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

1. Introductions

The TSA Review Committee meeting was via WisLine webinar. TSARC members and TSA company representatives introduced themselves with the roll call.

2. Approval of Minutes

MOTION: Howard Erlanger moved the approval of the minutes of the October 11, 2013, TSARC meeting. Bob Kunkel seconded. Motion passed unanimously.

3. Update on TSA Budget and Revenue Accounts

Rose reported that TSA staff met with four representatives from Fidelity on October 23, 2013, to review performance, asset allocation, income and expenses. At that meeting, Fidelity agreed to provide the University with an administrative budget in 2014 of $400,000 – an increase from the $100,000 budget in 2013. The UW TSA Program accepted this offer and worked with legal counsel to update the UW/Fidelity Agreement, which has been signed by Fidelity and the University.

The TSA 403(b) Program is on firm footing thanks to revenue accounts provided by three of the TSA investment companies. T. Rowe Price is providing the UW TSA Plan with an administrative budget of $50,000 per year and TIAA-CREF approximately $320,000 per year.

President Reilly approved the TSARC’s recommendation that the TSA participant fee be suspended, and in 2014 TSA participants are no longer paying an administrative fee to the University. This was implemented smoothly in the HRS payroll system, and articles publicizing this were posted on the University portal and sent to campuses for distribution.

4. Fidelity Index Target Date Funds

Rose mentioned that in December 2013 a UW-Madison TSA participant contacted Howard Erlanger to ask why the Fidelity Freedom Index Funds were not in our line-up, and Rose agreed to explore the option. She noted at the time that index funds, with their typically lower expense ratios, can be good investment options, but that the TSARC would need to examine all aspects of the funds, including fund performance and how to
provide information about the funds in the fund line-up. Especially for Target Date Retirement funds, which are supposed to represent the simple solution to fund selection, it may be important to make sure that adding additional choices does not confuse participants.

Pat Vaughan and Tom Brachowski, Fidelity Investment Consultant, who addressed the committee regarding the Fidelity Freedom K and the Fidelity Freedom Index Funds, remarked that other higher education clients are using the Fidelity Freedom Index Funds, for example, the University of Michigan.

Tom noted that the actively managed Freedom K Funds have exposure to several asset classes that cannot be easily indexed, including high yield debt, floating rate debt, and real estate debt, and therefore these asset classes are not available in the Freedom Index Funds. The inclusion of these additional asset classes in the actively managed Freedom K Funds is intended to reduce risk over time while maintaining similar return levels. Tom stated that while the investment goal and key components of the investment process are the same for the Freedom K Funds and Freedom Index Funds, the execution of that process differs due to asset class availability, portfolio construction and portfolio management.

The committee discussed actively-managed funds versus passively-managed index funds. Even though the Freedom Funds outperform the index version and long-term returns favor the Freedom K Funds over the Freedom Index Funds, the Index Funds are low cost and some employees prefer passively-managed funds.

MOTION: Rob Wolf moved to include the Fidelity Freedom Index Funds in the list of Fidelity options. Anoop Dhingra seconded. Motion passed unanimously.

5. **Dreyfus’ Participation in the TSA Plan**

Rose reported that the TSARC sub-committee established to discuss, evaluate, and recommend ways to improve the TSA Plan met via teleconference on Friday, February 27. One issue discussed was Dreyfus’ participation in the UW TSA 403(b) Plan.

Dreyfus has participated in the UW TSA 403(b) Plan since the 1980s and the University has a very good relationship with Dreyfus representatives; however, because of the low number of participants and administrative workload involved with Dreyfus’ participation in the plan, the sub-committee proposed that Dreyfus should no longer be an option in our plan.

Rose detailed the reasons for potentially taking this action.

1) Declining participation: In 2013, 110 employees contributed to Dreyfus. In 2014 so far, 96 employees contribute to Dreyfus; 29 of these contribute to other investment companies in addition to Dreyfus. There are currently 67 employees who only contribute to Dreyfus. In 2013, there were 9,575 participants in the UW TSA plan.

2) Lack of services: Dreyfus is the only company in our plan that cannot offer loans. Dreyfus does not have the recordkeeping capabilities necessary to allow the Roth 403(b) option. Two years ago in a cost-cutting move, Dreyfus reduced their online account access.

3) High administrative burden and security: For the number of participants Dreyfus is able to attract each year, there is a disproportionate amount of administrative work and reporting that staff must perform.
   a. Dreyfus is unable to receive files electronically through secure ftp or secure website; therefore, the remittance report with participant names, social security numbers, and contribution amounts must be printed each payroll, 36 times a year, and manually faxed to Dreyfus and Rose. Although Dreyfus has indicated that it may be able to implement the secure ftp process now, the Service Center informed Rose that all programming resources are committed to projects with a higher priority for the foreseeable future.
   b. Low participation does not reduce the amount of reporting or oversight that is necessary. We must still provide the returns twice a year for the 65 Dreyfus funds in the fund line-up and meet with Dreyfus to look at expenses and fund performance.
Studies based on behavioral finance show that, in many cases, having too many choices can impede the decision making process. Reducing the number of options may actually improve our plan and make the enrollment process easier.

