

## You need this program

This issue of the *TSA InvestoR* is going to all UW employees to remind them of an important benefit program available through the UW. The UW Tax-Sheltered Annuity (TSA) Program is designed and maintained for you. All employees of the University, except students exempt from FICA, are eligible to enroll. The TSA Program is a retirement savings plan authorized by section 403(b) of the Internal Revenue Code. You can use it to invest a portion of your salary for retirement on a pre-tax basis.

Investment options include a wide array of mutual funds and fixed and variable annuities managed by ten authorized vendors. You can choose from stock funds, bond funds, or combinations. See the complete list of options at <http://www.uwsa.edu/hr/returns.htm>.

### It's Cheap!

You can contribute as little as \$8.00 biweekly or \$20.00 per month. **All funds are no-load: there are no sales charges.** Some vendors have no annual fees (see inside). The University fee is \$9 per year.

### It's Easy!

Once you begin, saving is automatic. You won't have to remember to mail a check. You can stop your deductions or change investments at any time. Subject to rules of your campus, you can change your deferral amount or investment company at any time.

### It's Important!

Saving for retirement is no longer something that would just be "nice." It's become essential to ensure you'll have sufficient income to live comfortably.

Tax-deferred saving gives you:

- An action plan for accumulating the money you will **need** to supplement your retirement income from Social Security and your retirement plan.
- Tax savings – your contribution reduces your state

and federal withholding.

- Tax-deferral on your earnings – no annual capital gains taxes to slow investment growth.
- A way to use time in your favor. With long-term investing, even a small regular contribution adds up. Over 20 years, assuming 8% annual earnings, \$50 per month (\$12,000 in all) will grow to \$29,647. Over 30 years, \$50 per month would yield \$75,014.

### OK, you're convinced. So how do you enroll?

Decide on a company first. Call or visit our vendors' web sites to find out more. Can't decide on a fund? Start with a low-cost balanced fund or index fund. **Anything** you choose will be better than not choosing anything!

Call the vendor and request a UW TSA packet. Fill out the enrollment form to specify the investment funds you have selected. This form **must** be on file with the vendor before your first salary deferral. Then contact your institution's Staff Benefits Office to file a Salary Reduction Agreement (SRA).

### Some restrictions you should know about

You **may not** contribute more than a federally-defined maximum, generally no more than 15-20% of your salary. Consult your Staff Benefits Office if you want to maximize your contributions.

Once contributed, your TSA moneys are not available to you until you reach age 59 ½, retire, terminate employment, or become disabled. It is sometimes possible to take a hardship withdrawal or loan. Withdrawals are taxable at your current income tax rate with an extra tax penalty for early withdrawal.

**For more information** see the TSA Program entries at <http://www.uwsa.edu/hr/staff.htm>.

## Fall TSA Events

**October 11 – UW-Whitewater - Benefits Fair** - 11:30–3:30 in the Hamilton Center

**October 12 – UW-Milwaukee - Benefits Fair** with presentations by TSA Vendors

**October 18 – UW-Madison - Benefits Fair** - 10–5 - Memorial Union

**October 19 – UW-Madison - TSA Day** - Memorial Union & Union South – See Schedule on Back!

**October 22 – 12–1:30 *Financial Strategies for a New Century***, a live satellite broadcast presented by TIAA-CREF: **UW-Madison** - Union South - See TITU for location. **UW-Stout** - Northwoods Room of the Memorial Student Center.

**One-on-One Counseling** – free & open to all UW employees

- **Fidelity** – Madison: 10/18-19 and 11/10-11, call (800) 642-7131 for an appointment.
- **TIAA-CREF** – **Madison**: 10/28-29, **Milwaukee**: 10/26 & 11/12, **Whitewater**: 10/14  
Call (800) 842-2005 or visit [www.tiaa-cref.org/moc](http://www.tiaa-cref.org/moc) to make a reservation.

**All UW Employees are welcome at these free events. Make appropriate arrangements with your supervisor.**

The purpose of the *TSA Inve\$tor* is to provide educational information regarding opportunities and investment principles to assist University of Wisconsin employees who participate in the UW approved Tax-Sheltered Annuity program to prepare for a financially secure retirement.

