

DRAFT

MINUTES OF MEETING
STATE OF WISCONSIN
DEFERRED COMPENSATION BOARD

November 14, 2006
1:00 p.m.

801 West Badger Road
Conference Room GB
Madison, Wisconsin

BOARD PRESENT: Edward Main, Chair
John Nelson, Vice-Chair
Michael Drury
Gail Hanson

BOARD NOT PRESENT: Martin Beil, Secretary

PARTICIPATING STAFF: Dave Stella, Deputy Secretary
Mary Alice McGreevy, Compliance Officer
Shelly Schueller, Director, Wisconsin Deferred
Compensation Program
Sharon Walk, Board Liaison
Bob Willett, Controller, Division of Trust Finance and Employer
Services

OTHERS PRESENT: John Ameriks, Vanguard (via conference call)
Bill Blair, Clifton Gunderson (via conference call)
Jim Bye, Great-West Retirement Services
Rhonda Dunn, Office of the Secretary
Pam Henning, Division of Management Services
Jon Kranz, Office of Internal Audit and Budget
Robert L. Lawler, Vanguard (via conference call)
Sue Oelke, Great-West Retirement Services
Alex Roitz, Advised Assets Group
Katie Schultz, Office of the Secretary
Gregg Seller, Great-West Retirement Services
Mark Sokol, Vanguard (via conference call)
Eric Zeegers, Great-West Retirement Services

Edward Main, Chair, called the Deferred Compensation Board (Board) meeting to order at 1:05 p.m.

Board	Mtg Date	Item #
DC	05/15/2007	1

Consideration of Minutes of May 16, 2006, Meeting

Motion: Mr. Drury moved acceptance of the minutes of the May 16, 2006, meeting as submitted by the Board Liaison. Ms. Hanson seconded the motion, which passed without objection on a voice vote.

Ms. Schueller introduced Gail Hanson as the newest member of the Board. Ms. Hanson has been appointed to the Board by Governor Doyle and fills the seat previously held by Jon Traver. She is the Deputy Executive Director for the State of Wisconsin Investment Board.

Greg Sellers, Senior Vice President, Great-West Retirement Services, introduced Jim Bye. Mr. Bye is the Vice President of the Great Lakes Region for Great-West Retirement Services. His responsibilities include oversight of the local Wisconsin Deferred Compensation (WDC) office.

Approval of 2007 Meeting Dates

The Board approved the following meeting dates for 2007: February 27, May 15 and November 13.

Federal Legislative Update

Mr. Stella introduced Mary Alice McGreevy, Compliance Officer for the Department of Employee Trust Funds (Department). Ms. McGreevy updated the Board on the Pension Protection Action of 2006. An October 25, 2006, memo from Bob Conlin, Director of Legislation, Communications and Planning, summarized the provisions that will have an effect on public pension plans. Ms. McGreevy reviewed these changes for the Board.

Participant Fee Recommendation

Bob Willett, Chief Trust Financial Officer for the Department, advised the Board that it is quite likely he will be recommending a decrease in participant fees at a future board meeting. The WDC program has an account that accumulates funds used to pay administrative expenses. This account is funded through participant fees, reimbursements from mutual fund companies and interest on the account. Department staff will work with Great-West to prepare a proposal for a participant fee reduction. This recommendation will be brought back to the Board in May.

2006 Quarterly Investment Performance/Benchmark Review

Alex Roitz, Senior Analyst, Advised Assets Group (AAG), presented the Fund Performance Review as of June 30, 2006, to the Board. The report also includes an update as of September 30, 2006. The report consists of an executive summary, fund highlights and observations, performance benchmarking, a section on lifecycle options, an economic overview, the Board's Investment Policy Statement and benchmarks, and a glossary. Mr. Roitz noted that the majority of the Board's investment options are meeting or exceeding their benchmarks.

Federal Deposit Insurance Corporation (FDIC) Option Update and Establishment of Fixed and Floating Rate Assets for 2007

Mr. Roitz discussed the FDIC bank option for WDC participants. WDC participants holding assets in the FDIC account receive a blended rate of interest based on a fixed/floating interest rate allocation, which is selected by the WDC Board annually. The contract between the Board and M&I Bank permits the Board to set the percentage allocated to the fixed and floating interest rate for the following year. AAG recommended that the Board consider allocating one hundred percent (100%) of the allocation to the fixed portion.

