



STATE OF WISCONSIN
Department of Employee Trust Funds
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CORRESPONDENCE / MEMORANDUM

Date: February 21, 2018
To: Deferred Compensation Board
From: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
Subject: 2018 Administrative Fee Change

ETF requests the Deferred Compensation Board approve a 3.5% increase in the annual fee paid to Empower Retirement.

The annual Strategic Partnership Plan (SPP) approved by the Deferred Compensation Board identifies Wisconsin-specific enhancements and initiatives for Empower Retirement and the metrics used to measure the results. Both the results of the SPP and growth in the number of participants determine any increases in Empower Retirement's annual administrative fee. As outlined in the Administrative Service Contract:

- if total Wisconsin Deferred Compensation participant growth is under 1.0%, there is no change in administrative fee;
- if total WDC participant growth is greater than 1.0% but less than 3.0%, then the annual administrative fee will increase by 3.5%. In addition, if the SPP is met, an additional 0.5% increase is earned, for a total increase of 4.0%;
- if total WDC participant growth is equal or greater than 3.0%, then the annual administrative fee will increase by 4.0%. In addition, if the SPP is met, an additional 1.0% increase is earned, for a total increase of 5.0%.

2017 SPP Results

As shown on the attached WDC Scorecard, Empower Retirement was successful in completing most of its 2017 SPP goals. Highlights of Empower Retirement's 2017 activities in Wisconsin include:

- Increasing the number of WDC participants by 2.9%;
- Adding nine new local employers;
- Presenting at more than 500 group informational meetings;
- Attending three conventions and nearly 60 benefits fairs;

Reviewed and approved by Matt Stohr, Administrator
Division of Retirement Services

Electronically Signed 3/6/18

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- Conducting mini-campaigns to encourage participants nearing retirement age to stay in the WDC, and for all participants to meet with a WDC representative to review their WDC accounts. The “meet with a representative” campaign helped generate more than 4,800 individual meetings, after which 31% of participants took action on their WDC accounts; and
- Developing a new “Tool Kit” of WDC resources for employers.

Although Empower Retirement was not able to achieve the SPP goal of adding 12 new employers in 2017, 9 new employers did join the WDC. In addition, Empower Retirement worked closely with several local employers who merged, and one large county that converted its plan to the WDC.

U.S. Conference of Mayors Plan in Wisconsin

In 2013 the Board approved an amendment to the WDC’s administrative services contract with Empower Retirement that permitted Empower Retirement to provide support in the State of Wisconsin to any United States Conference of Mayors (USCM) s. 457 deferred compensation plan sponsors with balances of \$1 million or greater interested in moving their existing USCM plans to the Empower Retirement platform. Empower also agreed to provide the Board with a report on its activities in Wisconsin regarding the USCM plan. Because the USCM selected a different retirement plan provider for its members effective January 1, 2017, the reporting requirement is no longer applicable.

Recommendation

Based on the WDC participant increase of 2.96% and the 2017 SPP results, ETF concurs with Empower Retirement’s requested administrative fee increase amount. ETF recommends the Board approve a 3.5% administrative fee increase in 2018 for Empower Retirement, from \$3,169,390 to \$3,280,318.

Staff will be at the Board meeting to answer any questions.

Attachment: February 19, 2018 letter from Empower Retirement (Emily Lockwood) outlining 2017 SPP results



Wisconsin Deferred Compensation Program

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February 19, 2018

Ms. Shelly Schueller
Department of Employee Trust Funds
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Dear Shelly:

On behalf of the entire Empower Retirement team, we are pleased to provide you with the 2017 WDC Scorecard results.

Empower Retirement, the Wisconsin Deferred Compensation Board (Board) and Department jointly agreed that beginning each year we would develop an annual Plan Enhancement Program (PEP), now called a Strategic Partnership Plan (SPP), to define the specific plan goals, incorporate WDC Board initiatives, and include metrics for measuring success. These goals and metrics form the PEP/SPP and become the focus for the year.

The Strategic Partnership Plan generally has goals and metrics developed around the Four Dimensions:

1. *Participation* – Increase the number of eligible employees contributing to the WDC as well as the number of political subdivisions offering the WDC.
2. *Asset Allocation* – Encourage appropriate diversification of participant assets in WDC investment options.
3. *Education and Learning* – Provide access to more financial literacy learning opportunities for all participants throughout the State.
4. *Retiree Outreach* – Provide a focus on education to retirees; retain retiree accounts/assets in the WDC.

As noted in the attached scorecard, we met or exceeded all goals with the exception of the number of new employers. There were eight employers in 2017 that merged into each other, resulting in two new employers and extra special handling with respect to payroll procedures, participant enrollments and account setup. More significantly, in 2017, Dane County decided to terminate its existing plan and convert participants and assets to the WDC. The assets came over from their previous provider January 2, 2018; therefore the 400 new participants and \$32M in rollover assets will be reported in 2018. However, several months of weekly meetings took place in 2017 to ensure a smooth transition from Dane County.

Securities offered through GWFS Equities, Inc. and/or other broker dealers.

Insurance products offered by Great-West Life & Annuity Insurance Company, Corporate Office: Greenwood Village, CO; or in New York, by Great-West Life & Annuity Insurance Company of New York, Home Office: White Plains, NY.

As a result of our 2017 activity, the following is proposed:

2017 EMPOWER RETIREMENT ADMINISTRATIVE FEE

As outlined in Section 7.3A of the Board's Administrative Service Contract with Employer Retirement, if total participant growth is greater than 1% but less than 3%, the annual administrative fee due to Empower Retirement increases by 3.5%. Additionally, should plan objectives as defined in the annual Strategic Partnership Plan be accomplished, the annual administrative fee will increase by an additional 0.5% in the following year, for a total increase of 4.0%.

Because Empower increased WDC participant growth by 2.96%, Empower is requesting that the 2018 administrative fee increase by 3.5% from \$3,169,390 to \$3,280,318.

Please let me know if you have any questions or need additional information regarding the 2017 PEP Scorecard.

Sincerely,



Emily S. Lockwood
State Director

cc: Rob Dwyer, Vice President, Empower Retirement

enclosure