The *TSA Inve\$tor* is published semi-annually in the Spring and Fall by staff members of the UW System Office of Staff Benefits and Payroll Policy, 780 Regent Street, Madison, WI 53715

Investment options and recent returns are listed at the UWSA Web site.  
[www.uwsa.edu/hr/returns.htm](http://www.uwsa.edu/hr/returns.htm)

Program Administrator: Mary Anglim  
Telephone: (608) 263-4376  
E-Mail: [manglim@ccmail.uwsa.edu](mailto:manglim@ccmail.uwsa.edu)

Communications Specialist:  
Rose Stephenson  
Telephone: (608) 262-5564  
E-Mail: [rstephenson@uwsa.edu](mailto:rstephenson@uwsa.edu)

Members of the Tax-Sheltered Annuity Review Committee:

Roland Juhnke, Chair  
UW-Stevens Point  
Telephone: (715) 346-3975  
E-mail: [rjuhnke@uwsp.edu](mailto:rjuhnke@uwsp.edu)

Howard Erlanger, Vice-chair  
UW-Madison  
Telephone: (608) 263-7405  
E-mail: [erlanger@ssc.wisc.edu](mailto:erlanger@ssc.wisc.edu)

Babu Baradwaj, UW-Eau Claire  
Telephone: (715) 836-5199  
E-mail: [baradwaj@uwec.edu](mailto:baradwaj@uwec.edu)

Thomas Barry, UW-Green Bay  
Telephone: (920) 465-2203  
E-mail: [barryt@uwgb.edu](mailto:barryt@uwgb.edu)

Robert Carney, UW-LaCrosse  
Telephone: (608) 785-8117  
E-mail: [carney@mail.uwlax.edu](mailto:carney@mail.uwlax.edu)

Ron Crabb, UW-Whitewater  
Telephone: (414) 472-5461  
E-mail: [crabbr@uwwvax.uww.edu](mailto:crabbr@uwwvax.uww.edu)

Jan Johnson, UW-River Falls  
Telephone: (715) 425-3382  
E-mail: [janet.m.johnson@uwrfl.edu](mailto:janet.m.johnson@uwrfl.edu)

Kathleen Kelley, UW-Platteville  
Telephone: (608) 342-1176  
E-mail: [kelley@uwplatt.edu](mailto:kelley@uwplatt.edu)

Richard Marcus, UW-Milwaukee  
Telephone: (414) 229-4103  
E-mail: [marcus@csd.uwm.edu](mailto:marcus@csd.uwm.edu)

Randall Ryder  
UW-Milwaukee (Ex-Officio)

## Y2K Questions

### Should I consider moving my TSA account to a bond or money-market fund until after January?

No, not unless you think you will need your money soon (within a few years) and you would make this change anyway. You might lose money if the companies your mutual fund or annuity invests in have trouble with Y2K. But this is probably a short-term risk, and you are investing for the long term. If you have at least seven to ten years before you will need your TSA, putting all your money in a low-interest money market or bond fund risks losing out on long-term earnings.

### Is there a chance that my account records will be affected by Y2K?

Yes, but this risk is small. All of our TSA vendors have identified their mission-critical systems and conducted extensive testing to ensure that they will work correctly after the year changes. All have, or soon will have, contingency plans to handle record-keeping in case the normal systems fail. All are evaluating their external vendors for Y2K compliance. Information is posted at each vendor web-site and at the federal Securities and Exchange Commission site, <http://www.sec.gov>. You can minimize your risk by:

- ✓ Verifying your third quarter statements. Have any errors corrected and keep a paper file to compare with the first few statements you get next year.
- ✓ Arranging for Internet access to your TSA account. Most of our vendors offer this service. At the end of the year, telephone lines are expected to be very busy. The Internet may be quicker and easier.
- ✓ Planning ahead to avoid making large transactions around New Years.

## The Procrastinator's Corner

Didn't you intend to start a TSA account last October? If you had, you'd now have 12 months' of savings plus gains (or minus losses), as well as tax savings of 15% to 36%. Don't let this year go by too. Take time to pay yourself first.

Don't let fear of selecting an investment stop you from acting! Picking the very best fund is less important than choosing **something** to get started. Not that fund selection doesn't matter. Over several years your returns could vary substantially

depending on where you invest. But in the short run, performance differences are not significant compared to what you gain by starting to save.



