knowledge of or input into the discussion or the motion prior to the meeting.

4. **IRS TSA Plan Audit**

Rose informed the committee that the UW TSA 403(b) Plan had been selected for an extensive IRS audit this year. The University received the initial Information Document Requests (IDRs) from the IRS in early June. The University negotiated an August 16 due date for the responses, which was met. There were nineteen initial IDRs, all requesting large amounts of information. For example, the IRS requested the UW’s 2014 W-2 information and all the deduction information – for all plans. In 2014, the UW produced over 103,000 W-2s.

Initially, representatives from the IRS were scheduled to be at 780 Regent Street on September 15, 16 and 17; however, after the initial submissions were reviewed, the meeting was shortened to one day. The UW received ten additional IDRs the week before the IRS was scheduled to meet with UW staff. Rose submitted responses for these additional IDRs by the end of that week.

Rose and other UW staff members met with the IRS on Tuesday morning September 15 beginning at 9:00 a.m. The IRS auditor who had been in contact with the UW, her supervisor, and one other colleague familiar with 403(b) regulations met with representatives from the University. The IRS representatives went through the audit procedure and asked four or five questions, each with some follow-ups, which were answered to the satisfaction of the IRS. The interview portion was completed by 10:30 a.m.

Rose noted that the UW Service Center, Financial Administration area, and UW System Office of General Counsel all worked hard to provide the information requested. Rose expressed sincere thanks to UW-Madison Office of Legal Affairs, the UW Medical Foundation, benefits staff at UW institutions – especially UW-Extension and UW-Madison, the Department of Employee Trust Funds and the Wisconsin Deferred Compensation Program, and all of our investment companies (present and past) for supplying information in a tight time-frame.

Rose stated that the IRS representatives complimented the University several times on the quality and timeliness of responses. They said they rarely receive responses to IDRs so well organized, clear and complete. They would let us know if they had any follow-up questions, which they could submit up to three months after the meeting.

5. **Plan Document Updates**

Rose noted that through close reading of the Plan Document, she noticed that, although the *UW TSA 403(b) Plan Document* does reference “includible compensation,” there is no definition of this term in Article X – Definitions. She proposed that two definitions be added to the list of definitions in the Plan Document, in
appropriate alphabetical order, and the words COMPENSATION and INCLUDIBLE COMPENSATION be reformatted to appear in ALL CAPS wherever they appear in the document.

The definitions below are taken from the IRS 403(b) model plan language. Rose noted that if the TSARC decides to recommend these changes, the recommendation will go to UW System President Ray Cross or his designee for approval.

COMPENSATION means all cash compensation for services to the EMPLOYER, including salary, wages, fees, commissions, bonuses, and overtime pay, that is includible in the EMPLOYEE'S gross income for the calendar year, plus amounts that would be cash compensation for services to the EMPLOYER includible in the EMPLOYEE'S gross income for the calendar year but for a COMPENSATION reduction election under section 125, 132(f), 401(k), 403(b), or 457(b) of the CODE (including an election under Article III made to reduce compensation in order to have ELECTIVE DEFERRALS under the Plan).

INCLUDIBLE COMPENSATION means an EMPLOYEE'S actual wages in box 1 of Form W-2 for a year for services to the EMPLOYER, but subject to a maximum of $265,000 (or such higher maximum as may apply under section 401(a)(17) of the Code) and increased (up to the dollar maximum) by any COMPENSATION reduction election under section 125, 132(f), 401(k), 403(b), or 457(b) of the CODE (including any ELECTIVE DEFERRAL under the PLAN). The amount of INCLUDIBLE COMPENSATION is determined without regard to any community property laws.

MOTION: Rob Wolf moved to recommend the proposed changes to the UW TSA 403(b) Plan Document. Michael Collins seconded. Motion passed unanimously.

6. Money Market Considerations

Rose provided background regarding the money market considerations. Money market funds are a type of mutual fund developed in the 1970s as an option to allow investors to purchase a pool of securities that generally provided higher returns than interest-bearing bank accounts. Retirement plan offerings commonly include three types of money market mutual funds: U.S. Treasury, government, and corporate debt securities. Money market funds that primarily invest in corporate debt securities are referred to as prime funds.

In response to the 2007–2008 financial crisis, in 2010 the Securities and Exchange Commission (SEC) adopted a series of amendments to its rules on money market funds that were designed to make money market funds more resilient by reducing the interest rate, credit, and liquidity risks of their portfolios. Although these reforms improved money market fund resiliency, the SEC said at the time that it would continue to consider whether further, more fundamental changes to money market fund regulation might be warranted. In 2013 the SEC proposed additional measures that would reform the way that money market funds operate to make them less susceptible to runs that could harm investors.

