

Tax-Sheltered Annuity Review Committee

Minutes

October 28, 2005

- Members Present:** Kevin Bahr, Robert Carney, Ron Crabb, Howard Erlanger, Carol Fischer, Kathleen Kelley (Chair), Lucretia Mattson, Qinghai Wang, Lori Worm (attended via teleconference)
- Members Absent:** Randall Ryder (Ex-officio)
- Staff:** Mark Bengry, Chris Ashley, Sue Chamberlain, Ron Schell, Rose Stephenson
- TSA Vendors:** Jeff Janechek, Ameriprise/IDS; Jill Snyder, Nancy Braaksma, Jo Semrow, AUL; Anthony Frongillo, Sarah Kelly, Fidelity; Betty Custer, Gina Krapf, Lincoln; Mike Mitchell, TIAA-CREF
- Guests:** Kara Webber Schiro, UW Processing Center

Kate Kelley called the meeting to order at 9:35.

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

1. Approval of Minutes:

MOTION: Ron Crabb moved approval of the minutes of the April, 2005 TSARC meeting as submitted. Lucretia Mattson seconded. Motion passed.

2. Preliminary Comments:

Sue Chamberlain prefaced the meeting by noting that it is appropriate to review the objectives of the TSA program at this time because a strategic review has not been completed since the mid 80's and many things have changed since then. Among the changes is the current budget situation, the addition of the State 457 plan, and many developments in the investment world.

3. Objective Setting Discussion:

Howard Erlanger began the discussion by identifying two primary constituencies for the TSA program: serious investors, who tend to be highly compensated and want as much freedom as possible and less serious investors who are generally not highly compensated. People in the latter group probably need to save more and are usually not willing to invest much time in making investment decisions. He noted that the program used to offer a group of 'core funds' that provided a clean, simple option for less serious investors.

Lucretia Mattson noted that there will be an increase in lower income employees in the future because the University is replacing retiring faculty and staff with lower-paid workers. The University has an obligation to provide education and encouragement to save for retirement, particularly to this lower-income group. Kate Kelley pointed out that education efforts have increased over past few years and this is appropriate.

Ron Crabb stated that it is impossible to guaranty the future solvency of insurance companies, ratings notwithstanding. If possible, the Committee should get out of the ratings business entirely. Bob Carney agreed that high ratings offer no guaranty of future solvency but pointed out that it is probably necessary to monitor the participating insurance companies.

The Committee identified the primary objectives for TSA program as:

- Providing a vehicle for tax-savings
- Encouraging employees to save for retirement (particularly lower-income employees)
- Providing a portable retirement benefit

Qinghai Wang noted that the role of the plan could be viewed as supplemental because it complements the Wisconsin Retirement System plan that covers most employees. Viewed in that light, it may be difficult to designate core funds that are appropriate for all individuals.

A discussion of the degree to which the University should be parental toward employees followed. Howard Erlanger said he preferred the term 'accessible' to 'parental'. A further discussion of core funds as a means of enhancing accessibility followed. In response to a question from Bob Carney, Anthony Frongillo, Fidelity Investments, said that Fidelity did not have a standard line-up of core funds. Rather, client institutions pick funds to populate 'tiers' based on their own criteria (typically expense ratios, performance, Morningstar style box categories). Freedom Funds (age-based asset allocation funds) are often included in Tier One; Tier Two typically includes 20-30 closely-monitored funds; Tier Three, everything else.

Mike Mitchell, TIAA-CREF, stated that his organization does offer lifecycle funds, but they have not been approved for the UW program. With the new open recordkeeping platform in place, they could offer a 'one decision strategy' using the lifecycle funds. A discussion of various approaches for choosing core funds followed. ***Howard Erlanger, Lucretia Mattson, and Bob Carney agreed to participate in a sub-committee to review alternatives.***

As part of a discussion of the number of mutual fund and insurance company offerings, Carol Fischer asked whether participation rates at other institutions could be correlated with the number of funds offered. Rose Stephenson noted that few plans are comparable to ours (many fund offerings in a supplemental 403b plan) so comparisons would be difficult. Kevin Bahr asked whether staff could quantify the expenses associated with the large number of companies included in the TSA program. Staff agreed to try to do so.

A discussion of communications followed. Kate Kelley noted that the Committee voted to allow an increase in participant charges to cover additional communication expenses a few years ago. There appeared to be a consensus to continue to publish two TSA Investor newsletters per year (hard copy preferable) and explore a communication to new employees who have not enrolled after 60 or 90 days of employment.

Howard Erlanger stated that an important use of funds is staff education and that relevant and important periodicals and educational seminars are a good use of funds.

4. Program Update

Rose Stephenson provided an update of program activities:

- Wells Fargo termination—600 letters were sent to past and current contributors to Wells Fargo contributors in July. There have not been any protests. No new contributions will be allowed after 12/31/05. About 200 employees continue to contribute to Wells Fargo. Another letter will be sent to them this month.
- New TIAA-CREF recordkeeping platform—TIAA CREF instituted new recordkeeping platform on October 15. The conversion went smoothly. Scudder and AUL also will be moving to an omni recordkeeping platform as well.
- Insurance Company Ratings—Ron Schell distributed a summary of insurance company ratings. Using the Committee's rating categories, there have not been any changes since the April meeting.
- American Express changed its name to Ameriprise.
- New AUL contract—AUL has proposed offering new investment options, reducing the annual asset charge charges, and eliminating surrender charges effective 1/1/06. Details for the transition are being developed.
- New Education Representative—Fidelity has added a new education representative for UW, Sharon Byrd.

5. Next Meeting: The spring TSA Review Committee meeting will be April 28.

6. Motion to Adjourn

MOTION: Lucretia Mattson moved that the meeting be adjourned. Ron Crabb seconded the motion. The meeting was adjourned at 12:15 pm.