



STATE OF WISCONSIN
Department of Employee Trust Funds
 Robert J. Conlin
 SECRETARY

801 W Badger Road
 PO Box 7931
 Madison WI 53707-7931

1-877-533-5020 (toll free)
 Fax (608) 267-4549
<http://etf.wi.gov>

CORRESPONDENCE MEMORANDUM

DATE: May 9, 2012

TO: Wisconsin Deferred Compensation Board

FROM: Robert C. Willett, CPA
 Chief Trust Financial Officer

SUBJECT: Participant Fee Recommendations

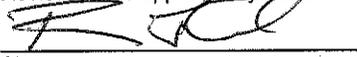
Staff recommends the Deferred Compensation Board (Board) make no changes to the administrative fees paid by plan participants at this time.

The Board maintains an administrative account to pay the administrative expenses for the Wisconsin Deferred Compensation Program (WDC). These expenses consist primarily of the administrative services contract with Great-West Retirement Services but also include the costs for Employee Trust Funds (ETF) staff, audits, and other plan expenses.

Revenues to fund administrative expenses come from participant fees, investment provider reimbursements, and investment income on the account balance. During recent years, the following revenues and expenses were recorded in the administrative account (in thousands \$).

	2011	2010	2009	2008
January 1 Account Balance	<u>\$1,987</u>	<u>\$2,212</u>	<u>\$2,718</u>	<u>\$2,730</u>
Revenues				
Participant Fees	1,306	1,206	1,065	1,085
Investment Provider Reimbursements	1,468	1,280	988	1,325
Investment Earnings & Other	64	105	124	162
Total Revenues	<u>2,838</u>	<u>2,591</u>	<u>2,177</u>	<u>2,572</u>
Expenses				
Administrative Services Contract	2,619	2,645	2,534	2,421
DRO Fees	20	14	15	19
ETF Administration & Miscellaneous	135	157	134	144
Total Expenses	<u>2,774</u>	<u>2,816</u>	<u>2,683</u>	<u>2,584</u>
December 31 Account Balance	<u>\$2,051</u>	<u>\$1,987</u>	<u>\$2,212</u>	<u>\$2,718</u>
Account Balance as % of Projected Annual Expenses	70%	69%	79%	101%

Reviewed and approved by Robert J. Conlin, Secretary


 Signature _____ Date 5/21/12

Board	Mtg Date	Item #
DC	6/7/12	5

The Board's goal for the administrative account has been to maintain an account balance equal to 50% of projected annual operating expenses. This balance assures that funds will be available to pay expenses when due and provides a cushion against reduced participant fees and investment provider reimbursements that would occur during a market downturn. At 70%, the account balance as of December 31, 2011, exceeds that target.

The plan's two primary sources of revenue, participant fees and investment provider reimbursements, are both closely correlated to plan assets. The market decline in 2008 reduced plan assets below the level needed to generate the revenues needed to fund plan expenses. Strong market performance since that time has restored plan assets to the level needed to generate sufficient revenues for plan expenses.

Our projections show that an average annual equity investment return of only 3.2% will be needed to grow plan assets to the level required to maintain the reserve balance above the 50% target over the next five years. If equity returns average less than 3.2% over the long term, the reserve balance will drop below the Board's target level, and a participant fee increase may be required in the future.

Based on the current reserves in the Board's administrative account, no action to adjust administrative fees paid by plan participants is necessary at this time. Fees should be reviewed again next year to assure adequate reserves are being maintained to administer the program. While complete plan financial data is not yet available for the first quarter of 2012, overall market returns have been favorable during this period, making it unlikely that a participant fee increase will be required in the next year.

The next scheduled review of participant fees will be at the May 2013 Board meeting unless plan experience makes an interim review prudent.

Staff will be available at the Board meeting to discuss the contents of this memo and answer any questions you may have.