The SEC's proposal contained two principal alternative reforms that could be adopted alone or in combination, along with additional diversification and disclosure measures that would apply under either alternative. One alternative called for a floating Net Asset Value (NAV) for prime institutional money market funds and the second would allow the use of liquidity fees and redemption gates in times of stress.

In July 2014, the SEC announced significant regulatory changes for money market mutual funds—an important component of plan offerings in the workplace savings industry. The SEC voted to require a floating NAV for prime institutional money market funds and provide non-government money market fund boards with new tools—liquidity fees and redemption gates—to address runs.

Rose noted the impact of the new regulations varies, depending on fund type. For example, U.S. Treasury and government money market funds are not subject to the structural changes. As a result, these funds will largely remain the same as they are today, meaning that: (1) they will continue to be eligible to offer a stable NAV; and (2) they are not subject to redemption restrictions.
The new money market fund rules, which apply to the underlying fund offerings and not to the plans themselves, create new definitions for government funds and retail prime funds, and require institutional prime funds to price and transact at a “floating” NAV. The new rules also permit prime money market mutual funds with unusually low weekly liquidity to charge shareholders liquidity fees, payable to the fund upon redemption, as well as impose redemption gates that would halt all withdrawals.

The changes to the funds are required to be fully in place by October 2016, but work to implement them has already begun at our TSA investment companies and across the industry.

In order to comply with the money market reform in a timely fashion and meet the needs of its clients and prospective investors, T. Rowe Price will be making some changes to its money market fund lineup.

**T. Rowe Price** plans to:
- Convert its Prime Reserve Fund to a government money market fund exempt from redemption fees and gates
- Not opt into fees and gates for the U.S. Treasury Money Fund
- Rename Summit Cash Reserves Fund and lower the minimum investment (investment minimum is not applicable for UW) to align with other retail money market funds.

T. Rowe Price will release additional information around expected timing and product details in the coming months.

**Fidelity** plans to comply with the SEC money market regulations as follows:
- All of Fidelity's U.S. government and Treasury money market funds conform to the SEC rules and are exempt from redemption restrictions.
- Once the new SEC rules are implemented, non-government money market funds may impose a redemption fee or temporarily halt redemptions if fund liquidity falls below regulatory limits. Therefore, to assure shareholders that they will have daily access to funds used primarily for transactions, in December 2015, each of these originally prime funds will transition its investment strategy to become a government fund. Shareholders approved these changes, and the UW does not need to take any action.
  - **Fidelity Cash Reserves** (FDRXX) will become Fidelity Government Cash Reserves.
  - **Fidelity Retirement Money Market** (FRTXX) will become Fidelity Retirement Government Money Market II.
- Furthermore, under the new SEC rules, retail prime and retail municipal money market funds are:
  - Able to continue transacting at a stable $1.00 NAV.
  - Available to "natural persons" investors who are not corporations or other types of organizations.
  - Not available to institutional investors. Institutional investors will be eligible to use government money market funds and institutional non-government money market funds, which will have a floating four-decimal NAV.

Fidelity has a number of money market options in the UW TSA Plan. Rose pointed out if we decided to consolidate our money market offerings in the UW TSA 403(b) Plan into one fund – the Fidelity Institutional (FIMM) Government Money Market Fund, which will not have any gates or redemption fees – the UW would qualify for the cheapest share class for Fidelity money market funds. This fund has an expense ratio of 14 basis points.

If the Committee is interested in pursuing this option, the pros and cons should be considered. On the plus side, this is a lower cost money market option and only having access to one money market fund may provide simplicity. The challenges include how to monitor this going forward and whether making this move would require us to have an Investment Policy Statement. If the UW decided to make a fund change, it would take approximately two to three months.

The committee requested that Rose research consolidating all Fidelity money market accumulations into one fund and report to the committee at its spring 2016 meeting.
7. Report on TSA Plan Administration

a. Public Records Request – Again!
Rose reported that for the third year BrightScope requested information via a public records request. They recently requested information for 2014. We have an assets and contributions report at the end of the year and use that information to comply with the request. BrightScope collects information and then sells it. She is working with legal counsel to complete this year’s request.

b. Loan Approvals using TIAA-CREF’s Compliance Coordinator
Rose informed the committee there were 175 loans issued from January 1 through September 30, 2015. There were 55 outstanding loans with issue dates January 1 through March 31, 46 from April 1 through June 30, and 74 from July 1 through September 30. TIAA-CREF’s Compliance Coordinator is an information-aggregation internet tool that allows each company to approve loans, which UW began using mid-October 2010. From 2010 to 2014, the year with the highest number of loans is 2012 with 254 loans. Rose remarked that it is important to provide participants with access to their funds in time of need.