Motion: Ms. Hanson moved to accept the recommendation of AAG. No one seconded the motion and, therefore, the motion failed.

The Board discussed an allocation of 75% fixed and 25% variable.

Fixed Options Review

At the May 2006 meeting, the Board directed staff to pursue additional efforts to encourage participants who defaulted into the money market to move their funds to another investment option. Sue Oelke, Account Manager for Great-West, discussed the efforts undertaken by Great-West to contact these participants. She indicated that there have been numerous targeted mailings to participants but that the response has been poor. In a memo dated October 25, 2006, Ms. Schueller reviewed the fixed investment options. This memo was shared with the Board.

With the closing of the Janus and T. Rowe Price International funds, the number of participants in the money market has grown substantially. The Investment Committee asked staff to examine the number of fixed options offered through the WDC.

Ms. Schueller stated that staff will continue to monitor the returns of the FDIC and money market funds and report back to the Investment Committee. The Investment Committee will make a recommendation to the Board at a future meeting.

Audit Recommendations

Bill Blair, Client Partner with the audit firm of Clifton Gunderson, LLP, discussed the agreed-upon procedures audit performed by his firm. The purpose of the audit was to review the transition from Nationwide Retirement Services (NRS) to Great-West, to ensure that the assets were effectively transferred and that each participant received the proper credit to their account for the value of their assets as of November 30, 2005. The details of the audit were summarized in a memo to the Board dated October 19, 2006. Mr. Blair stated that he felt the transition was accomplished successfully.

Ms. Schueller presented a memo to the Board outlining the WDC's audit needs. She asked the Board to authorize the development and release of Requests for Proposals (RFPs) for two types of audits: 1) a financial statements audit; and 2) a contract compliance audit.

Motion: Mr. Nelson made the following motions:

- 1. Authorize Department staff to develop a financial statements audit RFP to cover financial statements audits for calendar years 2007 through 2011.***
- 2. Delegate review, approval and release of the financial statements audit RFP and subsequent contract to the Board Chair.***
- 3. Authorize Department staff to develop a contract compliance audit RFP. This RFP would cover compliance audits proposed for calendar years 2007 and 2009.***
- 4. Delegate review, approval and release of the contract compliance audit RFP and subsequent contract to the Board Chair.***

Mr. Drury seconded the motion, which passed without objection on a voice vote.

Vanguard Target Retirement Funds Asset Allocation

Robert Lawler, Relationship Executive, Mark Sokol, Sales Executive, and John Ameriks, Senior Investment Analyst with Vanguard participated in the meeting via conference call. Mr. Lawler, Mr. Sokol and Mr. Ameriks discussed the rationale behind the changes Vanguard made in their asset allocation models. A summary of the rationale is included in a memo to the Board from Ms. Schueller dated October 25, 2006.

Mutual Fund Investigations

Ms. Schueller updated the Board on the status of the mutual fund investigations regarding Janus and American Funds. At its September 12, 2006, meeting, the Investment Committee recommended that the Board discontinue its active pursuit of collateral damages claims with Janus. Ms. Schueller noted that staff will continue to monitor the investigations and will keep the Board informed of any new developments.

Third Party Administrative Services Contract Report Card

Ms. Schueller reviewed the report card that provides an assessment of the performance of Great-West during the first eleven months of its contract to provide administrative services to the WDC Program. The overall grade for Great-West was satisfactory. Several areas with opportunities to improve performance were noted.

Third Party Administrative Services Contract Amendment

Ms. Schueller discussed the two proposed amendments to the administrative services contract with Great-West as outlined in her memo dated October 25, 2006. The amendments would adjust the starting participation number in the contract to reflect the actual number of WDC participants at transition to Great-West and provide a net increased participation goal of 3.5 percent annually.

Motion: Ms. Hanson moved to approve the contract amendments as recommended by staff. Mr. Nelson seconded the motion, which passed without objection on a voice vote.

Miscellaneous

Numerous informational items were presented to the Board.

Adjournment

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

The meeting was adjourned at 3:53 p.m.

Date Approved: _____

Signed: _____

Martin Beil
Secretary