## New Vendor Search

A Request for Proposals seeking new mutual fund vendors for the UW TSA Program was issued in July and closed on September 10. Five vendors submitted proposals. The evaluation process is underway and the Tax-Sheltered Annuity Review Committee is expected to act on a recommendation at its October 22 meeting. A sub-committee of the TSARC has begun a similar process to seek new annuity vendors.

# I think I should adjust my investments. . .

If you are like many UW TSA participants, a substantial part of your TSA assets are invested in "large-cap" funds – mutual funds or variable annuities that specialize in stocks of large U.S. companies. If so, your strategy has probably paid off. The Standard and Poor's 500 index, which reflects the performance of the 500 largest U.S. companies, averaged returns of 24.82% annually for the five years ending August 31, 1999. Smaller companies' stocks and international equities, as well as bond and money market investments, did much less well over the same period. But this success means that large-cap funds may be over-represented in your portfolio. Unless you think that large-caps will continue to out-perform other investments over the next few years, you may want to protect your gains and spread your risks by moving some of your money to different kinds of investments.

Or, you may have invested conservatively, choosing a fixed annuity, a bond fund or a money market fund. Though there's no way to be sure that stocks will continue their gains in the future, you may want to try some more aggressive investments in hope of obtaining a higher return.

Or maybe you just don't know for sure how your account is invested. If that's the case, a check of your funds' investment objectives would be well worth your while. You may find that you own too much or too little of one kind of asset.

## . . . but I don't know how

Diversification—spreading your money among different kinds of assets—is a way to reduce risk. Asset allocation is a strategy to make sure you are diversified. Asset allocation also looks at your time frame, building in more aggressive investments when you have enough time to ride out market corrections, and moving to more conservative investments as retirement nears.

The UW TSA Program vendors can help. If you have an account with American United Life, IDS, or Lincoln, your agent can provide individualized advice, including an asset allocation plan suitable to your age and risk tolerance. One-on-one counseling is sometimes available from other companies (see schedule on the front page of this issue).

General advice is available on investment company websites and at their telephone call centers. Take a look at your third quarter statement – you should be receiving it soon. If you are uncertain what you own, don't be afraid to call and ask for an explanation and some alternatives.

There are many asset allocation and risk tolerance questionnaires on the Internet. Explore several of these to find out more about the different kinds of investments that are recommended for a person in your situation.

Examples are:

- Fidelity's investment planning site (for Fidelity clients, account access password required) at <https://netbenefits.non-profits.com/> or its public planning site at <http://personal300.fidelity.com/planning/investment/>
- Scudder's asset allocation worksheet, <http://investments.scudder.com/t/index.jhtml>, go to "Planning and Retirement"
- Strong Fund's asset allocation questionnaire, <http://www.strongfunds.com/strong/Planner98/asset.htm>

But you don't have to depend on the Internet to learn more. Call and ask one of our vendors for written materials on asset allocation.



**Investment options and recent returns are at the UWSA Web site: [www.uwsa.edu/hr/returns.htm](http://www.uwsa.edu/hr/returns.htm)**

## Vendor news

**AMERICAN UNITED LIFE** is offering a new product, the Patriot variable annuity. Investment options are largely the same as under AUL's previous contract, but surrender charges are lower (7% in the first year, declining by 1% each year to zero in the eighth year). There is no surrender charge on distributions paid to a participant who retires, terminates employment, or has another triggering event. A guaranteed death benefit has been added, equal to the highest value in the account on a contract anniversary.

**LINCOLN NATIONAL LIFE** has added eight new investment options to its line-up of variable annuities. The new funds include two that specialize in large companies, two that invest in mid-size companies, one that emphasizes small companies, and one international fund. In addition, two index funds have been added: the IFT Equity 500 Index Fund and the IFT Small Cap Index Fund seek to reflect the performance of the S&P 500 (large-cap) Index and the Russell 2000 (small-cap) Index respectively.

**SCUDDER KEMPER** closed the Pathway International Portfolio on August 20, 1999. Balances were transferred to Scudder International Fund. Please call Scudder at 800-537-1036 to obtain a prospectus. The prospectus gives more detailed information about the fund and should be read prior to investing.

