

AGENDA AND NOTICE OF MEETING

STATE OF WISCONSIN DEFERRED COMPENSATION BOARD MEETING

Tuesday, March 4, 2008
1:00 p.m.

Department of Employee Trust Funds
801 West Badger Road, Conference Room GB
Madison, Wisconsin

Documents for this meeting are available online at:

http://etf.wi.gov/boards/board_dc.htm

To request a printed copy of the agenda items, please call
Sharon Walk at (608) 267-2417.

Times shown below are estimates only.

➡ Denotes action item.

- | | | |
|-----------|----------|--|
| 1:00 p.m. | ➡ | 1. Consideration of Minutes of November 13, 2007, Meeting |
| 1:05 p.m. | ➡ | 2. Election of Officers |
| 1:10 p.m. | ➡ | 3. Reality Investing Service |
| 1:35 p.m. | | 4. Great-West Retirement Services Recordkeeping Errors
(Federal Deposit Insurance Corporation and
Barclays Global Investors EAFE) |
| 1:45 p.m. | | 5. Financial Hardships Discussion |
| 1:55 p.m. | | 6. Public Safety Officer Health Insurance Premium Deductions <ul style="list-style-type: none">• Assembly Bills 801 and 851• Senate Bill 471 |
| 2:05 p.m. | ➡ | 7. Proposed Scope Statement Concerning Amendments to
Wisconsin Administrative Code ETF 11.11, Relating to
Appointment of Board Counsel |
| 2:10 p.m. | | 8. Administrative Code Revision Update <ul style="list-style-type: none">• ETF 70.08 (3)—Fund Phase Out Start Date• ETF 70.10—Emergency Withdrawals• ETF 70.02—Definition of Beneficiary |
| 2:15 p.m. | | 9. 2006 Financial Statements Audit Letter Response |
| 2:20 p.m. | | 10. Fixed Investment Option Request For Proposal Update |

2:25 p.m.

11. Miscellaneous

- Cover memo and informational items, including, but not limited to:
 - Wisconsin Deferred Compensation Program Information
 - Investment Product Information
 - Reports
 - Correspondence
 - Media Articles
- Future agenda items

2:30 p.m.

12. Adjournment

The meeting location is handicap accessible. If you need other special accommodations due to a disability, please contact Sharon Walk, Department of Employee Trust Funds, P.O. Box 7931, Madison, Wisconsin, 53707-7931. Telephone: (608) 267-2417 or Wisconsin Relay 7-1-1. E-mail: sharon.walk@etf.state.wi.us.

DRAFT

MINUTES OF MEETING

**STATE OF WISCONSIN
DEFERRED COMPENSATION BOARD**

**November 13, 2007
1:00 p.m.**

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

- BOARD PRESENT:** Edward Main, Chair
John Nelson, Vice-Chair (via conference call)
Michael Drury
Gail Hanson
- BOARD ABSENT:** Martin Beil, Secretary
- PARTICIPATING STAFF:** Bob Conlin, Deputy Secretary
Shelly Schueller, Director, Wisconsin Deferred
Compensation Program
Mary Alice McGreevy, Division of Management Services
Sharon Walk, Board Liaison
- OTHERS PRESENT:** Roxanne Brazeau, M&I Bank
Jim Bye, Great-West Retirement Services
Joanne Dollarton, Vanguard
Rhonda Dunn, Executive Assistant
Richard England, Atlanta Capital
Jean Gilding, Division of Retirement Services
Jeff Johnson, Vanguard
Sari King, Division of Retirement Services
Jon Kranz, Office of Internal Audit and Budget
Robert Lawler, Vanguard
Emily Lockwood, Great-West Retirement Services
Ann McCarthy, Board Liaison
Mike Metz, T. Rowe Price
Sue Oelke, Great-West Retirement Services
Alex Roitz, Advised Assets Group
Dave Stella, Secretary
Christine Teske, Calvert
Eric Zeegers, Great-West Retirement Services

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

Board	Mtg Date	Item #
DC	03/04/2008	1

Ms. Schueller announced that the Employee Trust Funds Board appointed Dave Stella as Secretary of the Department of Employee Trust Funds (Department) at its September 2007 meeting. Following the appointment, Mr. Stella asked Rhonda Dunn to continue in her position as Executive Assistant. Mr. Stella also appointed Bob Conlin to fill the position of Deputy Secretary. Mr. Conlin had been serving as the Department's Director of Legislation, Communication and Planning.

Consideration of Minutes of May 15, 2007, Meeting

Motion: Ms. Hanson moved acceptance of the minutes of the May 15, 2007, meeting as submitted by the Board Liaison. Mr. Drury seconded the motion, which passed without objection on a voice vote.

2008 Meeting Dates

The Board was asked to consider the following meeting dates for 2008: February 26, May 20 and November 4. Each of these dates presents a conflict for one or more of the Board members. The board liaison will send new proposed dates to the Board members for consideration.

Legislative and Regulatory Update

Mr. Conlin reviewed recent federal legislative action. He discussed an appropriations bill being considered by Congress that would allow governmental § 457(b) plans to offer a qualified Roth contribution option. Under this provision, participants in § 457(b) governmental plans like the Wisconsin Deferred Compensation (WDC) program would be able to make after-tax Roth account contributions.

Mr. Conlin advised the Board that the U.S. Senate Committee on Banking, Housing and Urban Affairs passed the Sudan Accountability and Divestment Act (SADA) out of committee. The SADA provides a framework by which states can divest from Sudan.

Mr. Conlin also discussed a feature of the Pension Protection Act (PPA) of 2006 involving automatic deferrals. Under this provision, an employer could enroll an employee in an automatic deferral program in a 401(k), 457, or 403(b) plan. If the employee did not want to be in the program, the employee could choose to opt out. The Department of Labor (DOL) has proposed regulations that are intended to protect both employers and employees and has developed proposed guidelines regarding the default investment option. These regulations apply primarily to plans covered under the Employee Retirement Income Security Act (ERISA), not government plans like the WDC. However, state and local government plans have often modeled themselves after ERISA. The regulations indicate that a stable value fund is not adequate as a default option. Lifecycle, target retirement date, and professionally managed funds are acceptable. While a short-term default into a stable value fund is allowed, the funds need to be moved to an acceptable default fund after a certain period of time. The Board was advised to keep this in mind when a WDC fund is closed, as currently the Board has designated the money market as its default fund.

WDC Benchmarks: EuroPacific Growth and US Microcap

Ms. Schueller recapped the discussion the Board had last spring about the benchmarks used by the EuroPacific Growth Fund and the US Microcap Fund. The Deferred Compensation Investment Committee (DCIC) discussed these benchmarks at its September 2007 meeting and is asking the Board to consider replacing the MSCI Europe, Australasia, Far East (EAFE) Index for the EuroPacific Growth Fund with the MSCI All Country World Index (ACWI). The DCIC also asked that the Board consider adding the Russell Microcap as another benchmark for the US Microcap Fund.

MOTION: Mr. Drury moved to accept the recommendation of the DCIC with respect to the benchmarks for the EuroPacific Growth Fund and the US Microcap Fund. Ms. Hanson seconded the motion, which passed without objection on a voice vote.

2007 Quarterly Investment Performance/Benchmark Review

Alex Roitz, Senior Analyst, Advised Assets Group (AAG), presented the *Fund Performance Review as of June 30, 2007*, to the Board. He reviewed the performance of the funds and noted that, per the Board's Investment Policy Statement, each of the investment options should be outperforming at least one of their respective benchmarks over a five-year period. The Calvert Social Investment Equity and Vanguard Long-Term Investment have trailed their respective benchmarks over a five-year period. He noted that the Stable Value Fund has had strong performance over the one, three and five-year periods.

Mr. Roitz said that the DCIC requested an update on Fidelity's procedures with respect to the receipt of travel, entertainment, gifts and gratuity. Mr. Roitz contacted Fidelity and, while he was unable to get anything in writing, he did have a phone conversation with staff at Fidelity. Fidelity stated that, in addition to new management, it has provided staff with training and developed new reporting requirements. Mr. Roitz will continue to monitor this situation.

Mr. Roitz reviewed the lifecycle options. He noted that the Vanguard Target Retirement Funds are in line with their composite indices over the one- and three-year time periods.

Robert Lawler, Relationship Executive with Vanguard, along with Jeffrey Johnson, Senior Investment Analyst, and Joanne Dollarton, Principal, updated the Board on the performance of the Vanguard Long-Term Investment-Grade Fund and the Vanguard Target Retirement Funds.

Richard England, Portfolio Manager, Atlanta Capital Management, and Christine Testke, Vice President, Calvert, updated the Board on the performance of the Calvert Social Investment Funds. Mr. England mentioned that, effective December 31, 2007, he will assume the position of Lead Portfolio Manager at Atlanta Capital Management, replacing Daniel Boone III, who is retiring. Mr. England stated that the philosophy and strategy of the organization will remain the same under his guidance.

FDIC Fixed/Floating Rate Decision

Ms. Schueller discussed fixed/floating interest rate allocation for the Federal Deposit Insurance Corporation (FDIC) bank option. AAG provided an analysis and recommendation for the Board's consideration. AAG recommends that the allocation be kept at seventy-five percent (75%) for the fixed portion and twenty-five percent (25%) for the floating portion.

MOTION: Ms. Hanson moved to allocate seventy-five percent (75%) to the fixed portion and twenty-five percent (25%) to the floating portion in the FDIC option. Mr. Drury seconded the motion, which passed without objection on a voice vote.

Barclays MidCap Fee Change Proposal

Ms. Schueller reported that in September 2007, the DCIC was advised of potential changes to the fees charged by Barclays Global Investors (BGI). BGI had proposed a fee increase from 4 basis points to 7 basis points in the BGI MidCap "W" fund. If the Board would prefer to keep the fees the same, BGI recommended transferring assets from the "W" fund to the "F" fund. Participants will receive a 30-day advance notice of a one-day blackout so Great-West Retirement Services (Great-West) can make the change.

MOTION: Ms. Hanson moved to accept the recommendation of staff to move the WDC assets from the MidCap "W" fund to the MidCap "F" fund, effective as soon as practical. Mr. Drury seconded the motion, which passed without objection on a voice vote.

WDC Fixed Options Review

Ms. Schueller discussed the number of fixed options that are offered through the WDC. The DCIC and staff recommend that the Board replace the M&I FDIC option and the Vanguard Admiral Money Market option with a single FDIC insured money market fund. This change would require a Request for Bid.

MOTION: Ms. Hanson moved to accept the recommendation of staff to pursue a Request for Bid to identify an insured money market fund to replace the M&I FDIC option and the Vanguard Admiral Money Market option. Mr. Drury seconded the motion, which passed without objection on a voice vote.

Consideration of a Statutory Revision to Wis. Stats. 40.08 (2)

Ms. McGreevy asked the Board to consider approving an amendment to Wis. Stats. 40.08 (2) and 40.80. The amendment would permit retired public safety officers who have a WDC account to take advantage of § 845 of the PPA. This provision provides a \$3,000 annual tax exclusion for distributions used to pay health and long-term care insurance premium payments.

