

DRAFT

# MINUTES

August 30, 2018

## Deferred Compensation Board Investment Committee

State of Wisconsin



### Location:

Hill Farms State Office Building  
Conference Room N102  
4822 Madison Yards Way, Madison WI 53705

### COMMITTEE MEMBERS PRESENT:

Ed Main, Chair

Jason Rothenberg, Secretary

### PARTICIPANTS:

Deferred Compensation Program:  
Shelly Schueller, Director

Great-West Financial: Bill Thornton

### OTHERS PRESENT:

Emily Lockwood, Empower Retirement  
Matt Stohr, ETF  
Lisa Gurley, ETF

Art Zimmerman, DC Board Member  
Mark Guthmiller, WDC Participant

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 June 27, 2018 Open Session minutes, as submitted by the Board Liaison. Mr. Main seconded the motion, which passed unanimously on a voice vote.***

Board	Mtg Date	Item #
DC	11.15.18	2C

## **INVESTMENT PERFORMANCE REVIEW AS OF JUNE 29, 2018**

The Investment Committee reviewed the performance of the investment options as of June 29, 2018. This information was presented in the “Investment Performance and Expense Ratio Review” report by Bill Thornton of Great-West Investments (Ref. DCIC | 8.30.18 | 2).

Mr. Thornton reviewed the overall performance of the WDC’s investment options as compared to their respective benchmarks and provided insights regarding the performance of certain funds:

- American Funds EuroPacific fund returns have lagged compared to its benchmarks due, in part, to the fund holding a higher percentage in emerging markets than its peers.
- T. Rowe Price MidCap Growth fund had an unusual second quarter with a poor return compared to its benchmarks. Mr. Thornton suspects this is due to “headwinds” in the health care sector.
- Vanguard Long-Term Investment Grade fund had a second quarter of lagging returns, due to the fund holding bonds with longer duration than its peers.
- Federated US Gov’t 2-5 Year fund also continues to lag its peers due to longer duration bond funds and holding more US Treasuries than the category.

## **ACTIVELY MANAGED INTERMEDIATE BOND FUND OPTIONS**

Per the Committee’s request in June, Bill Thornton of Great-West Investments researched actively managed intermediate bond options that would be available and beneficial to participants of the WDC (Ref. DCIC | 8.30.18 | 3). This fund would be an actively managed option to complement the existing index fund currently offered.

Mr. Thornton reviewed the analysis used in this search, which was based on the Board’s [Investment Policy Statement](#) along with selected additional quantitative and qualitative criteria. The additional criteria helped refine the list of possible options down to three solid options. Mr. Thornton discussed the analytics of these funds with the committee. Each of the three finalist funds performs well and would be a good addition to the WDC’s core investment options. The committee agreed to recommend that the full Board hear presentations from the three finalist firms at some point in the future.

To help minimize participant confusion, the committee suggested coordinating any future changes (additions or terminations) that may be occurring on the fixed end of the WDC’s investment option spectrum.

## **FUTURE ITEMS FOR DISCUSSION**

The committee expressed interest in learning the results of the fall WDC participant survey, which will be released in mid-September and includes questions regarding participants’ interest in fixed options.

**ADJOURNMENT**

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

The Committee adjourned at 2:02 p.m.

Date Approved: \_\_\_\_\_

Signed: \_\_\_\_\_

Jason Rothenberg, Secretary  
Deferred Compensation Board Investment  
Committee