At **TIAA-CREF** you can obtain your personal account information over the Internet with Inter/ACT, TIAA-CREF's system for making account inquiries and transactions online. Click on Inter/ACT from the home page at [www.tiaa-cref.org](http://www.tiaa-cref.org). To get started, you'll need your self-selected PIN – a number you choose that's easy to remember. Call the Automated Telephone Service at 800-842-2252 and follow the recorded instructions to either order your original PIN or self-select your new PIN.

# About Our Vendors

Looking for a TSA investment? Shop first for a company. You will probably stay with the company for a long time—perhaps much longer than you stay with your initial fund choices—so it's important to feel comfortable with its services and range of investment options. Though they offer similar products and services, the ten vendors in the UW TSA Program have distinct styles and strengths. Here is a thumbnail sketch of each. You can learn much more by calling their service representatives, visiting their web-sites, and reading their materials.

## Mutual Fund Companies

The **DREYFUS** Corporation, established in 1951 and headquartered in New York City, currently manages nearly \$120 billion in more than 150 mutual fund portfolios nationwide. The Dreyfus Corporation is the principal mutual fund business of Mellon Bank Corporation, a broad-based financial services company with a bank at its core. Dreyfus offers about 30 funds to UW TSA participants.

**You can invest as little as \$8 biweekly or \$20 per month in the UW TSA Program.**

**FIDELITY INVESTMENTS** is America's largest privately held investment manager with more than \$1 trillion in customer assets and 50 years' investment experience. Boston-based Fidelity offers about 80 mutual funds to UW employees, plus 40 Fidelity Select Funds (specializing in specific industries) and ten Fidelity Spartan Funds (specializing in bonds and indexes and intended for larger investors).

**T. ROWE PRICE**, founded in 1937 and based in Baltimore, is a major proponent of no-load mutual funds. The UW TSA Program offers 55 T. Rowe Price funds. T. Rowe Price manages about \$159.2 billion in assets and more than seven million individual and institutional accounts. It is well-known for its efforts to minimize risk while seeking superior performance.

**SCUDDER KEMPER INVESTMENTS** introduced the nation's first no-load mutual fund in 1928. Today, it manages over \$230 billion for a wide range of individuals and institutions. At the end of 1997, about 25% of Scudder's long-term investments were invested in global or international portfolios, making it something of a specialist in this field compared to the U.S. mutual fund industry as a whole. About 40 Scudder funds are offered in the TSA Program.

**STRONG FUNDS** is a Wisconsin-based company founded in 1974 by Richard Strong. Strong Capital Management currently manages more than \$30 billion in assets. Strong is notable for its investor education efforts. As a mid-sized company it offers a personal touch as well as complete investment services. About 40 Strong funds are available through the TSA Program.

## The Wisconsin Retirement System

The **WISCONSIN RETIREMENT SYSTEM**, with assets of \$55.6 billion, provides retirement benefits for nearly all Wisconsin public employees. The State of Wisconsin Investment Board manages its investments. TSA participants can make tax-deferred additional contributions to the "fixed" trust (actually a balanced fund with about 60% of assets in the stock market). Employees whose regular retirement accounts participate in the variable trust (94% equities) are also eligible to use the variable trust for TSA investments.

## Insurance Companies

**AMERICAN UNITED LIFE (AUL)** and its predecessors have been in business since 1877. A mutual company with headquarters in Indianapolis, Indiana, AUL offers life insurance, annuities, and other products. It has group annuity and pension assets under management of \$5.5 billion. In addition to the investment accounts managed by AUL itself, AUL offers variable annuity investments managed by Calvert, Fidelity, Janus, Pilgrim Baxter, and other investment advisors. The UW TSA Program offers 25 AUL fixed and variable annuities.

**IDS LIFE INSURANCE COMPANY**, based in Minneapolis, is owned by the American Express Financial Corporation. At the end of 1998 IDS was the 14th largest life insurance company in the U.S. IDS manages its own investment accounts. Its ten fixed and variable annuities are sold by agents of American Express Financial Advisors, who also can provide financial planning, mutual funds, and other financial products.

**LINCOLN NATIONAL LIFE** is the 10th largest stockholder-owned life insurance company in the U.S. In addition to the investment accounts managed by Lincoln Financial Group, Lincoln offers variable annuity investments managed by Bankers Trust, Delaware Investments, Fidelity, Janus, Putnam, and other investment advisors. Over 20 of its fixed and variable annuities are sold to UW TSA participants by Lincoln Financial Advisors, a network of career agents who can also offer access to a complete portfolio of financial products and services.