MOTION: Ms. Hanson moved to authorize staff to pursue a statutory change to allow annuitants to take advantage of § 845 of the PPA. Mr. Drury seconded the motion, which passed without objection on a voice vote.

Consideration of Proposed Wisconsin Administrative Code Scope Statements

Ms. Schueller discussed changes to Wisconsin Administrative Code ss. ETF 70.08 (3), ETF 70.10 and ETF 70.02. ETF 70.08 (3) would change the start date for the fund phase-out process from January 1 of the year following the Board's decision to six months after the Board makes a decision to remove a fund.

ETF 70.10 permits financial emergency financial hardship withdrawals. The PPA expanded financial emergency hardship withdrawals to include hardships for a named beneficiary. The *WDC Plan and Trust Document* provides for this type of hardship withdrawal but there is no similar provision in the administrative code.

The revision to ETF 70.02 would add the word "beneficiary" to the code.

MOTION: Ms. Hanson moved to authorize staff to pursue the statutory changes as recommended by staff. Mr. Drury seconded the motion, which passed without objection on a voice vote.

PPA Changes to the Plan and Trust Document

Ms. Schueller discussed several proposed revisions to the WDC's *Plan and Trust Document*. The following changes have been recommended in order to implement certain optional provisions of the PPA:

1. s. 824, permitting rollovers to Roth IRAs;
2. s. 826, expanding financial emergency hardship withdrawals to include beneficiary hardships;
3. s. 829, adding non-spouse beneficiary rollovers; and
4. s. 845, providing tax-free distributions of up to \$3,000 for retired public safety officers paying health and long-term care insurance premiums directly to insurance companies.

Staff proposed that the *Plan and Trust* article regarding beneficiaries include language on waiving rights to WDC benefits and the intentional killing of a WDC participant. If approved, these changes would make WDC policies regarding beneficiaries consistent with those of the Wisconsin Retirement System.

Staff also recommends a change to clarify that, per state statutes, the Department will determine whether a participant or beneficiary is faced with an unforeseeable emergency that satisfies the criteria established by the WDC and federal regulations. This section would further state that the amount necessary to pay any federal, state, or local income taxes or penalties resulting from the hardship release may be included in the funds released.

MOTION: Mr. Drury moved to authorize the changes to the Plan and Trust Document as recommended by staff and to authorize the Board chair to sign the Plan and Trust Document after the changes have been made. Ms. Hanson seconded the motion, which passed without objection on a voice vote.

Designation of Records Custodian

Ms. Schueller discussed the need for the Board to designate a legal custodian of its public records. She asked the Board to consider designating the person holding the position of director of the WDC program as the public records custodian.

MOTION: Ms. Hanson moved to designate the director of the WDC program as the Board's records custodian. Mr. Drury seconded the motion, which passed without objection on a voice vote.

Consideration of Administrative Rule

The final draft report of the rule relating to hearsay evidence was discussed. The rule allows the Board increased discretion in evaluating evidence presented in an appeal.

MOTION: Ms. Hanson moved approval of the final draft report with respect to Clearinghouse Rule #07-066. Mr. Drury seconded the motion, which passed without objection on a voice vote.

Excessive Trading Policy Revision

Ms. Schueller advised the Board that staff is requesting a change to the excessive trading policy procedure to make the WDC compatible with Security and Exchange Commission (SEC) Rule 22c-2. This rule permits either a fund house or the recordkeeper to do the monitoring of participants. Currently, in the WDC, only fund houses are allowed to monitor excessive trading by participants. With the change in the SEC rule, some fund houses are asking Great-West to take on this responsibility.

MOTION: Ms. Hanson moved to authorize the third-party administrator to enforce the Board's excessive trading policy. Mr. Drury seconded the motion, which passed without objection on a voice vote.

Miscellaneous

Ms. Schueller advised the Board that the WDC received a Leadership Award from the National Association of Government Defined Contribution Administrators (NAGDCA) for the "Steppingstones" presentations. The award recognizes the joint presentations that the WDC, the Wisconsin Retirement System, and the Social Security Administration conducted around the state for public employees. This was a very successful program and will be continued.

Ms. Schueller discussed the financial statements audits that were included in the Board packet. The auditors indicate that the WDC needs to do more monitoring and that the

plan should not rely on the auditor to create the financial statements. Ms. Schueller has discussed this with the recordkeeper and the auditor. There is a plan in place to improve the financial statements process for the WDC program beginning in 2007.

Adjournment

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

The meeting was adjourned at 2:54 p.m.

Date Approved: _____

Signed: _____

Martin Beil, Secretary
Deferred Compensation Board



STATE OF WISCONSIN
Department of Employee Trust Funds
David A. Stella
SECRETARY

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CORRESPONDENCE MEMORANDUM

DATE: February 19, 2008
TO: Deferred Compensation Board
FROM: Sharon Walk
Board Liaison
SUBJECT: Election of Officers

By statute, the Deferred Compensation Board must elect new officers at the first meeting of each calendar year. The board membership roster is attached. In addition, the current officers are shown below.

Chair	Edward Main
Vice-Chair	John Nelson
Secretary	Martin Beil

New officers will assume their duties immediately following the election.

Enclosure/Roster

Reviewed and approved by Robert J. Conlin, Deputy Secretary	
_____	_____
Signature	Date

Board	Mtg Date	Item #
DC	03/04/2008	2

- The managed account service is too new (there are no current plans or participants using it): MasteryPOINT/Newkirk, Wilshire
- The service does not permit participants to include outside financial resources: ProManage
- The proposal requires participants to meet with their local vendor representative: Argus Financial/Absolute Capital, 401(k) Toolbox
- Did not respond to any questions on costs to Board or participants: 401(k) Toolbox
- Does not have a relationship with Great-West and thus would not discuss providing services or estimated costs: Financial Engines

Recommendation

After a careful review of the features and costs of managed account services currently available, staff recommends that the Board consider offering Great-West's managed account service, Reality Investing, to Program participants. Reality Investing utilizes a proven methodology, is fully integrated with the WDC's record keeping platform and is offered at a competitive price.

If the Board decided to offer Reality Investing, amendments to the Board's contracts with both Great-West and Advised Assets Group (AAG) would be necessary, as neither specifically addresses managed account services. There would not be an additional cost to the WDC, however, as the costs for managed accounts are borne by the participants using the services.

Department staff would also work with Great-West to ensure that a thorough marketing and education campaign to inform WDC participants of the new services is planned and implemented. This would include providing Reality Investing information on WDC's Web site, at presentations and in WDC's quarterly newsletter.

Staff from the Department and AAG will be available at the meeting to discuss Reality Investing and this memo.

- Attachments:
- 1) January 7, 2008 Investment Committee Memo on Managed Accounts / Reality Investing
 - 2) ETH0011: Request for Information For Investment Guidance, Advice and Managed Account Services, January 31, 2008
 - 3) Comparison of Managed Account Vendors



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CORRESPONDENCE MEMORANDUM

DATE: January 7, 2008
TO: Wisconsin Deferred Compensation (WDC) Board Investment Committee
FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
SUBJECT: Managed Accounts / Reality Investing

At the May 2007 meeting, the Board learned about managed accounts, a new type of service potentially available to WDC participants. After some discussion, the Board delegated further analysis of this proposal to the Investment Committee. Department staff has reviewed the features of Great-West Retirement Services' (GWRS) managed account services, called "Reality Investing," and suggests that the Investment Committee consider recommending that the Board add Reality Investing to the WDC Program.

Background

The Pension Protection Act (PPA) of 2006 clarified that financial advice may be offered to participants via professionally-managed accounts. Managed account services use computer programs to automatically manage investment portfolios that are tailored to match an individual's age and risk tolerance. These accounts are managed and rebalanced over the course of a participant's life. Managed accounts typically take into account any other retirement income that a participant expects to have, including retirement annuities (like the Wisconsin Retirement System), Social Security earnings, individual savings, etc. Under the PPA, if the firm providing the advice is prudently selected, plan sponsors are not liable for the advice provided to participants.

The Board's 2005 *Administrative Services Request for Proposal (RFP)* included an optional question regarding cost and availability of managed account services, in case the Board decided at a future date that it would like to offer a managed accounts option to participants. All three firms responding to that RFP included a managed account feature in their proposals.

Reality Investing

Reality Investing is a sequence of managed account services designed to provide interested individuals with an integrated source of both retirement planning and investment allocation advice from an independent financial expert. It is based on data resulting from the methodologies and software developed and employed by Ibbotson (a subsidiary of Morningstar as of 2006) and provided through Advised Assets Group (AAG), a subsidiary of Great-West Life. An overview of the Ibbotson Managed Account and Advice Fund Selection system is included with this memo for your reference as Attachment 1.

Reviewed and approved by Jean Gilding, Deputy Administrator,
Division of Retirement Services

Signature

Date

Board	Mtg Date	Item #
DCIC	01/15/2008	1

Participants using Reality Investing receive a retirement portfolio designed for their personal situation, timeframe and overall financial situation. It can take into account outside assets, lifestyle expenses, and spousal information. Portfolios are automatically managed each quarter and asset allocations are adjusted as a participant's lifestyle or circumstances change. Each participant using Reality Investing has access to the AAG Education Center and receives annual progress reports on savings goals.

Ibbotson has developed the following seven investment allocation model portfolios:

Ibbotson Model Portfolios							
Basic Asset Classes	1	2	3	4	5	6	7
Large Cap	7%	19%	26%	31%	36%	42%	46%
Mid/Small Cap	0%	4%	8%	13%	18%	22%	27%
International	3%	7%	11%	16%	19%	23%	27%
Bond	70%	60%	47%	35%	27%	13%	0%
Cash/Short Term	20%	10%	8%	5%	0%	0%	0%

Attachment 2 of this memo shows examples illustrating how AAG would manage the investment allocations for four hypothetical WDC Program participants, including an individualized asset allocation glide path for each participant as they reach retirement at age 65.

Fiduciary Protection

If the Board were to decide to offer Reality Investing, AAG and Ibbotson Associates would accept fiduciary responsibility for the service and the advice being given to WDC participants. A sample Reality Investing agreement is included for your review as Attachment 3. In addition, any WDC participant opting to use Reality Investing will be asked to agree to the terms of service. A sample of this document is also included as Attachment 4.

Use of Managed Accounts in Defined Contribution Plans

Interest in offering managed accounts is growing. The National Association of Government Defined Contribution Administrators (NAGDCA) asked questions about the use of investment advice and management in the *2006 NAGDCA Biennial State and Local Government Defined Contribution Plan Survey*. According to the NAGDCA report, just over half (33 of 65) of the responding plans offer investment advice. Of the 32 plans that do not offer advice, 17 reported that they expect to offer it within the next year or two. The most common delivery method used is a web-based approach. Twenty-one plans reported that the cost to a participant for using the service was less than \$25 per year.

Thirteen plans offering advice reported that less than one percent of their participants use the service, seven reported that one to five percent use the service, and five reported that six to ten percent use the service. Only two plans reported that more than 30% use the service.¹ The table at the top of the next page provides data from GWRS regarding use of Reality Investing by participants of eight other large s. 457 defined contribution plans.