c. Notifying employees of eligibility to participate in plan
Rose pointed out that we use the employee portal and earnings statements messages as ways to notify employees of eligibility to participate in the plan. Staff has posted the article “Save for Your Future with the TSA 403(b) Program.” Messages appeared or will appear on the March 19 and October 29, 2015 biweekly earnings statements and on the April 1 and October 30 monthly earnings statements. “It’s Easy to Invest in the TSA Program” is a carousel article on the Office of Human Resources and Workforce Diversity website landing page. Employees also receive information on the program in employment letters and the Benefit Summaries.

d. Quick Enroll Cards – Fidelity, T. Rowe Price and TIAA-CREF
Rose noted that at the 2014 fall campus benefits fairs, Fidelity and T. Rowe Price first provided Quick Enrollment Forms to employees. TIAA-CREF now also has a Quick Enrollment Form. The age-appropriate target date fund is the default investment option. This fall all three companies provided Quick Enroll cards at the fairs; these enrollment forms are also available at the benefits offices. In 2014, eleven employees enrolled using the form – nine with Fidelity and two with T. Rowe Price. As of September 30, 2015, five employees enrolled using the Fidelity form.

e. TSA limits in HRS; 15-year rule catch-up manually calculated
Rose commented that the Human Resource System (HRS) automatically cuts off deferrals with the limits of $18,000 for the basic limit and $24,000 for anyone age 50 and older during 2015. Rose or Terry must manually calculate whether an employee is eligible for the 15-year service catch-up and manually approve the extra amount in HRS. Staff maintains clear records and monitors this closely. When HRS was implemented, it was hoped that this catch-up amount might be calculated automatically in HRS; however there are a number of parts of this functionality that do not operate accurately. This issue may be addressed with an HRS upgrade.

f. Education
Rose thanked committee members for presenting workshops at their campuses. At UW-La Crosse, Rob Wolf presented with TSA Coordinator Cedric Steine. Mike Stifter, together with TSA Coordinator Eric Sterner, presented at UW-River Falls. Howard Erlanger presented an Estate Planning Workshop at UW-Madison. Together with the workshops presented by TSA staff in Madison, approximately 240 employees attended TSA workshops.

A women’s workshop, with a speaker from TIAA-CREF and sponsored by UW-Madison Office of Human Resources and the Women’s and Gender Studies Consortium, together with TIAA-CREF and the TSA Program, will be offered November 5. T. Rowe Price workshops are December 1 and 2 in Madison and December 3 in Milwaukee. The UW-Madison Retirement Week in November has workshops presented by Ameriprise and TIAA-CREF representatives.

g. Professional Development
Rose stated that she and Terry attended the PlanSponsor National Conference in Chicago in June and thanked the committee and UW System Administration for making this possible. The sessions are very informative, and the opportunity to speak with colleagues and other plan administrators is invaluable. Rose will also attend the Fidelity Client Conference in October.
The committee broke for lunch from 11:50 a.m. to 12:45 p.m.

8. Target Date Funds
Shawn Alvino introduced Adam Brown, Vice President, Defined Contribution Investment Specialist, with T. Rowe Price. He provided an overview of T. Rowe Price, its asset allocation, and the employees in its Asset Allocation Group. Adam spoke of the target date investment process addressing the robust glide path design, strategic allocation construction, tactical asset allocation, and active management. He also addressed benchmarking of the retirement funds and performance.

9. TSA Budget
Rose presented the TSA Program budget. Revenue accounts from T. Rowe Price, Fidelity and TIAA-CREF fund the program. These companies will continue to provide revenue accounts into the future. Among other things, revenue account moneys have been used to fund program administration, communication, and outreach campaigns, and there has been an increase in participation at the institutions where outreach campaigns have been carried out.

Rose noted that Fidelity is providing $600,000 of revenue in 2015 and has given us a five-year commitment of funding at least at that level. TIAA-CREF funds will decrease in 2016 because of the new tiered structure of TIAA-CREF annuity products. Having lower expenses generates lower revenue. UW participants have access to the lowest-cost tier of annuity products, which is a great advantage – our first goal has been to offer participants the lowest-cost investments. T. Rowe Price provides us with $100,000 per year.

Before the University had access to revenue accounts, participant fees funded the program. Participant fees are no longer needed and were suspended beginning in 2014. In the spring of 2015, revenue was returned to participants. Committee members stressed the desire to use the available revenue to increase program staffing and wanted to be sure their concerns would be heard and addressed. LaDonna Steinert explained that it is important to make sure the program is adequately funded for future years and that efforts were being made to make sure there is adequate back-up for positions and functional cross-training. The department has experienced quite a bit of turnover. A new Senior Associate Vice President of OHRWD was just hired last month.

Members discussed the importance and possibility of having a UWSA decision maker attend the next meeting.