**TIAA-CREF** is two companies that together make up the largest private pension system in the world. It offers financial services to employees of nonprofit education and research institutions. TIAA, the Teachers Insurance and Annuity Association, is an insurance company managing \$106.22 billion in assets; CREF is the College Retirement Equities Fund, with \$160.2 billion in assets. Unlike the other insurance companies in the UW TSA Program, TIAA-CREF does not have local agents to provide personal advice. The UW TSA Program offers eleven fixed or variable TIAA or CREF annuities.

# Life Insurance Company Ratings

**Note:** The ratings below are meant to provide an indication of the financial strength of the company and its ability to pay promised benefits. Financial strength is especially important to you if you own a fixed annuity, in which your principal and the guaranteed interest rate are backed by the company. If your annuity has a guaranteed death benefit, that is also backed by the company. Variable annuities are not guaranteed by the company. Their value depends on the investment performance of their "sub-account" – a pooled investment similar to a mutual fund – which rises and falls with the market.

Rating Service	A.M. Best & Co.	Duff & Phelps	Moody's	Standard & Poor's	Weiss
<b>American United Life</b>	A+ (Superior)	AA (Very high)	A1 (Good)	AA (Very Strong)	B (Good)
<b>IDS</b>	A+ (Superior)	AAA (Highest)	Aa2 (Excellent)	Aapi (Very Strong, rating based on public information only)	B (Good)
<b>Lincoln</b>	A (Excellent)	AA+ (Very High)	Aa3 (Excellent)	AA- (Very Strong)	B (Good)
<b>TIAA-CREF</b>	A++ (Superior)	AAA (Highest)	Aaa (Exceptional)	AAA (Extremely Strong)	A+ (Excellent)

## UW TSA Vendor Contacts & Program Fees

UNIVERSITY FEE:	\$9.00 per year, deducted from payroll when you join the Program and in early March each year thereafter.		
VENDOR FEES	ANNUAL FEE	SURRENDER/REDEMPTION CHARGE	MORTALITY/RISK CHARGE
<b>American Express/IDS</b> 800-866-4437 www.americanexpress.com	\$30	7% years 1-3; declining to 0% in year 9	1.000%
<b>American United Life</b> 800-634-1629 www.aul.com	Lesser of 0.5% or \$7.50 per quarter. Waived beginning 5/1/99 for accounts over \$25,000	Old contract: 8%, years 1-5; 4% years 6-8 New contract: 7% in year 1, declining by 1% per year to zero in year 8	1.250%
<b>Lincoln National Life</b> 800-967-2046 www.lfg.com	None	8% years 1-5; 4% years 6-8	1.002%
<b>TIAA-CREF</b> 800-842-2776 www.tiaa-cref.org	None	None	.005%
<b>Dreyfus</b> 800-358-0910 www.dreyfus.com	\$10 per fund (\$25 maximum)	Selected funds have a 1% charge on redemption of shares held less than a minimum period. See prospectus.	n/a
<b>Fidelity</b> 800-343 0860 www.fid-inv.com	None	Selected funds have a charge of up to 3.0% on redemption of shares held less than a minimum period. Fidelity Select and Spartan Funds have additional redemption fees and/or minimum balance requirements. See prospectus.	n/a
<b>T.Rowe Price</b> 800-492-7670 www.troweprice.com	None	None	n/a
<b>Scudder Investment Services</b> 800-323-6105 working4u.scudder.com	None	Selected funds have a charge of up to 2% on redemption of shares held less than a minimum period. See prospectus.	n/a
<b>Strong Funds</b> 800-368-2882 www.strongfunds.com	None	\$10 for redemption or transfer of entire account	n/a
<b>Wisconsin Retirement System</b> 608-266-3285 badger.state.wi.us/agencies/etf	None	None; No withdrawal or transfer permitted before employment terminates	n/a

Prepared by University of Wisconsin System Administration, Office of Staff Benefits  
PO Box 8010 Madison WI 53708-8010