¹ 2006 NAGDCA Biennial State and Local Government Defined Contribution Plan Survey p. 7

GWRS Reality Investing Use				
	Implementation	Adoption Rate	Assets Under Management (3/31/07)	Total Reality Investing Participant Accounts
Plan A	July 2006	7%	\$13,295,349	3,307
Plan B	Dec. 2006	10%	\$34,229,433	3,752
Plan C	April 2005	24%	\$590,365,187	5,723
Plan D	Feb. 2005	3%	\$11,218,143	1,656
Plan E	Sept. 2005	6%	\$8,162,865	1,920
Plan F	Sept. 2005	3%	\$6,949,424	817
Plan G	Oct. 2005	7%	\$26,421,251	1,034
Plan H	Dec. 2004	15%	\$17,018,275	1,444

Costs

At the Board's request, staff has completed a market analysis of managed account service providers in the defined contribution arena. All five of the major administrative service/recordkeeping firms now offer some form of managed accounts. The table below provides a comparison.

Managed Account Services					
	AAG	AIG/Valic	CitiStreet	ICMA	NRS
Product Name	Managed Accounts	Guided Portfolio Services	CHART	Guided Pathways	RIA Managed Account Service
Starting Fee	0.60%	1.25%	0.60%	0.60%	1.50%
Annual Fee on \$100,000 Account (Example)	\$600	\$1,250	\$600	\$600	\$1,500
Independent Financial Expert	Ibbotson Associates	Ibbotson Associates	Financial Engines	Ibbotson Associates	Wilshire Associates
Assets Under Mgmt.	\$1 Billion +	\$3 Billion +	N/A	New	\$80 million
Online Access	Yes	Yes	Yes	Yes	Yes
Integrated w/ Recordkeeping System	Yes	Yes	Yes	Yes	Yes
Advice/Guidance Offered	Yes	Yes	Yes	Yes	Yes

Because the managed accounts feature was included in the Board's contract with GWRS and there are no additional system implementation costs for Reality Investing, there would be no additional charge to the WDC if the Board decided to make Reality Investing available to participants. Participants who chose to use these optional features would be charged on an individual basis. Quarterly fees would be taken from participant accounts as follows:

Reality Investing Participant Fees		
	Quarterly Fee	Total Annual Fee
Reality Investing Managed Accounts	0.60% bps to 0.30% bps (based on account balances)	Varies based on account balance
Reality Investing Online Advice	\$6.25	\$25

Participant Experience

During the summer of 2007, AAG completed a twelve-month Reality Investing performance study. The study involved over 100,000 participants of five large government plans on GWRS' recordkeeping system. The goal was to further GWRS' understanding of the behavioral aspects of defined contribution plan participant investing patterns. The study compared the investment performance results of a non-user of advisory service tools and a user of the advisory service tools (guidance, advice or managed accounts).

As shown in the table below, AAG's study indicates that participants enrolled in managed accounts have higher individual rates of return than other groups. As the table indicates, the individual rate of return for participants choosing to use just the guidance feature was 1.07% higher than those not using any Reality Investing feature, and those using the full managed account feature enjoyed individual rates of return that were 4.21% higher than those not using any of the services.

AAG Participant Experience Study² April 1, 2006 through March 31, 2007			
Participant Enrollment Status as of 3-31-07	Average Annual Individual Rate of Return	# Participants	% Participants
Guidance	8.34%	368	0.4%
Advice	9.57%	154	0.1%
Managed Accounts	11.48%	9,451	9.2%
No Reality Investing Services	7.27%	93,159	90.3%

Plan Sponsor Perspectives

Department staff solicited information from several s. 457 plans currently offering Reality Investing to their participants. Only the City of Austin, Texas, responded. Austin has provided Reality Investing since February 2005 and provided the following responses to staff's questions:

1) How many of your participants use the features (and which ones)? What is most popular and why, from your perspective?

1,870 (20%) of the 9,452 participants in the City of Austin Deferred Compensation Plan are currently utilizing the Reality Investing (RI) suite of investment advisory and account

² AAG conducted this study to review the performance of Reality Investing services, net of fees. The study encompassed participants using Reality Investing service across five defined contribution plans similar in size to the WDC. To fully account for the study population, also shown is the average annual rate of return for plan participants not using any Reality Investing services.

management services. Of the participants using RI, 95% are using the Managed Accounts Service. Attached is information detailing RI participation by service, participant age, and participant account balance. During the first half of 2007, one half of the new enrollees in the Plan selected the Managed Accounts Service, rather than electing to select their own investment options. I believe this is due to most employees lacking the knowledge, interest, time, and/or inclination to manage their accounts. They just want somebody to do it for them.

2) What sort of reaction have you received from participants regarding the cost?

While some participants are concerned about the cost, most think it is fair and reasonable for the service provided. Participants whom are knowledgeable understand the fees are low, when compared to outside investment advisors. In a 2006 survey of Plan participants, 76% of the respondents indicated they were satisfied with the RI service in which they enrolled.

3) How well you thought the roll-out/implementation campaign was organized?

The City of Austin implemented RI in February 2005. The implementation campaign was well thought out and now utilizes an award-winning set of education and information material.

4) Who provides education for your participants -- if it is Great-West, would you share your feelings on whether your local service providers now focus on "selling" RI or if they remain focused on educating participants?

Great-West representatives educate our participants about the plan and RI. Because we feel it is appropriate for each participant to have a proper asset allocation, RI has been integrated into all of our Plan's communication materials and educational sessions. We have shared with Great-West our concern about their representatives "selling" RI and they are careful to maintain a proper balance between education and selling.

5) Please share any other comments or insights you might have regarding Reality Investing.

...believe in RI and have personally been a Managed Accounts participant since 2005. I recommend the service to any participant who lacks the knowledge, interest, time, and/or inclination to manage their own account. A recent analysis of City of Austin RI usage indicated that the RI participants had significantly improved investment performance for the years ending 4/30/2006 and 4/30/2007, when compared to participants managing their accounts completely on their own. Based on this data, the City's Deferred Compensation Committee has started discussions of making Managed Accounts the Plan's "default" investment option.

Recommendation

Staff suggests that the Investment Committee consider recommending that the Board offer WDC participants the option of using Reality Investing. Staff will be available at the meeting to discuss this memo and recommendation.

If the Board decided to offer Reality Investing, amendments to the Board's contracts with both GWRS and AAG would be needed, as neither specifically addresses managed account services. There would not be an additional cost to the WDC, however, as the costs for

managed accounts are borne by the participants using the services. Department staff would also work with GWRS to ensure that a thorough marketing and education campaign to inform WDC participants of the new services is planned and implemented. This would include providing Reality Investing information on the WDC's Web site, at presentations and in the WDC's quarterly newsletter.

Attachments: 1) Ibbotson Associates Portfolio Construction Overview
2) Reality Investing Participant Examples
3) Sample AAG Reality Investing Agreement
4) Sample Participant Terms and Conditions Agreemen

COMPARISON OF MANAGED ACCOUNT VENDORS
Responses to RFI ETH0011
February 2008

	Advised Assets Group	401(k) Toolbox	Argus Financial/Absolute Capital	Financial Engines	MasteryPOINT/Newkirk	Morningstar	ProManage	Wilshire Consulting
Product Name(s)	Reality Investing	401(k) Toolbox	The Asset Allocator	Financial Engines	GuidancePlus! AdvicePlus! ManagedPlus!	Morningstar Retirement Manager	ProManage Program	Wilshire RetirePath
Product Start	2004	Approx. 1995	2002	1998	<ul style="list-style-type: none"> • 2003 for guidance and advice, similar services since 1996 • ManagedPlus under development 	<ul style="list-style-type: none"> • 2002 for guidance and advice • 2003 for managed accounts 	Managed accounts since 1998	2007
Methodology / Software / Independent Financial Expert	Proprietary / Ibbotson Associates	Proprietary / PMFM, Inc.	Proprietary analytics/ no underlying investment program?	Proprietary / Financial Advice Engines	Proprietary /MasteryPOINT Advice Engine / Markowitz model and Monte Carlo simulations	Proprietary / combines advanced holdings-based and returns-based style box analysis	Proprietary / ProManage Investment Methodology	Proprietary / "Needs-Based-Optimization"
Provide services independent of record keeping?	--- n/a ---	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Participant may add additional \$ / resources / data?	Yes	Yes	No	Yes	Yes	Yes	No – already accounts for SSA and DB assets. Could discuss adding other assets	Yes

COMPARISON OF MANAGED ACCOUNT VENDORS
Responses to RFI ETH0011
February 2008

	Advised Assets Group	401(k) Toolbox	Argus Financial/Absolute Capital	Financial Engines	MasteryPOINT/Newkirk	Morningstar	ProManage	Wilshire Consulting
Advice & Guidance?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Online access?	Yes	Yes	Yes – to Absolute Capital Web site	Yes	Yes	Yes	Yes – limited – but mainly paper	
Call center?	Yes	Did not respond	Yes – to Absolute Capital	Yes	Yes	Would train record keeper's staff	Yes - backup to record keeper's staff	Yes
Can customize?	Yes	Did not respond	Could discuss	Yes	Yes	Yes	Yes	Yes
Liability insurance / fiduciary responsibility	Yes	Did not respond	Yes - would provide on request	Yes - would provide on request	Yes	Yes - would provide on request	Yes. If additional coverage is needed, would pass this cost along	Yes
Cost to Board	0	Did not respond	0	Not applicable as this firm is not an option for the Board; GWRS and FE do not work together at this time	<ul style="list-style-type: none"> • One time setup fee: \$15,000 • Plan sponsor annual minimum guarantee fee: \$15,000 	Annual minimum fee of \$150,000. All participant fees would be applied toward this annual fee.	0 (unless Board chooses to pick up some or all of participant costs)	Initial setup fee of \$250,000 to \$300,000
Cost to Participant – Online	\$25 annual fee, paid quarterly	Did not respond	Inconclusive response; appear only interested in	Not applicable as this firm is not an option	GuidancePlus! - \$5/year AdvicePlus! - \$15/year	Appears to be part of managed account costs		\$10 per participant per occurrence

COMPARISON OF MANAGED ACCOUNT VENDORS
Responses to RFI ETH0011
February 2008

	Advised Assets Group	401(k) Toolbox	Argus Financial/Absolute Capital	Financial Engines	MasteryPOINT/Newkirk	Morningstar	ProManage	Wilshire Consulting
Guidance and/or Advice			managed accounts	for the Board; GWRS and FE do not work together at this time				
Cost to Participant – Managed Account	OPT-IN • Amounts under \$100,000 – 60 bps • Next \$150,000 – 50 bps • Next \$150,000 – 40 bps • Amounts over \$400,000 – 30 bps	Did not respond	<ul style="list-style-type: none"> • First \$125,000 – 2.00% • \$125,001 to \$250,000 – 1.60% • \$250,001 to \$500,000 – 1.30% • \$500,001 to \$1,000,000 – 1.00% • \$1,000,001 to \$2,000,000 – 0.80% • \$2,000,001 to \$3,000,000 – 0.65% • entire fee negotiable for accounts over \$3,000,000 	Not applicable as this firm is not an option for the Board; GWRS and FE do not work together at this time	ManagedPlus! - \$25 year plus 25 bps	• 50 bps	<ul style="list-style-type: none"> • 35 bps on total participant assets managed by ProManage up to \$100 million • 10 bps on total participant assets managed by ProManage over \$100 million • Negotiable based on scope of services provided 	35 bps
Other	• Plan sponsor report card on participa-	• “high touch” one-on-one counseling	• Distributed via a local network of financial reps. (e.g., Argus in	• Focus appears to be large 401(k) plans	• For annual fee of \$20,000 - \$45,000, full deployment of guidance and	• Progress report on participation for plan sponsors	• targets reluctant investors • 30 day free “look”	• Personalized custom communication program, includes direct

