

**MINUTES OF MEETING**  
**STATE OF WISCONSIN**  
**DEFERRED COMPENSATION BOARD**

**January 23, 2003**  
**1:00 p.m.**

**801 West Badger Road**  
**Conference Room GA**  
**Madison, Wisconsin**

**BOARD PRESENT:** Edward Main, Chair  
John Nelson, Vice-Chair  
J. Jean Rogers

**BOARD NOT PRESENT:** Martin Beil, Secretary

**PARTICIPATING STAFF:** Eric Stanchfield, Secretary  
Dave Hinrichs, Executive Assistant  
Pam Henning, Director, Office of Strategic Services  
Sharon Walk, Board Liaison

**OTHERS PRESENT:** Pam Licht, Department of Employee Trust Funds  
Sue Oelke, Nationwide Retirement Solutions  
Vicki Poole, Department of Employee Trust Funds

Edward Main, Chair, called the meeting to order at 1:12 p.m.

**Consideration of Minutes of November 12, 2002 Meeting.**

***Motion: John Nelson moved acceptance of the minutes of the November 12, 2002, meeting as submitted by the Board Liaison. Jean Rogers seconded the motion, which passed without objection on a voice vote.***

**Election of Officers.** Ms. Rogers nominated Ed Main as Chair, John Nelson as Vice-Chair and Martin Beil as Secretary. Mr. Nelson seconded the nomination. Hearing no further nominations, Mr. Main closed the nominations.

***Motion: Ms. Rogers moved to cast a unanimous ballot for Ed Main as Chair, John Nelson as Vice-Chair and Martin Beil as Secretary. Mr. Nelson seconded the motion, which passed without objection on a voice vote.***

**Report and Recommendation on Socially Responsible Investment Fund.** Pam Henning provided an update on the selection of a socially responsible investment fund. In December 2002, Department staff was advised that the manager of the Ariel Appreciation Fund had resigned. A special meeting of the Deferred Compensation Investment Committee (DCIC) was held to discuss this issue and to speak with an Ariel Appreciation Fund representative. As a result, the DCIC decided to reevaluate the socially responsible funds to determine if the Ariel Appreciation Fund would continue to be the most appropriate choice for the Wisconsin Deferred Compensation (WDC) program.

The DCIC met again in December 2002 and reviewed an updated report prepared by Curt Morrow, Nationwide Retirement Solutions (NRS). Based on this information, the DCIC recommended the following:

- Rescind the Board's motion and action at the November 11, 2002, meeting which added the Ariel Appreciation Fund.
- Add the Calvert Social Investment Equity Fund (Class I), a socially responsible, large blend equity option to the WDC program's core spectrum. The historical performance of the fund and tenure of the manager compares favorably to other socially responsible funds that also met the Board's established selection criteria.

***Motion: Ms. Rogers moved to rescind the Board's decision to select the Ariel Appreciation Fund as the WDC program's socially responsible investment fund and to select the Calvert Social Investment Equity Fund. Mr. Nelson seconded the motion, which passed without objection on a voice vote.***

**Report on Excessive Trading Policy.** Ms. Henning reported on the policy statement approved by the Board Chair to address the issue of excessive day trading in the international equity fund offered by the WDC program. At the November 2002 meeting, the Board agreed to establish a policy to restrict excessive participant trading on all deferred compensation investment options and delegated authority to finalize the policy language to the Board Chair. Staff worked with Kerry Robinson, NRS legal counsel, and Chair Ed Main to finalize the following trading policy:

***Excessive trading or market timing in your Wisconsin Deferred Compensation (WDC) account disrupts management of investment options, increases expenses and negatively affects performance to the detriment of other investors. Many investment providers to the WDC program have adopted underlying restrictions and limitations with respect to transfers into, and withdrawals from, their investment options. All participant and beneficiary accounts are subject to such restrictions or limitations. In the event that an investment provider identifies a participant or beneficiary account in violation, and notifies the Department of the problem, the Department shall direct the Plan Administrator to take the appropriate action to cause this practice to cease.***

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NRS will notify participants, by telephone and by certified mail, affected by this policy. Staff will prepare an article for the next 2003 quarterly newsletter informing participants of this policy.

**Recommendations to Amend the Wisconsin Plan and Trust Document to Include Excessive Trading Policy.** Ms. Henning advised the Board that two amendments to the Wisconsin Plan and Trust Document were needed in order to incorporate the excessive trading policy statement adopted by the Board at the November 12, 2002, meeting. The proposed amendments would permit excessive trading restrictions to be imposed by the investment companies offering investment options through the plan. Staff recommends that the amendment be effective January 23, 2003, upon approval by the Board. The amendments were outlined in a separate memo to the Board.

***Motion: Ms. Rogers moved that the Board adopt the two amendments to the Wisconsin Plan and Trust Document to incorporate the excessive trading policy statement adopted by the Board at the November 12, 2002, meeting. Mr. Nelson seconded the motion, which passed without objection on a voice vote.***

#### **Miscellaneous**

There was discussion regarding new Deferred Compensation (DC) board members and how the appointment process works. Currently there is one vacancy on the DC Board. Mr. Beil has been confirmed by the Senate. Mr. Main, Mr. Nelson and Ms. Rogers have been notified by Governor Doyle that their appointments have been rescinded. Until such time as new appointments are made by the Governor, Mr. Main, Mr. Nelson and Ms. Rogers will continue to serve on the DC Board.

The February 11, 2003, DC Board meeting is cancelled.

The Board members were advised that the recruitment process has been started to replace the program manager for the WDC program.

The next DC Board meeting will be held on May 13, 2003.

#### **Adjournment**

***Motion: Mr. Nelson moved to adjourn. Ms. Rogers seconded the motion, which passed without objection on a voice vote.***

The meeting was adjourned at 1:44 p.m.

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

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

Martin Beil  
Secretary