MOTION: Bob Kunkel moved to include at least 2.5 FTE for the TSA Program for the next fiscal year. Kevin Bahr seconded. Motion passed unanimously.

MOTION: Howard Erlanger moved a relevant decision maker be invited to the spring meeting of the TSA Review Committee. Kevin Bahr seconded. Motion passed unanimously.

10. Insurance Ratings
Rose reported the insurance ratings remain the same for Lincoln and Ameriprise/RiverSource. With the exception of Moody’s changing TIAA-CREF’s rating from Aaa (Highest Quality) to Aa1 (High Quality), the TIAA-CREF ratings remain the same. The insurance companies provide the ratings. Leteka Bojanowski provided the following statement regarding the Moody’s change in rating:

Upon the closing of TIAA’s acquisition of Nuveen Investments, Inc, Moody’s downgraded TIAA and TCLife from Aaa to Aa1. Moody’s action was expected and was guided by its global methodology. We do not believe Moody’s action is a reflection of the soundness of the acquisition, our business strategy or our underlying financials. As outlined in Moody’s literature, the downgrade largely is a result of the size and scope of the acquisition. Moody’s also stated that although asset management is a complementary business, the acquisition of Nuveen is outside the core higher-education pension business of TIAA, which was the foundation of the company’s former Aaa rating. Regardless of the downgrade you can see by their recent statement that Moody’s still believes TIAA-CREF to be in a very favorable position in the market.
Rose noted that Joseph Belth ended publication of the *Insurance Forum* with the December 2013 copy. He provided *Forum* to TSA staff free of charge. One reason for his ending publication of the *Insurance Forum* was his “desire to write a memoir about his 40-year experiment in insurance journalism.” *The Insurance Forum: A Memoir*, a 379-page cloth bound book, is now available. Ordering information is at [http://www.theinsuranceforum.com/pages/memoir.html](http://www.theinsuranceforum.com/pages/memoir.html).

11. **TSA Investment Company Updates**

a. **Fidelity** – Pat Vaughan noted that money market funds were addressed earlier; he would be happy to discuss this issue with committee members at any time. He announced Fidelity’s Planning and Guidance Hub is going live for participants with the UW TSA Plan on November 24. Fidelity wants to take what they know about the participant, help by asking the appropriate questions and provide an experience. It is not only a well-received experience by clients, but people then follow through doing positive things such as fixing up their asset allocation and increasing contributions. Planning and guidance consultants also use it when meeting with employees. Pat reported the revenue credit as of yesterday was $500,041.59 for Fidelity.

b. **Ameriprise/RiverSource** – Brent Kimbel stated that Ameriprise has offices in every city where there is a campus. The TSA Program may refer to employees as participants but to Ameriprise advisors they are our neighbors, friends, and people next door. Advisors meet with them to review their lifestyle and ask about saving $25 to $30 per month. Ameriprise understands one of the constraints is the dollars available to employees. They work with clients to help them save.

c. **T. Rowe Price** – Rob Sage, Vice President of Client Services, spoke of T. Rowe Price’s ongoing commitment to the retirement business engaging people, process and technology creating greater client value. Business activity highlights are: 1) the PlanView Portal, which provides plan sponsors a platform for establishing a Retirement Benefit Philosophy for their retirement program; 2) challenging stereotypes – working millennials are redefining the digital generation; 3) Retire With Confidence Program for participants; and 4) investing in their people emphasizing business process improvement and individual development.

d. **Lincoln** – Julie Kruser shared highlights from the 2015 Lincoln Client Forum. Plan sponsors are telling them that participants are changing the way they are thinking. It provides Lincoln with an opportunity to learn. Factors brought out at the forum that contribute to plan success are: 1) education, including a written strategy and financial planning; 2) investment menu and design, providing a range of options and low expenses; 3) participation and savings; 4) fiduciary risk management; and 5) regulations and legal requirements.

e. **TIAA-CREF** – Leteka Bojanowski provided updates from TIAA-CREF. She reported the revenue credit account is a little over $608,000. TIAA-CREF is excited to partner with the UW to present Woman-to-Woman workshops on November 5. There is a redesign of the quarterly statements beginning with the third quarter based on individuals’ feedback; it includes a new feature, the personal retirement income projection. Similar to what is on the statement, on the mytiaacref.org website participants can include information regarding mortgage, credit cards or any assets they have to consolidate information and give them a total picture.

12. **Next Meeting**

The spring TSA Review Committee meeting will be April 15 or 22, 2016. Whether it is a face-to-face meeting or teleconference is to be decided.

13. **Motion to Adjourn**

MOTION: Michael Collins moved that the meeting adjourn. Rob Wolf seconded. Motion passed unanimously. The meeting adjourned at 2:15 p.m.

Submitted by

/s/ Rose Stephenson