COMPARISON OF MANAGED ACCOUNT VENDORS
Responses to RFI ETH0011
February 2008

	Advised Assets Group	401(k) Toolbox	Argus Financial/Absolute Capital	Financial Engines	MasteryPOINT/Newkirk	Morningstar	ProManage	Wilshire Consulting
	tion <ul style="list-style-type: none"> • No minimum balance required • No additional or hidden costs • Integrated system 		Green Bay) <ul style="list-style-type: none"> • “high touch” one-on-one counseling 	<ul style="list-style-type: none"> • Prefers automatic enrollment and “opt-out” vs “opt-in” • Not an option for the Board; GWRS and FE do not work together 	advice available to all participants. (Board could then charge participants) <ul style="list-style-type: none"> • Integrated with NewkirkOne participant communication platform; email and print • Record keeper change fee of \$5,000 - \$15,000 	<ul style="list-style-type: none"> • Individual portfolios, not model portfolios • Webcasts and streaming video 	<ul style="list-style-type: none"> • Typically uses an automatic enrollment or positive confirmation 	mail and automated individualized email <ul style="list-style-type: none"> • Automated record keeping interface



STATE OF WISCONSIN
Department of Employee Trust Funds
David A. Stella
SECRETARY

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Deferred Compensation Board
Request for Information (RFI)
ETH0011
for
Investment Guidance, Advice and Managed Account Services

Issued: January 31, 2008

Responses Requested No Later Than
February 18, 2008 for a Board Meeting on March 4, 2008

**State of Wisconsin
Deferred Compensation Board
Request for Information (RFI) ETH0011
For Investment Guidance, Advice and Managed Account Services**

I. Introduction

On behalf of the Deferred Compensation Board (Board), the Wisconsin Department of Employee Trust Funds (ETF) has issued this non-binding request for information (RFI) from your company regarding offering the following potential services to Wisconsin Deferred Compensation Program (WDC) participants:

- Investment guidance
- Investment advice
- Managed accounts

As of December 31, 2007, the Wisconsin Deferred Compensation Program (WDC) had approximately 45,000 participants holding assets worth over \$2.2 billion in 22 different investment options. A list of the current investment options offered to participants may be found on the WDC's Web site (www.wdc457.org) under the "Investment Options" tab.

The RFI will be posted on the ETF web site at <http://etfextranet.it.state.wi.us>.
The RFI will not be mailed.

II. Purpose of the Request for Information

The purpose of this RFI is to gather information from vendors to specifically address the Board's questions as outlined in this document. The Board is considering offering three separate services to WDC participants and is primarily interested in a cost comparison of like services:

INVESTMENT GUIDANCE

This service would provide participants guidance on how to invest their WDC accounts by recommending specific asset classes, but not make recommendations on which specific funds to select.

INVESTMENT ADVICE

This service would provide participants with specific asset allocation advice and recommendations based on the investment options offered through the WDC.

MANAGED ACCOUNTS

This service would assume the investment responsibility for participants electing to use managed accounts. The investment decisions would be derived from asking participants to answer a series of profile questions that would determine the appropriate level of risk based on the responses to the questions and the age of the participant. These accounts would be reviewed on a regular basis and changed according to the profile information provided by the participant.

The services provided will be offered as an option to participants, at an additional cost to them, and will not be mandated. Participants must take the initiative to use the services; the services will not be offered on an "opt-out" basis. The cost for the services used will be deducted from individual participants' accounts.

Vendors responding to this RFI should have a thorough understanding of investment theories and offer a product that uses widely accepted investment principles, including:

- Modern Portfolio theory for advice, management and investment services
- Compliance with Department of Labor, IRS and ERISA regulations
- Demonstrated effectiveness of advice tool for participants
- Secure data access, account privacy and confidentiality

III. RFI Questions

1) Firm Information

- a) Identify:
 - i) Key factors that distinguish your firm from your competitors
 - ii) How long your firm has provided these services to other companies
 - iii) When your program was most recently updated
 - iv) The number of record keeping firms/plan sponsors that use your services
 - v) How many of those clients represent public employees
- b) Describe the average results your system has achieved in the last year for all your clients.

2) General Service

Would your firm provide investment advice and managed accounts services independently to WDC participants? (that is, without being the WDC's record keeper?) If no, why not?

3) Methodology/Software

- a) Provide a summary of the methodology your firm uses to construct recommended portfolios for investment guidance, advice and managed accounts.
- b) Identify the underlying investment software program your company uses to make recommendations regarding investment guidance, advice and managed accounts.
- c) How many years has the underlying investment program been used and how often is it reviewed?

4) Costs

Please estimate the costs for:

- a) Plan sponsor, including potential costs to the Board or the record keeper if the record keeper is changed after initial implementation
- b) Participants, broken down for specific services (advice, managed accounts, etc.)
- c) Initial set up/implementation
- d) Licensing
- e) Maintenance
- f) Technical support
- g) Other (please describe)

5) Systems

- a) Explain how your system would interface with the systems of the WDC record keeper (Great-West Retirement Services) and the Department of Employee Trust Funds.
- b) Explain your computer system security, including when sharing or transferring information electronically.
- c) How do you protect the privacy of the data entered on your system?

- d) Is participant data downloaded? What data is the participant required to enter and what optional data may be entered by the participant?
- e) What customization is available to have services look like part of the WDC?
- f) Identify potential issues if the WDC record keeper changes.

6) Participant Services

- a) Describe how your firm would propose to provide participants with information regarding investment guidance, advice and managed accounts.
- b) Describe how a participant would take the recommendations made through your program and implement the changes to the record keeping service.
- c) How would you tailor your marketing to WDC participants?
- d) Explain what support would be available for your products when participants have questions or need other help (call center, Web site, etc.)
- e) Does your program take into account assets outside of the WDC when determining asset allocation advice for WDC assets? Note: Actual recommendations should only be related to the participant's WDC account.
 - i) If yes how does your firm incorporate information regarding Social Security or a traditional retirement plan?
 - ii) How do participants enter assets other than WDC?

7) Legal/Liability

- a) Provide a sample of your firm's standard contract for investment guidance, advice and managed accounts. Include any statements indicating your firm's willingness to assume fiduciary responsibility.
- b) If your firm offers investment advice or managed accounts, do you assure liability or offer any liability insurance to cover any potential lawsuits based on improper advice or system errors?
- c) What is the maximum amount of assured liability or insurance, on a plan level and on an individual claim level?

IV. Response/Due Date

Please provide a cost estimate and briefly explain how your firm could provide the services outlined above.

If you need further information, please contact Shelly Schueller at telephone 608-266-6611 or email to shelly.schueller@etf.state.wi.us or Sharon Walk at telephone 608-267-2417 or email to sharon.walk@etf.state.wi.us

In order to provide the Board with as much information as possible, all responses are requested back no later than February 18, 2008. You may submit them electronically to the Department via an email with an attachment to shelly.schueller@etf.state.wi.us, or in paper format.

Express Delivery:

Shelly Schueller
Department of Employee Trust Funds
801 W. Badger Road
Madison, WI 53713-2526

Mail Delivery:

Shelly Schueller
Department of Employee Trust Funds
PO Box 7931
Madison, WI 53707-7931



STATE OF WISCONSIN
Department of Employee Trust Funds

David A. Stella
SECRETARY

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<http://etf.wi.gov>

CORRESPONDENCE MEMORANDUM

DATE: February 13, 2008
TO: Wisconsin Deferred Compensation Board
FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
SUBJECT: Great-West Retirement Services Recordkeeping Errors

The Wisconsin Deferred Compensation Program's contract administrator, Great-West Retirement Services (GWRS), made two investment-related recordkeeping errors during the second half of 2007.

FDIC Daily Interest Rate

A GWRS audit of Wisconsin Deferred Compensation (WDC) Program records identified an error in the daily interest rate that was applied to the participants having an account balance in the FDIC Option from July 1, 2007 through August 31, 2007. During this period, the annualized interest rate that was credited was 4.897%. The annualized interest rate that should have been credited was 5.009%, a difference of 0.112%.

To remedy this error, GWRS corrected all of the accounts by calculating the interest that should have been credited to the accounts, along with the interest that the balance in the accounts should have produced from July 1, 2007, forward. The corrected amounts were deposited into the FDIC Option accounts on December 10, 2007. This error affected 2,868 participants.

BGI EAFE Fund "W" Merger with "T"

Another error occurred on October 1, 2007, when the merger of the BGI EAFE Equity Index "W" into the BGI EAFE Equity Index "T" was completed. GWRS staff did not realize that a reduction in shares (a ratio of 1 to 0.977136 from the "W" share to the "T" share) was necessary, as the price of the "T" share class was higher than the "W" share class. By mistake, they left the number of shares in the "T" fund as they were in the "W" fund. This, along with the higher price, resulted in an overstatement of the balance in the BGI EAFE Equity Index "T" fund by approximately \$1.4 million. Approximately 7,750 WDC participants were affected by this error.

To correct this, GWRS adjusted participants' BGI EAFE accounts by calculating the number of shares that should have been converted on October 1, 2007, and changed each account balance appropriately. For many participants, this resulted in a reduction in their total balance.

Letters notifying participants of the errors were sent to all participants with FDIC or EAFE account balances. A copy of each letter is included with this memo. GWRS has also written explanations to the Board regarding the investment recordkeeping errors and identified what steps it has taken to correct them and prevent future errors. GWRS will be available at the meeting to discuss these errors with the Board and answer any questions you may have.

Attachments

Reviewed and approved by Jean Gilding, Deputy Administrator,
Division of Retirement Services

Signature

Date

Board	Mtg Date	Item #
DC	03/04/2008	4



January 15, 2008

Ms. Shelly Schueller
Deferred Compensation Director
801 W. Badger Road
Madison, WI 53707

Dear Ms. Schueller:

In Great-West's quarterly reconciliation of the Wisconsin Deferred Compensation (WDC) Program records compared to the various fund companies' records, we identified an error in the total number of shares currently held by WDC participants in the BGI EAFE Equity Index – Collective "T" fund. This error occurred on October 1, 2007, when the merger of the BGI EAFE Equity Index "W" into the BGI EAFE Equity Index "T" occurred. At the time it was not realized that a reduction in shares (a ratio of 1 to 0.977136 from the "W" share to the "T" share) was necessary, as the price of the "T" share class was higher than the "W" share class. Therefore, we left the number of shares in the "T" fund as they were in the "W" fund. This, along with the higher price, resulted in an overstatement of the balance in the BGI EAFE Equity Index "T" fund by approximately \$1.4 million.