Based on actions the committee took when former TSA companies, like Scudder and AUL, were eliminated from our plan, Rose recommended the following actions:

- Discontinue new applications to Dreyfus as of July 1, 2014 (or some other date to allow enough time for the President to approve the recommendation).
- Permit existing Dreyfus clients to continue deferrals through December 31, 2014, or some other later date.
- Notify participants that Dreyfus is no longer an approved investment company option for new participants.
- Encourage employees contributing to Dreyfus to choose a new TSA investment company through periodic mailings.
- Do not list Dreyfus as an investment option in the program.
- Allow monies in Dreyfus accounts to remain there or be moved to another company at the employee’s discretion.

Rose pointed out this option does not disrupt participants’ investments and gives Dreyfus participants time to find alternate investments.

The TSARC makes a recommendation for the UW President’s consideration. The President must concur with the recommendation in order for it to be implemented.

Dreyfus representative Susan Barton stated that Dreyfus has valued the opportunity to be a provider for decades yet realizes the committee has certain requests. Dreyfus is grateful for the opportunity the University of Wisconsin System gave them years ago and hopes to continue with the program.

MOTION: Bob Kunkel moved to accept the recommended actions and express the committee’s deep appreciation for the relationship and contributions Dreyfus has made to the program. Howard Erlanger seconded. Motion passed unanimously.

6. 2013 Annual Report and Plan Information

Rose presented the UW TSA Program 2013 Annual Report. Investment companies reported contributions close to $86 million, which is more than the contributions reported through our HRS system because of roll-ins. TIAA-CREF received the largest amount of contributions followed in order by Fidelity, T. Rowe Price, Ameriprise/RiverSource, Lincoln and Dreyfus. There has been an increase in Roth contributions with 3.97% of all contributions in 2013 compared to 2.62% for 2012. Fidelity had the greatest amount of Roth contributions. Assets are over $2 billion, an increase of approximately $323 million from 2012.

Looking at participation by employee type, unclassified employee participation was at 31.41% and classified at 18.02%. Last year employees received a 1% pay increase; but with increased costs for Wisconsin Retirement System contributions and health insurance, many employees saw a decrease in take-home pay. Participation in 2013 of employees with WRS was at 26.87%. Percent of salary deferred increased to 10.42% in 2013 from 10.20% in 2012 across all employee types. TSA participants, on average, have a higher salary by employee type and their average age is slightly older compared to the average salary and age of all employees.

Rose noted that there was a slight increase in the percentage of contributions to large-cap funds of 26.02% in 2013 compared to 25.47% in 2012. Large-cap assets are 34.32% for 2013 compared to 30.60% for 2012. Fixed annuities were down, with 17.41% of contributions and 24.20% of assets, in 2013 compared to 2012. Assets in the allocation funds (including target date funds) increased to 27.54% in 2013 from 23.99% in 2012, 22.84% in 2011 and 20.06% in 2010. Looking at the most-used funds, TIAA-CREF Traditional takes
first place every year; CREF Stock comes in second; CREF Social Choice has come in third again with contributions up. There are now 16 target date funds in the top 50. There are two money market funds in the top 50; in 2012 there were four.

Rose reviewed the education highlights. In 2013, the number of individual counseling sessions was up. She thanked the companies for their counseling and representation at the benefits fairs, along with the TSA Coordinators for their work. Thanks also went to Kevin Bahr, Rashiqa Kamal, Bob Kunkel and Rob Wolf for presenting workshops at their institutions.

