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

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

2. Approval of Minutes
   MOTION: Rob Wolf moved the approval of the minutes of the April 25, 2014, TSARC meeting. Anoop Dhingra seconded. Motion passed unanimously.

3. Dreyfus Transition
   Rose reported that the transition towards removing Dreyfus as a provider in our plan has progressed smoothly. A letter was sent to home addresses for anyone who had contributed to Dreyfus in the past 2 years. Staff sent 115 letters, which participants should have received between September 19–23. The response to the letter was relatively small. Rose helped five or six participants to sign up with another investment company and/or move their accounts.

   Eighty-three employees will have their Dreyfus deferrals stopped at the end of 2014. Institutions received a list of these employees; not all institutions have Dreyfus participants. Many of these employees also contribute to another TSA company. Without Dreyfus, they may want to increase their deferrals to the other company. Approximately half of the 83 just contribute to Dreyfus. There will be follow-up communications to those Dreyfus participants who have not yet enrolled with another investment company during mid-November – via email with active links to the TSA online enrollment page. This is after the Annual Benefits Enrollment period, yet far enough before the calculation date for the first paycheck in 2015.

4. TSA Budget
   Rose presented the TSA Program budget to the committee. The 2014–15 projected budget shows revenues of $337,750.00 and expenses of $325,500.00. In calendar year 2013, the participant fee was $12; in 2014, there is no fee. Beginning in 2012, revenue accounts from our TSA providers have been used to fund the program. This was achieved through thorough reviews of plan expenses and revenue and a series of negotiations with our TSA providers. UW TSA providers T. Rowe Price, Fidelity and TIAA-CREF each provide a revenue account for the benefit of our plan participants. These revenue accounts or administrative budgets are based on the revenue generated by participant assets. Necessary changes to the University and provider agreements were made in order to implement these budgets. With the administrative budgets/revenue accounts provided by our TSA companies, past TSA Program budget deficits have been eliminated and participant fees are no longer needed to administer the program.
Funds are used to pay for administering the TSA Program, including TSA Review Committee meetings, salary and fringe benefits for the UWSA staff who administer the TSA Program, publications including forms, brochures, newsletters, and letters, outreach activities, travel and more.

5. Returning Revenue to Participants

Rose reported that she and Terry have met or are meeting with all TSA investment companies to thoroughly review plan investment performance, expenses, and revenue generated by participant investments.

This past year negotiations with T. Rowe Price, Fidelity and TIAA-CREF increased the amount of revenue these companies provide for the benefit of our plan participants. Fidelity revenue was increased from $100,000 to $400,000 per year in 2014, T. Rowe Price revenue was increased in 2014 from $50,000 to $100,000 per year, and TIAA-CREF was able to decrease the portion of the expense ratio dedicated to recordkeeping and thereby increase the revenue to the UW to approximately $400,000 per year in 2014. We thank our TSA providers for providing these administrative budgets for the benefit of our UW employees.

With the help of UWSA legal counsel, necessary changes to the University and provider agreements have been made and these budgets have been implemented. With the administrative budgets/revenue accounts provided by our TSA companies, we have been able to provide stable funding for the plan in the future and will be able to add much-needed staffing to support our program.

Plan revenue must be used for the benefit of plan participants. It can be used for such things as communications, plan audit and plan document expenses, and other similar expenses, but it may also be distributed back to participant accounts. This has a direct benefit for participants. Several other large universities, such as Michigan State University, have distributed revenue back to participants.

Pat Vaughan, Fidelity, explained the differences in the revenue credit allocation methods. The most commonly used is the plan-level pro-rata method allocating revenue based on a participant’s account balance at a point in time. Plan-level per-capita allocates the same amount to all participants with a company. Fund-level pro-rata directs revenue credit only to participants with assets in revenue share funds at a point in time.

Rose noted this is not only a benefit of being in the plan while employed with the UW, but also of leaving accumulations in the plan after retirement. In looking at the budget, it appears that 50% of the revenue may be an appropriate amount to distribute to participants. This would be $50,000 for T. Rowe Price, $200,000 for Fidelity and $200,000 for TIAA-CREF. In discussions with the companies, it appears that March may be the time that works best for all providers.

MOTION: Mike Stifter moved to return revenue to participants on a plan-level pro-rata basis for this year. Anoop Dhingra seconded. Six members approved; two members opposed. Motion passed.

6. Tiered Line-Up Discussion

Pat Vaughan introduced John Merritt, Fidelity Investment Consultant. John began the discussion of a tiered line-up by looking at the evolution of plan design. Back in the mid-1970s there were basically three options in plans: some type of stable value option, a bond option, and an equity option. Towards the end of the 1990s and into the early 2000s, 403(b) plans often had a considerable number of options. In the last couple of years, the number of options in plans has started to shrink.