Great-West has identified approximately 7,750 WDC participants that were affected by this error. Great-West has further determined that approximately 138 WDC participants with BGI EAFE accounts have taken total withdrawals and approximately 170 participants have made transfers out of the BGI accounts. Great-West is proposing to take no action regarding the 138 closed accounts, but will be making corrections to the accounts of the 170 participants who made trades in their BGI accounts. Because Great-West cannot cost effectively trace all transactions over 3 months time in 170 accounts, these corrections will be pro-rated across the funds held in each participant's account.

To remedy this error, Great-West has corrected WDC participants' BGI EAFE accounts by calculating the number of shares that should have been converted on October 1, 2007 and adjusting each account balance appropriately. For many WDC participants, this may result in a reduction in their total account balance.

A letter explaining what happened and how account balances were corrected will be sent the week of January 21, 2008 to all WDC participants affected by this error. For your reference, I have attached a copy of the explanation letter to this correspondence.

WDC participants will soon receive their statements for the period October 1, 2007 through December 31, 2007. This statement will be generated after corrections have been made to BGI



EAFE account balances and thus will reflect the correct beginning and ending balances for each participant. The WDC Call Center and local office staff have been briefed on the error and are prepared to discuss and explain it with any participants who may question what has happened with their BGI EAFE account balances.

As a result of discovering this error, we have reviewed our current procedures and identified ways to improve upon our internal communication and processes governing this type of change. Specifically, Great-West has redefined the criteria for determining when a fund elimination is needed in relation to a fund merger and outlined the proper flow of information and information requirements between our Investment and Recordkeeping systems and staff. We believe these improvements will ensure a coordinated effort by all departments within Great-West and prevent this type of error from occurring in the future.

We sincerely apologize for any inconvenience this may have caused you and want to assure you that we have made every effort to protect against this type of error in the future. If you have any questions regarding the error or its resolution, please contact me at 303-737-4648.

Sincerely,

Michelle Williams
Relationship Manager



STATE OF WISCONSIN
Department of Employee Trust Funds

David A. Stella
SECRETARY

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CORRESPONDENCE MEMORANDUM

DATE: February 20, 2008
TO: Deferred Compensation Board
FROM: Shelly Schueller, Director
Deferred Compensation Program
SUBJECT: Financial Emergency Hardship Application Trends

The Deferred Compensation Board (Board) regularly receives information on individual financial hardship applications as well as quarterly reports. This memo provides cumulative information on hardship applications over the past several years. While there has been a significant increase in the number of hardship applications nationwide, in Wisconsin it is only over the past twelve months that an increase has been noticed.

Background

The guidelines for approval of financial hardship withdrawals (unforeseeable emergencies) from deferred compensation accounts are defined in Section 457 of the Internal Revenue Code. Examples include loss of income, foreclosure, eviction, legal expenses, medical bills beyond what insurance covers and funeral expenses. Examples of situations that are not considered unforeseeable emergencies include college tuition and purchase of a home.

Participants who experience financial hardships may file a financial emergency hardship application with the Wisconsin Deferred Compensation (WDC) Program by contacting the Great-West Retirement Services (GWRS) call center or the local Madison staff. GWRS staff assist the participant in completing the *Emergency Withdrawal Application*. GWRS also provides information on the types of additional documentation (paycheck statements, foreclosure or eviction notices, etc.) that may help justify the request.

On average, GWRS staff spend 30-45 minutes processing each hardship application. This time includes reviewing the application, speaking with the participant, making recommendations regarding additional documentation that may support the participant's application and forwarding the completed hardship application package to the Department of Employee Trust Funds (ETF) for a determination. ETF staff spend approximately 30 minutes per application reviewing documentation in order to determine whether to approve or deny an application. If a denial is appealed to the Board, several more hours of work by ETF staff is usually required.

The number of hardship applications reviewed by ETF differs from the number submitted to GWRS. When an application is received, GWRS staff review it and frequently contact the participant to obtain additional information. In approximately 45% of the cases, the participant does not respond and the application is not processed. The charts in this memo pertain only to completed applications reviewed by ETF over the past four years.

Reviewed and approved by Jean Gilding, Deputy Administrator,
Division of Retirement Services

Signature

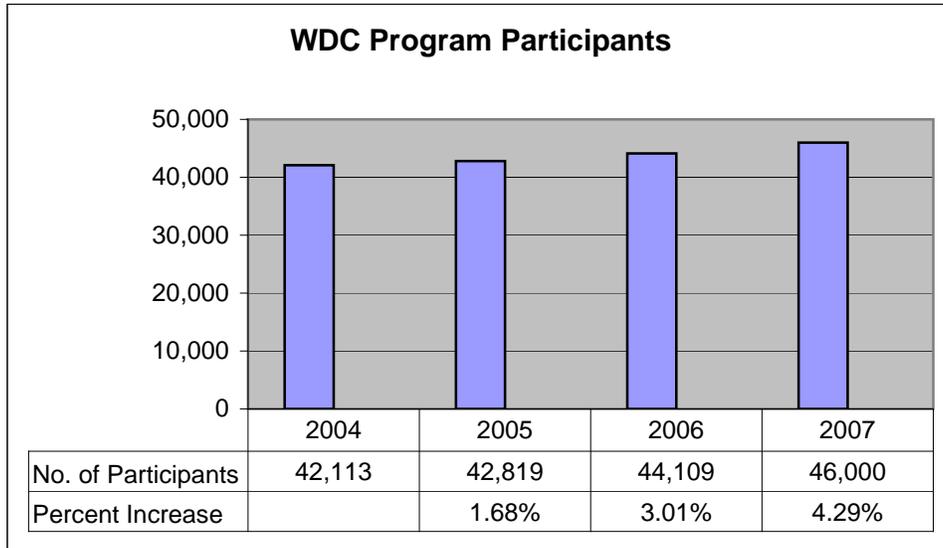
Date

Board	Mtg Date	Item #
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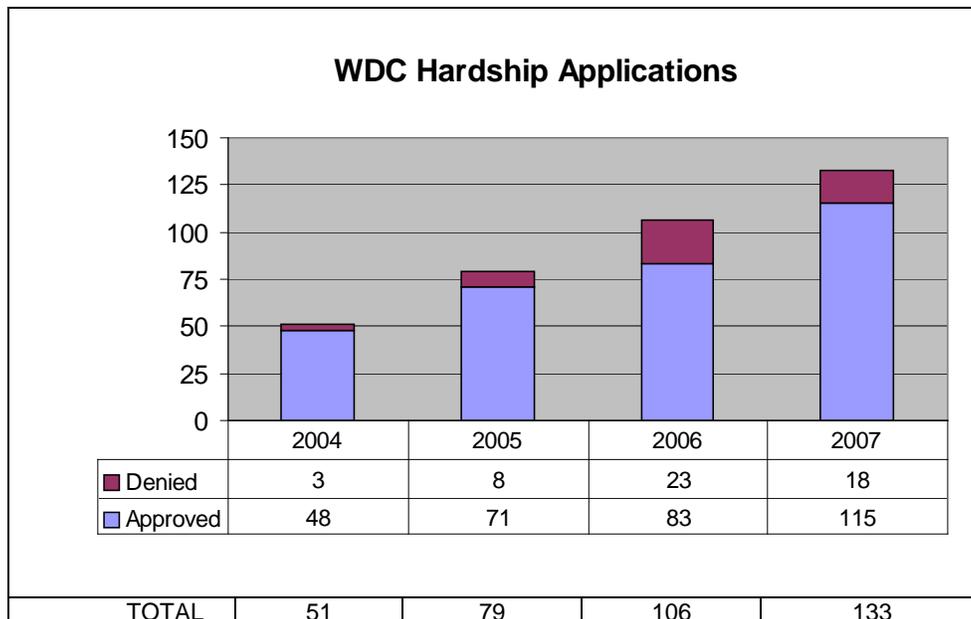
After completing its review, GWRS forwards the application and supporting documentation to ETF for review and a decision. By law, ETF must process these requests within five days of receipt. Once a determination on a hardship application has been completed, GWRS has ten days to issue a payment to the participant or provide rationale for the denial.

Trends

Participation in the WDC Program increased from 42,113 members in 2004 to approximately 46,000 members in 2007, an increase of nearly 9%.

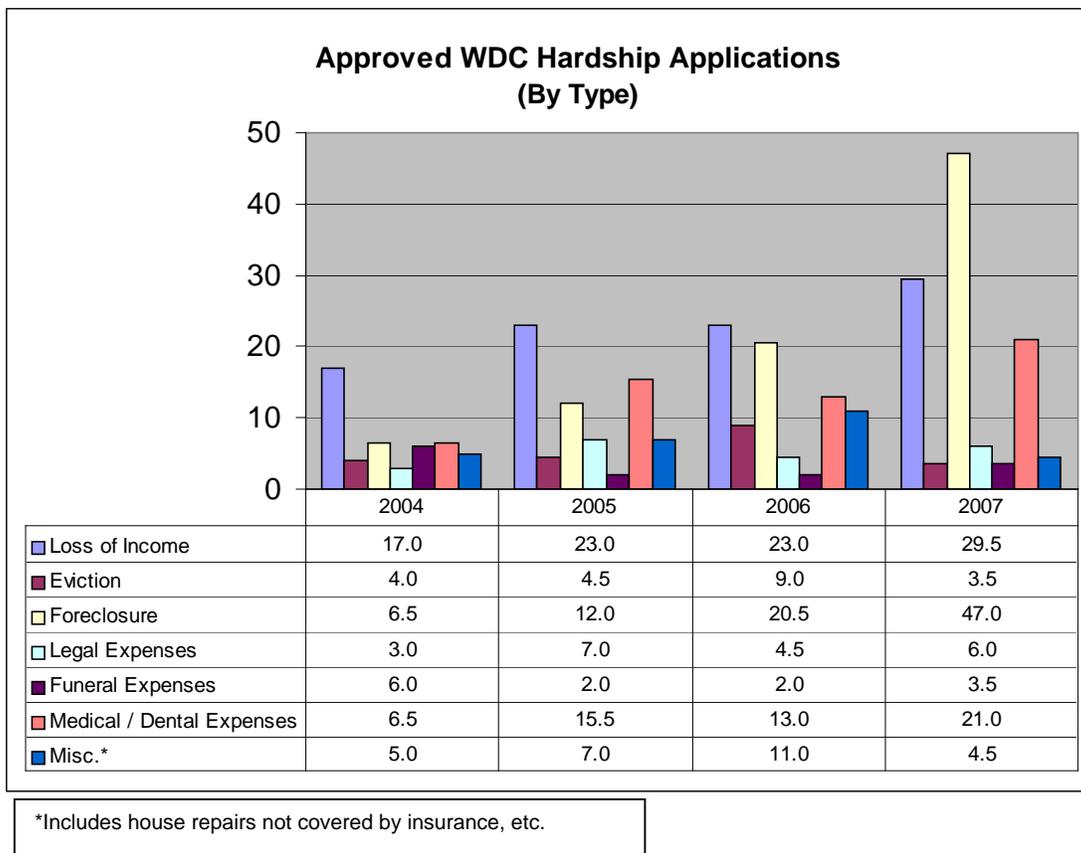


During this same period, the number of hardship withdrawal requests increased from 51 applications in 2004 to 133 in 2007, an increase of 115%.