7. Report on TSA Plan Administration
   a. Loan Approvals using TIAA-CREF’s Compliance Coordinator
      Rose stated that being able to take out a loan is a valuable provision for participants in the program. The Compliance Coordinator is an information-aggregation internet tool that allows each company to approve loans. As of April 1, 2014, there were 38 outstanding loans with issue dates since January 1, 2014, and 729 outstanding loans documented in Compliance Coordinator. There were 237 loans issued in 2013 compared to 254 in 2012, 191 in 2011 and 187 in 2010.
   b. Notifying employees of eligibility to participate in plan
      Rose informed the committee that in November 2013 there was the employee portal article “2014 Tax-Sheltered Annuity and Wisconsin Deferred Compensation Limits” and in January 2014 the article “No Tax-Sheltered Annuity (TSA) Participant Fee in 2014!” Rose thanked the committee for its support to suspend the fee in 2014. There were earnings statement messages on the biweekly statements payable March 20 and the monthly statements payable April 1.
   c. Education
      Rose thanked committee members Mike Stifter, Bob Kunkel, Rob Wolf and Kevin Bahr for presenting workshops at their campuses. TSA Coordinators at UW-La Crosse, UW-Oshkosh and UW-Stevens Point made outreach campaigns possible. There was a mailing to their employees’ home addresses, which included a letter, flyer of TSA events, TSA Quick Guide and Salary Reduction Agreement. TIAA-CREF will have the workshop *The Starting Line: Why and how retirement saving should begin now* at these campuses. Fidelity and TIAA-CREF have individual counseling sessions at campuses this semester. T. Rowe Price offered the live webinar *Retirement Investing from Beginning to End* for all UW System employees.
   d. Fidelity Client Benefits Summit; PlanSponsor Conference
      Rose announced she will be attending the Fidelity Client Benefits Summit in Arizona in May. She and Terry will be at the PlanSponsor National Conference in Chicago in June. Rose and Terry thanked the committee for these professional development opportunities.

8. TSA Investment Company Updates
   a. Lincoln
      Julie Kruser stated that Lincoln is introducing four variable offerings: A merging market fund managed by Blackhawk, a small-cap fund managed by Columbia, a mid-cap fund managed by J. P. Morgan, and a global value fund managed by Templeton. Lincoln will send information to all Lincoln contract holders in early May and after May 12 direct assets to these additional options. Julie also mentioned Lincoln’s focus this quarter on National Educators Day, an annual event sponsored by the National Education Association. Materials are developed for Lincoln’s website reminding people who work in the education field to reward themselves by looking at their retirement savings and making sure they are on track to meet their retirement goals.
   b. Ameriprise/RiverSource
      Brent Kimbel reported that in 2013 Ameriprise held over 1,800 individual counseling sessions with participants and employees looking to enroll. Discussions included talking about how they can optimize their retirement, save for an education or save on taxes. In 2013, Ameriprise’s assets in the plan rose
24%. With participants filing their 2013 taxes, Ameriprise is using this opportunity to educate their clients and suggest increasing contributions to their 403(b). They are also looking at driving up participation of employees not yet contributing to the plan.

c. TIAA-CREF

Jeff Wagner shared that for the second year in a row TIAA-CREF asset management won the Lipper Best Overall Large Fund Company Award. Also, the TIAA-CREF Plan Focus Website hit the DALBAR rankings finishing in the top three of the fourth quarter for 2013. DALBAR is a respected market research firm that evaluates online capabilities for financial services websites. Jeff then mentioned two recent acquisitions – Nuveen Investments, which is a diversified investment management company with approximately $221 billion in assets under management, and UK-based Henderson Global Investors, through which TIAA-CREF simultaneously launched the TIAA Henderson Real Estate joint venture and acquired Henderson’s North America real estate business.

d. T. Rowe Price

Shawn Alvino spoke of T. Rowe Price’s targeted communications program Retire with Confidence, which is segmented into four life stages: 1) the starting out stage of active participants under age 50 in their first year of participation; 2) the managing stage of active participants under age 50 after their first year of participation; 3) the transitioning stage of participants age 50 and above; and 4) separated from service and retirees group. She noted the managing stage is further segmented with anyone under age 35 receiving messaging about paying down debt, starting a retirement plan and saving hierarchy; anyone between ages 36 to 49 receiving a focus on setting retirement goals, college savings as well as a savings hierarchy. T. Rowe Price also has a communications campaign focusing on women. Shawn concluded by noting that on February 3, 2014, T. Rowe Price introduced seven new funds ranging from a real assets fund to a global allocation fund and a floating rate fund.

e. Fidelity

Pat Vaughan announced that Fidelity is enhancing and expanding its microsite for the University of Wisconsin System 403(b) Plan. The site originally was for employees gathering information and looking to enroll. The new website will still have that information but will also be a landing page for individuals who have chosen to invest with Fidelity and want to access their account via NetBenefits. There will be a more intuitive sign up for individual counseling sessions. The new site will provide easier access to the guidance tools and have client events posted.

f. Dreyfus

Susan Barton expressed her appreciation. She stated she spoke for everyone at Dreyfus that they are grateful for the opportunity they had with the University of Wisconsin System all these years. It was her pleasure working with us, and she will work to carry out a smooth transition with the participants.

9. Next Meeting

The fall TSA Review Committee meeting will be November 7, 2014, at 780 Regent Street.

10. Motion to Adjourn

MOTION: Rashiqa Kamal moved that the meeting adjourn. Rob Wolf seconded. Motion passed unanimously. The meeting adjourned at 11:55 a.m.