

DRAFT

MINUTES

February 5, 2018

Deferred Compensation Board
Investment Committee
State of Wisconsin



Location:

State Revenue Building
Conference Room 1N-04
2135 Rimrock Rd, Madison WI 53713

COMMITTEE MEMBERS PRESENT:

Ed Main, Chair (via teleconference)

Jason Rothenberg, Secretary

PARTICIPANTS:

Deferred Compensation Program:
Shelly Schueller, Director

Great-West Financial: Bill Thornton

OTHERS PRESENT:

John Scherer, Deferred Compensation
(DC) Board Member
Art Zimmerman, DC Board Member
Emily Lockwood, Empower Retirement

Matt Stohr, ETF
Lisa Gurley, ETF
Monica Anderson, ETF
Cherylynn Wilkins, ETF

Mr. Main, Chair, called the meeting of the Deferred Compensation Board Investment Committee (Committee) to order at 1:00 p.m.

MINUTES

MOTION: Mr. Rothenberg moved to accept the September 19, 2017 Open Session minutes, as submitted by the Board Liaison. Mr. Main seconded the motion, which passed unanimously on a voice vote.

2017 INVESTMENT PERFORMANCE AND EXPENSE REVIEW

Mr. Thornton provided an analysis of the fourth quarter 2017 investment performance and expense review to the Committee. Overall, both in terms of relative and absolute return, the last quarter of 2017 was a good one, as was virtually all of 2017. Mr. Thornton suggested that this positive performance could be attributed to solid core fundamentals, including low inflation and strong corporate earnings, as well as the market anticipating the pro-growth agenda in Washington, D.C.

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Other observations he shared:

- DFA fund performance was slightly behind, likely due to positions in consumer cyclical and tech sectors -- but he expects the fund to be okay in the future.
- The American Beacon Bridgeway fund opened to participants on November 16, 2017, and has seen inflows. The larger inflows for this new option may be primarily due to the managed accounts service. As accounts using the managed accounts service are reviewed and rebalanced, their new allocations may now include the American Beacon Bridgeway option. Mr. Thornton anticipates about \$3-4 million to be invested annually in the fund by WDC participants.
- The Federated fund is trailing its peers. Performance may be a result of how the fund is invested: Federated is 95% Treasuries, while fund category is 70% Treasuries. Mr. Thornton believes it is appropriate to keep this fund on the "watch" list for now.
- The Vanguard Target Date fund series performed very well in the fourth quarter of 2017, especially the longer-dated funds.

There was a question raised about the expense ratio for the American Beacon Bridgeway fund. Is it at 65 or 55 basis points? Mr. Thornton will review and provide an updated copy of the report for the March Board meeting, if corrections are needed.

INVESTMENT OPTION CONVERSION UPDATE

Ms. Schueller provided a verbal update on the status of converting several investment options, as approved by the Board in November 2017:

- ETF's attorneys have nearly completed their reviews. A conference call with Fidelity is scheduled for February 8, 2018, to discuss a few points in the proposed agreement to convert from the Contrafund mutual fund to the Contrafund CIT II.
- The agreements converting the Vanguard Institutional Index mutual fund to the Vanguard Institutional 500 Index Trust, and the Target Date Retirement Funds to the Target Retirement Trust I, are ready for the Board chair to sign.
- The agreement to convert the Calvert Social Investments Equity Fund to the Calvert US Large Cap Core Responsible Index Fund is ready for the Board chair to sign.
- ETF and Empower will work together to develop informational materials for participants and select a date before summer for changes to occur, preferably all at the same time.

ADJOURNMENT

MOTION: Mr. Rothenberg moved to adjourn. Mr. Main seconded the motion, which passed unanimously on a voice vote.

The Committee adjourned at 1:25 p.m.

Date Approved: _____

Signed: _____

Jason Rothenberg, Secretary
Deferred Compensation Board Investment
Committee