In addition to an increase in the number of hardship applications, the amount disbursed has steadily increased. In 2004, the average amount paid per application was \$4,679. In 2007, the average amount paid per application was \$5,656.

The chart below shows the applications (by type) that were approved over the past four calendar years. For that time period, “loss of income” and “foreclosure” were the primary reasons for approval of financial emergency applications.



Loans

Many s. 457 plans choose to offer an optional loan program to participants. Making funds available through loans is seen as an easier way for participants to access funds than the hardship process. Some believe that participants may be more likely to contribute to a plan if they know they have access to the money if needed.

GWRS does not receive a significant number of loan requests. The most common reasons for seeking a loan are to purchase a home and fund college education expenses. When members first enroll in the WDC, they are advised that their funds cannot be withdrawn for these purposes.

At its May 15, 2007, meeting, the Board discussed allowing participants to obtain loans from their WDC accounts. At that time, the Board determined that retirement plan loans were not in the best interest of the participants and, therefore, it would not be making

changes to the plan to allow loans. (A copy of the May 4, 2007, memo outlining the pros and cons of participant loans is attached.)

Reporting

Under § ETF 70.10(6), Wis. Admin. Code, ETF is required to prepare and present a report on unforeseeable hardship activity since the last meeting to the Board. For many years, ETF has provided a brief quarterly report from the recordkeeper and a narrative report that includes the date the hardship was submitted to GWRS, the specific situation creating the need for a distribution, and the date and decision made by ETF. (See Item 11(l) for the current reports.)

In the past year, staff has also added the recordkeeper's hardship data to a report entitled "Selected Quarterly Statistics." The data on this report includes total applications received, returned for more information, and submitted to ETF for review. This report provides a running percentage of applications approved and denied.

Conclusion

If the trends of the past several years hold, the number of hardship requests will continue to rise. Staff will continue to track the volume of hardship applications. If the volume becomes unmanageable, we may seek other methods for processing these requests.

Staff will be available at the March 4, 2008, meeting to discuss this memo and to answer questions from the Board.

Attachments: May 4, 2007, Memo
Associated Press Article *More Americans raid their retirement accounts* (2/20/08)



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CORRESPONDENCE MEMORANDUM

DATE: February 13, 2008
TO: Wisconsin Deferred Compensation Board
FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
SUBJECT: 2006 Financial Statements Audit Management Letter

In the management report that accompanied the 2006 Wisconsin Deferred Compensation Program (WDC) financial statements audit report, the Board's auditors identified a few significant deficiencies in the administration of the WDC. A copy of the Department letter outlining how these deficiencies will be corrected is attached to this memo.

The management letter suggested that the WDC's plan administrator, Great-West Retirement Services (GWRS), does not maintain an adequate set of financial records for the WDC, and identified this as an internal control deficiency. The auditors further recommended that the Board develop its own controls to monitor the preparation of financial statements. Recent Sarbanes-Oxley Act changes in public auditing standards indicate that relying on an audit firm to provide financial statements is no longer an acceptable practice. In response, the Department has begun to develop a basic general ledger that will be used to reconcile quarterly statement data in advance of the annual financial statements audit. GWRS has pledged to work with the Department and the auditing firm to ensure requested data is provided in a timely manner.

The management letter also identified two emergency hardship withdrawals as questionable. In researching these withdrawals, the Department confirmed that both participants completed distribution forms indicating that financial hardships were the main reason for the requests. During the hardship application review process, GWRS learned that both participants had separated from service and therefore normal separation from service distributions were processed. In an effort to prevent any future miscommunications regarding financial hardship applications, the Department has developed a more detailed internal tracking mechanism for financial hardships. We also expect to work closely with the local GWRS office on revisions intended to clarify the WDC financial hardship application process.

Department staff will be available at the meeting to discuss this memo and answer any questions you may have.

Attachments

Reviewed and approved by Jean Gilding, Deputy Administrator, Division of Retirement Services	
_____	_____
Signature	Date

Board	Mtg Date	Item #
DC	03/04/2008	6



STATE OF WISCONSIN
Department of Employee Trust Funds
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CORRESPONDENCE MEMORANDUM

DATE: February 19, 2008
TO: Deferred Compensation Board
FROM: David H. Nispel
SUBJECT: Approval of Scope Statement Regarding
Proposed Amendment to Wis. Admin. Code § ETF 11.11

The Board is asked to approve the attached scope statement.

The Department of Employee Trust Funds proposes to modify Wis. Admin. Code s. ETF 11.11, relating to appointment of legal counsel to advise the boards that are attached to the department while the boards consider a final decision pertaining to an appeal. The department requests approval of the attached scope statement. Approval of the scope statement is the first step in promulgating an administrative rule. The final version of the proposed rule will be submitted to the boards in the Spring of 2008.

The proposed amendment covered by the scope statement concerns appointment of legal counsel by the Employee Trust Funds Board, Wisconsin Retirement Board, Teachers Retirement Board, Group Insurance Board, and the Deferred Compensation Board. The amendment also relates to the nature of the legal representation provided to those boards during their consideration of a final decision pertaining to a pending appeal.

Currently, board staff arranges for legal counsel to advise the above boards from one of three sources: 1) the Department of Justice, if the department is a party to the appeal; 2) the department's chief counsel, if the department is not a party to the appeal; and 3) outside counsel, if neither the department's chief counsel nor the Department of Justice is able to provide legal counsel. The current rule also prescribes a number of specific duties of the legal counsel.

The proposed amendment was prompted by the need to provide the boards with additional flexibility in the use of legal counsel. Under the proposed amendment covered by the scope statement, board staff may arrange for legal counsel for the boards as deemed necessary and in accordance with the statutory responsibilities of the Department of Justice to provide legal counsel. In addition, the proposed amendment would eliminate the itemized duties of the legal counsel contained in the current rule and simply provide that the legal counsel shall provide legal representation to the board.

The retirement boards approved this scope statement in December 2007. The Group Insurance Board approved the scope statement at its February 12, 2008, meeting.

Reviewed and approved by Robert J. Conlin, Deputy Secretary.

Signature Date

Board	Mtg Date	Item #
DC	03/04/2008	10

Statement of Scope of Proposed Rule Department of Employee Trust Funds

The Department of Employee Trust Funds (department) gives notice pursuant to Wis. Stat. s. 227.135, that it proposes to modify an existing administrative rule, specifically Wis. Admin. Code s. ETF 11.11. The rule relates to legal counsel advising the boards that are attached to the department while a board considers a final decision pertaining to an appeal.

DESCRIPTION OF RULE

The proposed modifications concern appointment of legal counsel by the Employee Trust Funds Board, Wisconsin Retirement Board, Teachers Retirement Board, Group Insurance Board, and the Deferred Compensation Board and the nature of the legal representation provided to those boards during their consideration of a final decision pertaining to a pending appeal. The proposed rule does not change the responsibility of the Department of Justice to provide legal counsel pursuant to Wis. Stat. s. 40.03 (3).

POLICY ANALYSIS

Under current law (Wis. Stat. s. 40.03 (3)), the Department of Justice is required to furnish legal counsel and prosecute and defend all actions brought by or against the Employee Trust Funds Board, the Group Insurance Board, the department, or any employee of the department as a result of the performance of the department employee's duties. Under the current administrative rules, board staff arrange for legal counsel to advise the Employee Trust Funds Board, Wisconsin Retirement Board, Teachers Retirement Board, Group Insurance Board, and the Deferred Compensation Board from one of three sources: 1) the Department of Justice, if the department is a party to the appeal; 2) the department's chief counsel, if the department is not a party to the appeal; and 3) outside counsel, if neither the department's chief counsel nor the Department of Justice is able to provide legal counsel. The current rule also prescribes a number of specific duties of the legal counsel.

Under the proposed modifications, board staff may arrange for legal counsel for the boards as deemed necessary and in accordance with Wis. Stat. s. 40.03 (3). In addition, the proposed modifications will eliminate the specific duties of the legal counsel contained in the current rule and simply provide that the legal counsel shall provide legal representation to the board. The proposed modifications will provide the boards with additional flexibility in the use of legal counsel.

STATUTORY AUTHORITY

Wis. Stat. ss. 40.03 (2) (i) and 227.11 (2) (a) provide the authority for the proposed rule.

ESTIMATE OF AGENCY STAFF TIME TO DEVELOP RULE:

The Department estimates that state employees will spend 40 hours to develop this rule.

ENTITIES LIKELY TO BE AFFECTED BY THE PROPOSED RULE

The proposed modifications would affect the various boards attached to the department, the department itself, and the Department of Justice.

SUMMARY OF AND COMPARISON TO FEDERAL REGULATIONS

No specific federal regulation is implicated by this rulemaking. There is no impact on the provisions of the Internal Revenue Code regulating qualified pension plans. Similarly, there is no impact on Wis. Stat. s. 40.015, which requires that the Wisconsin Retirement System be maintained as a qualified plan.

I have reviewed this Statement of Scope and approve it for publication in the Administrative Register this _____ day of _____, 200__.

David A. Stella, Secretary
Department of Employee Trust Funds



STATE OF WISCONSIN
Department of Employee Trust Funds
David A Stella, Secretary

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
TTY (608) 267-0676
<http://etf.wi.gov>

CORRESPONDENCE MEMORANDUM

DATE: February 15, 2008
TO: Wisconsin Deferred Compensation Board
FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
SUBJECT: March 2008 Board Meeting Miscellaneous Items

The following items are included with the Board materials for March 4, 2008:

Wisconsin Deferred Compensation Program Information

- a) *MoneyTalks* Participant Newsletters: First Quarter 2008
- b) *Wisconsin Plan and Trust Document* as amended November 14, 2007
- c) WDC Brochure: *WDC Retirement Guide: WDC Participant Distribution Options*

Investment Product Information

- d) Schwab: PCRA Report – Fourth Quarter 2007
- e) Schwab: PCRA Pricing Summary – February 2008
- f) Vanguard: Fund Manager Earl McEvoy to Retire – press release February 14, 2008
- g) Galliard: Stable Value Portfolio Review – Fourth Quarter 2007
Galliard: November 2007 letter re: Stable Value Fund exposure to subprime mortgages

Stable Value Fund Manager Allocations

Galliard Capital Management (Galliard) manages the WDC Stable Value fund. The WDC's Stable Value assets are allocated between Galliard and two subadvisors: Alliance and PIMCO. The table below illustrates the percentage of the account managed by each firm. Galliard's goal is to maintain an approximate division of the assets under management with 60% remaining at Galliard and 40% at subadvisors PIMCO and Alliance.