John explained that many plans going to a tiered approach have a line-up segregated into three tiers. The first tier is typically a life-cycle-type product designed as a one-stop-shop approach for a participant. With the target date funds, participants invest in a fund based on their retirement age and use that single fund. The second tier is the core investment line-up. It is a limited yet flexible array of funds for those who wish to build their own portfolio and utilize their own asset allocation strategy. The core investment lineup is designed to offer participants a fully diversified array of funds that essentially will cover all the major style boxes that a participant could be offered. With the core line-up, the goal is to have broad market coverage,
high diversification potential, choice for the participants, and a simple design. If there is a third tier, it is often the remainder of the products offered in a plan or a brokerage window.

John mentioned that with a tiered line-up the committee would designate which funds would be in the core investment structure, and the committee would have the fiduciary responsibility of monitoring the funds on an ongoing basis. John noted that he not only spends time talking about tiered line-up but also having fiduciary committee meetings that review the investment performance of funds. There should be an investment policy statement to document that the committee is following a process.

Rose commented that it is good for the committee to explore the options; a tiered line-up may be something to think about. She thanked John for his presentation.

The committee broke for lunch from 11:45 a.m. to 12:40 p.m.

7. Report on TSA Plan Administration
   a. Public Records Request – Again!
      Rose reported she frequently receives requests to complete surveys so that groups can compile 403(b) plan information and chart trends in the industry. However, BrightScope again asked for documentation via a public records request, which is more time-consuming and onerous. They are collecting records from plans throughout the United States. This year they requested information for 2012 and 2013. Rose worked with Jennifer Lattis to complete the request.
   b. Fidelity Freedom Index Funds Usage
      Rose noted that at its last meeting the committee approved the Fidelity Freedom Index Funds addition to the list of Fidelity options. That transition has gone smoothly. Fidelity Freedom Index Funds were brought into the lineup as of July 28. From July 28 through October 1, 29 participants chose to use the index funds, as opposed to 102 who chose the regular Freedom Funds.
   c. Loan Approvals using TIAA-CREF’s Compliance Coordinator
      The UW TSA Program allows loans, which provides participant a way to access their money in times of need. TIAA-CREF’s Compliance Coordinator is an information-aggregation internet tool provides information so that each company can approve the loans. As of October 1, 2014, there were 743 outstanding loans documented in Compliance Coordinator. There were 162 loans issued from January 1 through September 30, 2014; this compares to 237 loans issued in 2013 and 254 issued in 2012.
   d. Notifying employees of eligibility to participate in plan
      Rose reported there was an increase in enrollments at UW-La Crosse, UW-Oshkosh and UW-Stevens Point, where there were outreach campaigns to employees in the spring. In June there was the employee portal article “Save for Your Future with the TSA 403(b) Program,” in October “It’s Easy to Invest in the TSA 403(b) Program,” and in November “2015 Tax-Sheltered Annuity and Wisconsin Deferred Compensation Limits Announced.” There are also TSA articles on the UW System Administration Office of Human Resources and Workforce Diversity landing page carousel.
   e. Quick Enroll Cards – Fidelity, T. Rowe Price and TIAA-CREF
      Rose pointed out that quick enrollment cards are available for Fidelity and T. Rowe Price. Employees received cards at the benefits fairs. Approximately ten employees have enrolled with Fidelity and two with T. Rowe Price using the cards. Rose is in the process of designing a card with TIAA-CREF.
   f. Redesigning Publications
      Rose mentioned she is looking at redesigning the TSA Quick Guide, then the Question and Answer Guide and other publications, potentially with the help of an outside design firm.
   g. TSA limits in HRS; 15-year rule catch-up manually calculated
      Rose commented on the manual calculation needed to determine if an employee is eligible for the 15-year rule catch-up. An employee that has 15 years or more of service with the UW may have an opportunity allowing extra contributions of up to $3,000 per year to a cumulative maximum of $15,000
over five or more years. The additional amount is permitted only if an employee’s TSA contributions averaged less than $5,000 per year over the course of UW employment. The manual calculation is time consuming. There is no one place in the Human Resource System to look at past accumulations. Employees retiring with a sabbatical lump sum payout want to know if they are eligible so they may defer taxes on more than their basic contribution.

h. Education
Rose reported that 232 employees attended TSA workshops this year and another 143 attended a UW-Colleges’ blackboard collaborate retirement workshop that included a TSA presentation. Fidelity and TIAA-CREF hold individual counseling sessions at the campuses. T. Rowe Price has recorded webinars.

i. Professional Development
Rose thanked the committee for their support in attending professional development events. She attended the Fidelity Client Benefits Summit in May where she networked with peers and heard Dan Ariely speak on behavioral finance. She and Terry attended the PlanSponsor National Conference in Chicago in June. Rose also took part in a Morningstar event in Chicago.

8. Investment Outlook and Market Update
Leteka Bojanowski introduced Daniel Morris, Managing Director, Global Investment Strategist, for TIAA-CREF. He presented the TIAA-CREF outlook on world events – the U.S economy, global economy and what that means for investments. There has been a slow recovery after the 2008 recession compared to a more typical quick recovery; this may help to explain the mood of the country. There have also been divergences in monetary policy. In the U.S., the federal government has stopped its quantitative easing program, whereas in Japan and Europe they are cranking it up.