# TSA Day – Tuesday, October 19

## UW Madison - TSA Day - Investment Workshop Schedule

	Union South – 227 N Randall Ave	Memorial Union – 800 Langdon St
8:30 am	<ul style="list-style-type: none"> <li>Basics of Investing - American Express/IDS</li> <li>Apples or Oranges? Knowing your Mutual Fund's Goals - T Rowe Price</li> </ul>	<ul style="list-style-type: none"> <li>Are You Ready to Retire? - Fidelity</li> <li>Market Corrections - Scudder</li> </ul>
10 am	<ul style="list-style-type: none"> <li>Basics of Long-Term Investing - American United Life</li> </ul>	<ul style="list-style-type: none"> <li>Wisconsin Deferred Compensation</li> <li>Investment Basics - Dreyfus</li> <li>One-on-One Counseling - Scudder</li> </ul>
11 am	<ul style="list-style-type: none"> <li>Apples or Oranges? Knowing your Mutual Fund's Goals -- T Rowe Price</li> </ul>	<ul style="list-style-type: none"> <li>One-on-One Counseling - Scudder</li> </ul>
11:45 am	<ul style="list-style-type: none"> <li>Financial Planning - All You Need to Know - Lincoln Financial Advisors</li> </ul>	<ul style="list-style-type: none"> <li>Roth IRA vs TSA- TIAA-CREF</li> <li>Risk &amp; Reward - Scudder</li> </ul>
12:30 pm	<ul style="list-style-type: none"> <li>Wisconsin Deferred Compensation</li> </ul>	
1:30 pm	<ul style="list-style-type: none"> <li>Investment Basics- Dreyfus</li> </ul>	<ul style="list-style-type: none"> <li>You Do the Numbers - Calculate What You'll Need for Retirement - Strong Funds</li> <li>Retirement Checklist - American Express/IDS</li> </ul>
2 pm	<ul style="list-style-type: none"> <li>Choosing the Right Investment Mix - Fidelity</li> </ul>	
4 pm	<ul style="list-style-type: none"> <li>Getting Ready to Retire - TIAA-CREF</li> <li>Women Taking Charge of Their Money - Lincoln</li> </ul>	
6 pm	<ul style="list-style-type: none"> <li>You Do the Numbers - Calculate What You'll Need for Retirement - Strong Funds</li> </ul>	

*Room locations will be posted in Today In The Union on the day of the event.*

FREE and open to all UW employees from all campuses and their families. Each session lasts about an hour, plus time for questions. You are encouraged to attend one of these workshops or to drop in as your schedule permits (be sure to make appropriate arrangements with your supervisor).

For more information see the TSA Day web site, [www.uwsa.edu/hr/tsaday.htm](http://www.uwsa.edu/hr/tsaday.htm) or call (608) 263-4376.

## Your tax savings with a TSA

When you make a contribution to a tax-sheltered annuity account, the money is deducted from your salary before taxes. This means that you do not pay current federal or state income tax on the money. (You will owe taxes later, when you withdraw your TSA money.) The tax savings make your TSA contribution a little less painful and part of your investment comes from money you would otherwise pay in taxes.

The table below shows approximately how much your net pay goes down when you make a contribution of \$50 per month (unclassified) or \$25 per biweekly payroll (classified). For example, if you earn \$800 every two weeks and your tax-filing status is single with 2 exemptions, a \$25 contribution would lower your net biweekly check by just \$19.30.

GROSS SALARY	TAX FILING STATUS			
	single/1	single/2	married/2	married/4
<b>Monthly</b>				
\$1,000	\$38.80	\$38.90	\$46.40	\$47.10
\$2,000	\$38.60	\$38.60	\$38.40	\$38.30
\$3,000	\$32.10	\$32.20	\$38.90	\$38.90
\$4,000	\$32.50	\$32.50	\$39.00	\$39.00
\$5,000	\$32.50	\$32.50	\$32.50	\$32.50
<b>Biweekly</b>				
\$640	\$19.50	\$19.30	\$19.30	\$23.00
\$800	\$19.30	\$19.30	\$19.10	\$19.20
\$1,200	\$16.10	\$19.20	\$19.10	\$19.30
\$1,600	\$16.20	\$16.30	\$19.50	\$19.50
\$2,000	\$16.30	\$16.30	\$19.50	\$19.50

**Note:** Based on 1999 tax tables. ERA deductions or other special tax circumstances could affect this calculation. Consult your payroll office if you need more information.