WDC STABLE VALUE FUND ASSET MANAGEMENT			
As of:	Galliard	Alliance	PIMCO
12/31/2007	59.9%	14.6%	25.5%
09/30/2007	60.2%	14.8%	25.0%
06/30/2007	60.1%	14.8%	25.1%
03/31/2007	60.0%	14.8%	25.2%
12/31/2006	60.6%	14.0%	25.4%
09/30/2006	61.3%	13.7%	25.0%
06/30/2006	61.7%	13.6%	24.7%
03/31/2006	60.7%	14.0%	25.3%
12/31/2005	59.9%	14.2%	25.3%
09/30/2005	63.9%	13.9%	22.2%
06/30/2005	64.5%	14.5%	21.0%

WDC STABLE VALUE FUND ASSET MANAGEMENT			
As of:	Galliard	Alliance	PIMCO
03/31/2005	62.8%	15.6%	21.6%
12/31/2004	62.0%	16.0%	22.0%
09/30/2004	61.9%	16.0%	22.1%
06/30/2004	61.5%	16.5%	21.9%
03/31/2004	60.2%	17.1%	22.7%
12/31/2003	60.1%	17.2%	22.7%
09/30/2003	59.6%	17.4%	23.0%
06/30/2003	59.2%	17.6%	23.2%
03/31/2003	58.5%	17.9%	23.6%

Reports

- h) Selected WDC Quarterly Statistics
- i) Quarterly Plan Status – Fourth Quarter 2007
 - WDC Participant Assets
 - WDC Participant Contributions
 - Participation Statistics
 - Participant Activity (Web site and phone usage)
- j) Performance Standards Report - Fourth Quarter 2007
- k) Local Employer Elections – Fourth Quarter 2007
- l) Financial Emergency Withdrawal Report – Fourth Quarter 2007

Correspondence

- m) Participant Ellison email

Media Articles

- n) *Morningstar* “Fund Managers of the Year: 2007” January 2008.
- o) *Morningstar* “The Heart of Our Foreign Picks” January 2008
- p) *PlanSponsor.com* “CIGNA to Acquire Great-West Healthcare” – November 27, 2007
- q) *PlanSponsor.com* “Bush Signs Sudan Divestment Bill into Law” – January 2, 2008
- r) SEC Proposes Regulations to Implement Sudan Accountability and Divestment Act of 2007 – February 12, 2008

State of Wisconsin Plan

*Schwab Personal Choice
Retirement Account (PCRA)
Quarterly Report*

As of 12/31/2007

**The Schwab Self-Directed Brokerage Account Quarterly Report
For the State of Wisconsin plan as of 12/31/2007**

Plan Profile Information

Company Name	State of Wisconsin
Total PCRA Assets	\$51,883,867
Total PCRA Accounts	786
Total Advisor Managed PCRA Assets	\$10,603,238
Total Advisor Managed PCRA Accounts	97

PCRA Participant Profile Information

PCRA Accounts Opened This Quarter	25
PCRA Assets In and Out This Quarter*	\$-373,235
Average PCRA Account Balance	\$66,010

Average Positions (Per Acct)

Cash & Equivalents	1.0
Mutual Funds	4.4
Total	5.4

Average Trades (Per Acct)

Cash & Equivalent	0.0
Mutual Funds	2.4
Total	2.4

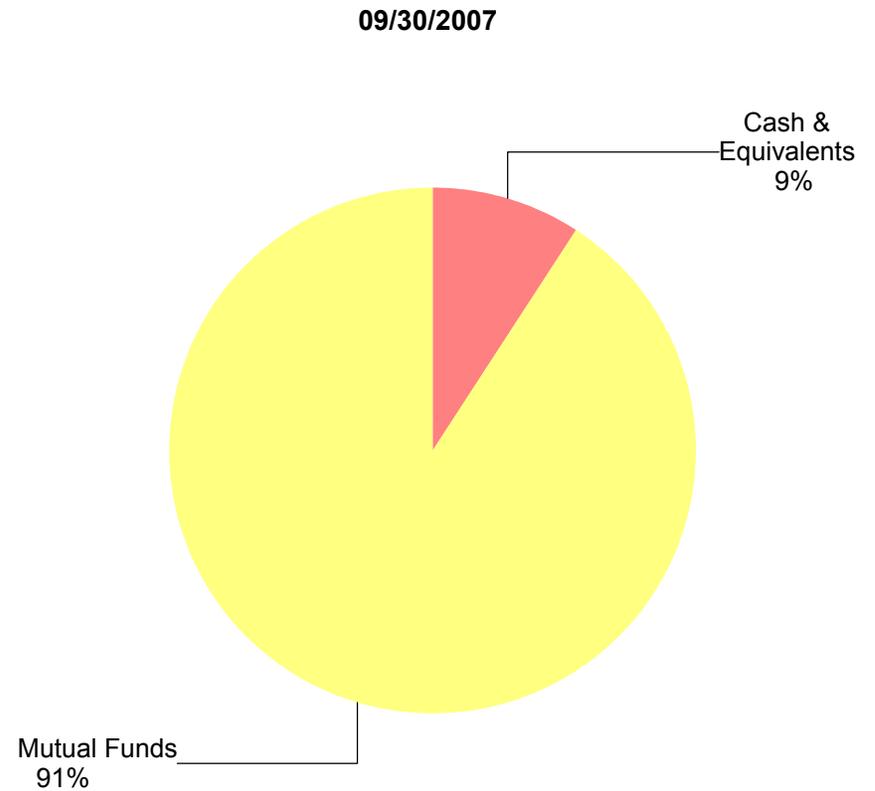
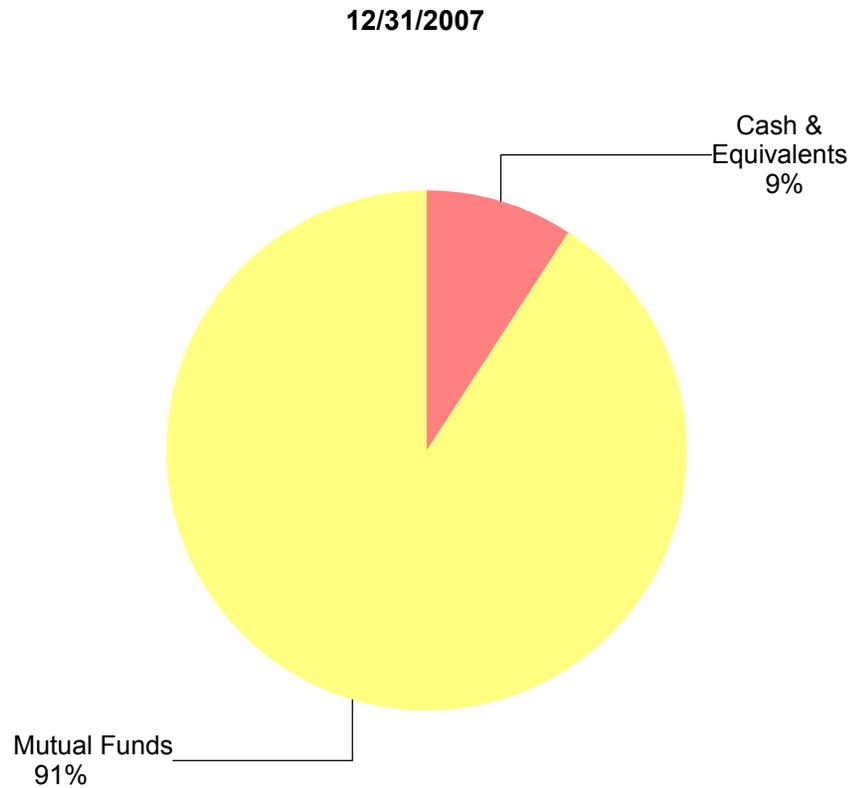
Top 10 Mutual Fund Holdings	Ticker Symbols	\$ MF Assets	% MF Assets
MAINSTAY ICAP SELECT EQ FD CL	ICSLX	\$843,391	1.79
JULIUS BAER INTL EQUITY	BJBIX	\$831,816	1.77
FMI LARGE CAP FUND	FMIHX	\$825,214	1.75
ARTISAN INTL FUND	ARTIX	\$735,103	1.56
ARTISAN INTL SMALL CAP	ARTJX	\$705,036	1.50
TOCQUEVILLE GOLD FUND	TGLDX	\$695,762	1.48
MATTHEWS CHINA FUND	MCHFX	\$582,053	1.24
OAKMARK EQUITY INCOME FD	OAKBX	\$561,847	1.19
PIMCO ALL ASSET FUND	PAAIX	\$559,613	1.19
U.S. GLOBAL INVESTORS	PSPFX	\$551,129	1.17

Money Market Fund Balance	Ticker Symbols	Total Value
SCHWAB MONEY MARKET FUND	SWMXX	\$3,913,435

* Assets In and Out includes contributions and distributions
Top 10 Mutual Funds % does not include Money Market Funds.

**The Schwab Self-Directed Brokerage Account Quarterly Report
For the State of Wisconsin plan as of 12/31/2007**

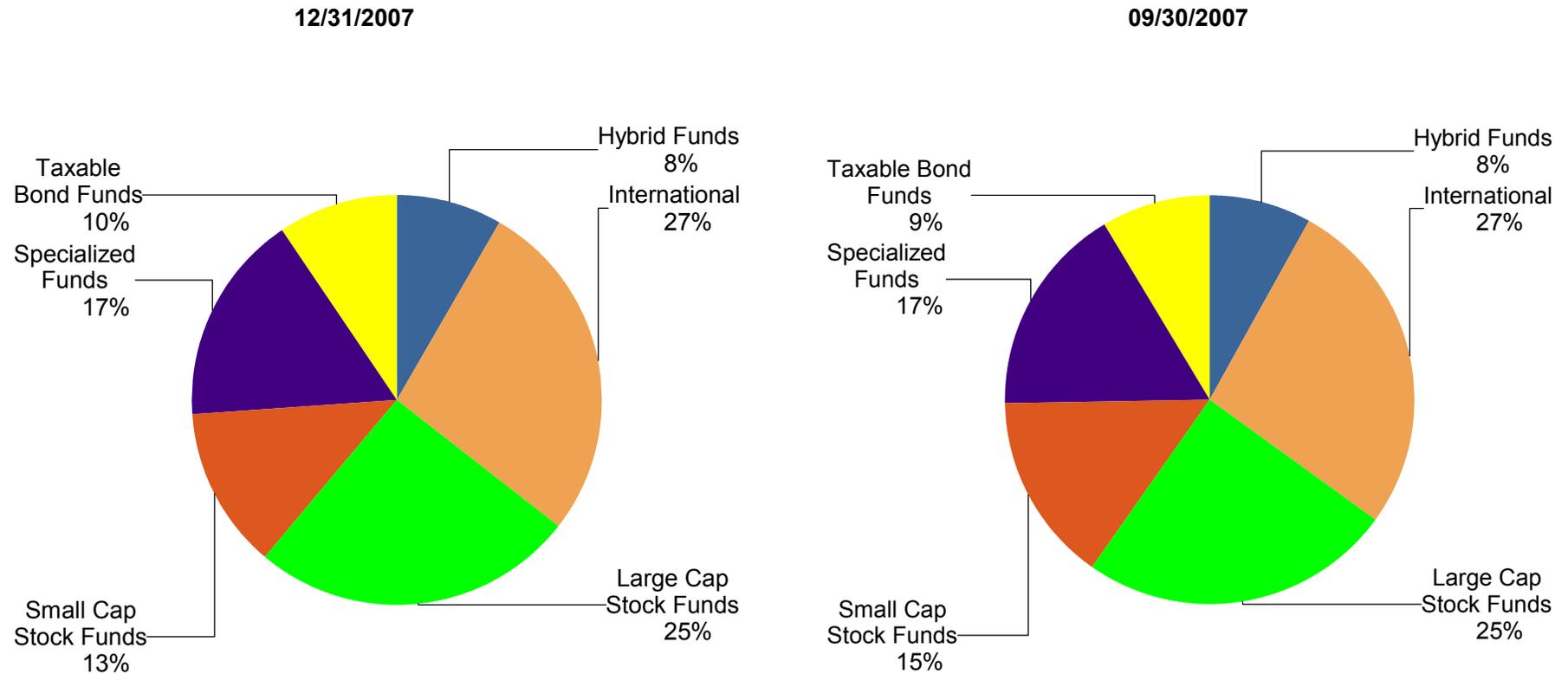
Market Value Allocation - Asset Classes
(Quarter over Quarter)