Dan noted the U.S. is doing far better than the rest of the world. The latest gross domestic product data bodes well for next year. Weak consumer spending and government cutbacks explain the under-performance in GDP. The consumer debt burden has fallen dramatically. Student loan debt has grown dramatically over the last several years, but the share is small. Despite the increase in student loan delinquencies, they do not pose a threat.

As far as the macro outlook for Europe, growth rates across Europe are diverging. Low yields reflect both optimism and pessimism about the Eurozone. Looking at Eurozone bank lending and debt issuance, the recent review of bank balance sheets may finally lead to stronger credit growth. Dan mentioned that the Japan consumption tax hike hit demand, but forecasts are still for modest growth. Rising U.S. interest rates will renew challenges from some emerging market countries. China property price increases are not necessarily excessive; GDP expanded by 350% versus 60% in the U.S. The services sector is holding up better than manufacturing in China.

Dan next addressed equities. Emerging markets are showing better valuations than developed markets. Equities are near fair value, but valuation does not tell the direction. Technology has the best industry valuations; financials and parts of consumer discretionary are rich.

In summary, Dan shared the following: Economics – The U.S. economics outlook is reasonably good, especially compared to most other parts of the world; Ebola is not a real risk. Europe recovery is at risk from Russia/Ukraine; European Central Bank’s quantitative easing not likely to have much impact; reforms are key in the long run. The biggest risk is a sharp slowdown in China. Equities – Despite investor anxiety, the environment is fairly benign for equities. Gains are no longer from valuation recovery but from earnings growth; this favors international and domestic quality/large cap. Fixed income – Normalization in interest rates are delayed, but still inevitable.

The committee thanked Dan for his presentation.
9. Insurance Ratings

Rose reported the ratings for the life insurance companies RiverSource, Lincoln and TIAA-CREF are unchanged. The “Quick Guide to the UW TSA Program,” which is on the TSA website, notes the ratings.

10. TSA Investment Company Updates

a. Fidelity

Pat Vaughan stated that Abigail Johnson, with Fidelity since 1988, became Fidelity’s CEO last month, taking the place of her father. Pat provided a report on retirement reform in Washington, DC. One proposal is to freeze the contribution limit, but also only allow the first half of the money to be pre-tax and the second half to be Roth. There is also talk of once again requiring that contribution amounts be aggregated between 403(b)/401(k) plans and 457 plans. Currently an employee can defer the maximum contribution to both a 403(b) and to a 457. There is talk of removing the exemption from paying the 10% excise tax for 457 plans for distributions before age of 59 ½; this would make those rules align very closely with 403(b)s and 401(k)s.

b. Ameriprise/RiverSource

Brent Kimbel presented an update on Ameriprise, reaffirming its financial stability ratings. Ameriprise rolled out the new tool, Total View. Clients can load all of their financials, assets, investments and credit cards into Total View. The client’s advisor can also see it helping them make financial decisions. This provides clients with a tool to use on a real-time basis.

c. T. Rowe Price

Shawn Alvino, reporting via teleconference, shared the new Retirement for All app, accessed by logging on to troweprice.com/retirementforall. The app provides a resource for plan sponsors to obtain information on responses to current industry trends as well insight into what is motivating participants’ behavior. She mentioned a recent T. Rowe Price study – The Faces of Retirement – in which participants in various plans responded to questions such as “How do you define retirement?” T. Rowe Price has other studies pending.

d. Lincoln

Julie Kruser noted four new Lincoln investment options are on board, giving Lincoln participants the ability to invest with more best-in-class fund managers on the variable side of the products. Participants received notice of enhancements to the participant website with their third quarter statements. This includes new educational online videos, investment articles, and tools to keep them on track saving toward their retirement goals. Each year Lincoln is engaged in the October industry-wide initiative National Save for Retirement Week. For this, Lincoln unveiled a website www.worthsavingfor.com bringing tools a participant sees with their account statement. Individuals do not have to be Lincoln participants to use the site.

e. TIAA-CREF

Leteka Bojanowski reported that the Nuveen acquisition was completed on October 1. It is part of TIAA-CREF’s strategy to evolve and expand their business in traditional and alternative investment offerings. She also noted that a new wealth management office opened in Madison with two advisors. Toni Block announced TIAA-CREF sent a notification to all its institutions that there will be a change in the CREF annuities. There will no longer be the one class of annuities; there will be three-tier pricing. Given the UW assets that are in the TIAA-CREF annuities, the University of Wisconsin would qualify for the lowest cost class.

11. Next Meeting

The spring TSA Review Committee meeting will be May 1, 2015, via teleconference.

12. Motion to Adjourn

MOTION: Rashiqa Kamal moved that the meeting adjourn. Michael Stifter seconded. Motion passed unanimously. The meeting adjourned at 2:10 p.m.