This chart illustrates the percent of PCRA participant assets in each noted asset class as percentage of total PCRA assets. Percentages are calculated as of month-end. Money market mutual funds are classified under Cash & Equivalents

**The Schwab Self-Directed Brokerage Account Quarterly Report
For the State of Wisconsin plan as of 12/31/2007**

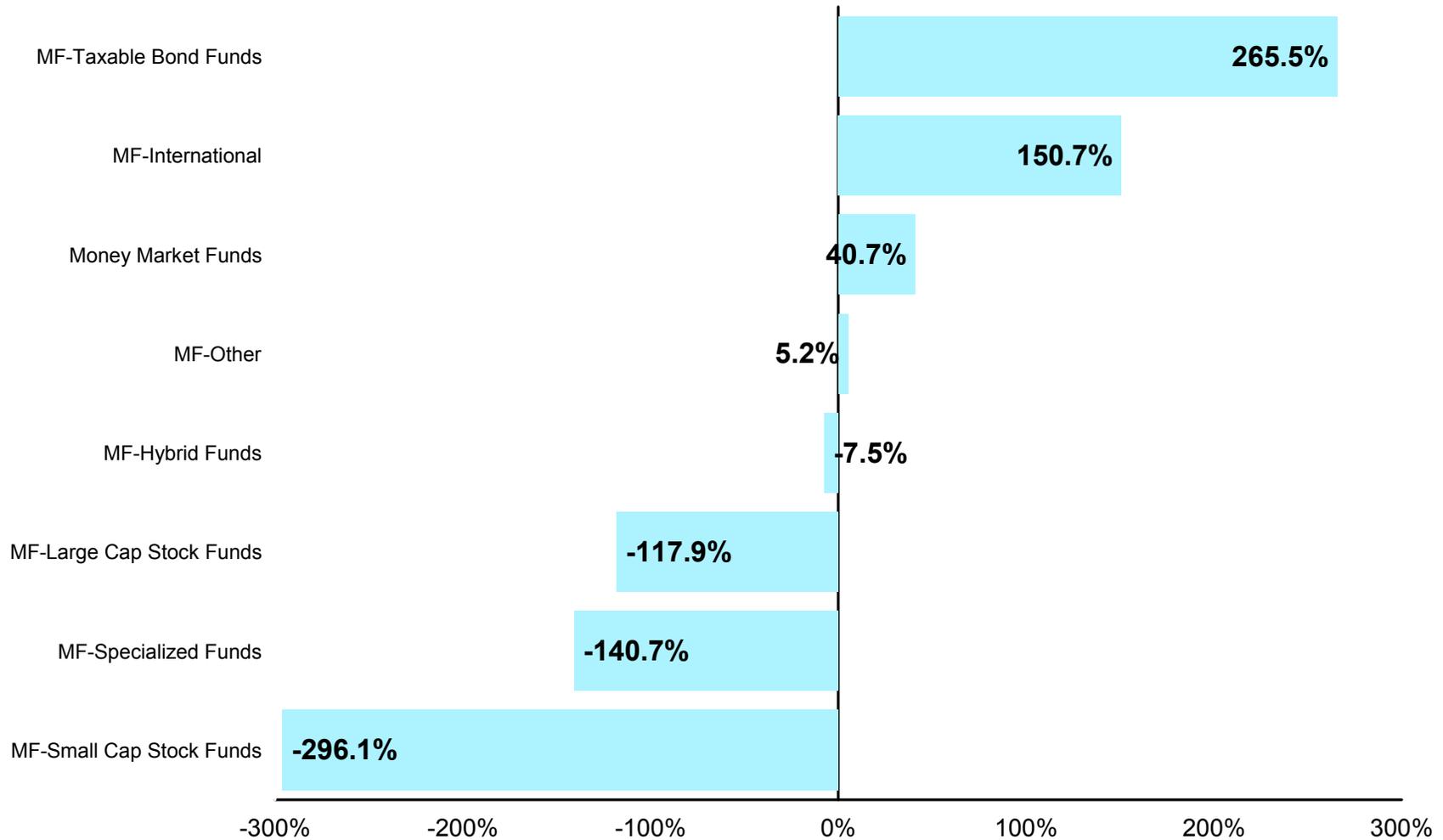
Market Value Allocation - Mutual Funds



This chart illustrates the percent of PCRA participant assets in each mutual fund category, as classified by Morningstar Inc., as a percentage of total PCRA long-term mutual fund assets. Percentages are calculated as of month-end. Small cap funds are subject to greater volatility than those in other asset categories. International investments are subject to additional risks such as currency fluctuation, political instability and the potential for illiquid markets. Since sector funds focus investments on companies involved in a particular sector, the funds may involve a greater degree of risk than an investment in other mutual funds with greater diversification. All data is for informational purposes only.

The Schwab Self-Directed Brokerage Account Quarterly Report For the State of Wisconsin plan as of 12/31/2007

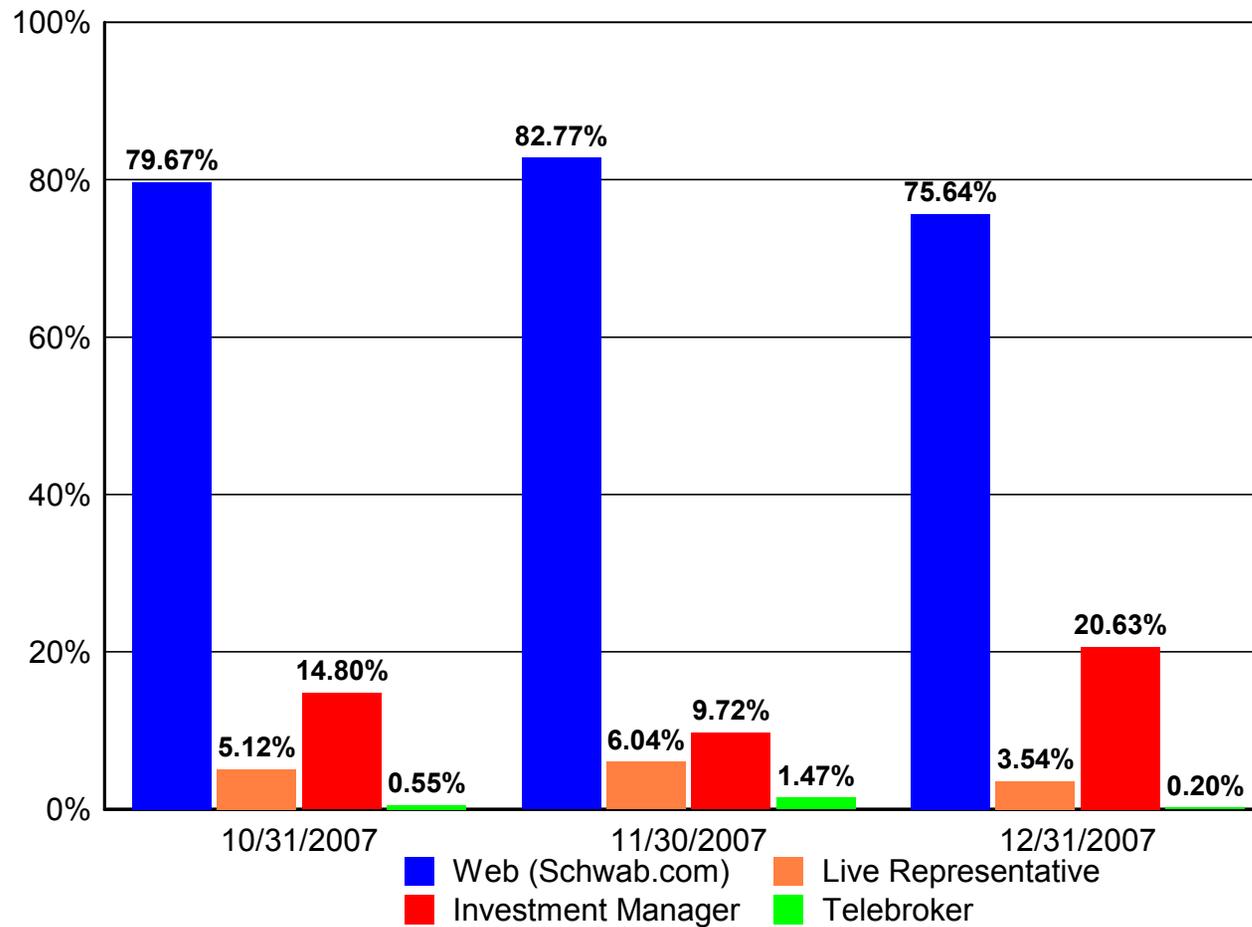
Net Asset Flow - All Investment Categories (3-month period ending 12/31/2007)



The chart illustrates the percent of total net flows within each investment category, as classified by Standard & Poor's and Morningstar Inc., over the last three-month period. Net flow percentages are calculated by adding the purchases and sales amounts within each respective investment category and dividing by the total net flows over the period. Data is for informational purposes only.

The Schwab Self-Directed Brokerage Account Quarterly Report
For the State of Wisconsin plan as of 12/31/2007

Trading Channel Mix
(Month over Month)



This chart illustrates the trading channel participants used to place trade orders over the last three-month period. Data is for informational purposes only.

Schwab Personal Choice Retirement Account® (PCRA)

Pricing Summary—Effective February 2008

At Charles Schwab, we provide a broad range of value-added services, some of which have associated fees. The following provides you with a summary of the standard commissions and fees for trade orders placed in the Schwab Personal Choice Retirement Account® (PCRA)¹. This pricing supersedes prior pricing summaries and notices that you may have received. Schwab reserves the right to change or waive fees at our discretion.

This summary applies only to clients with accounts held at Charles Schwab, and includes:

- Schwab PCRA established on behalf of retirement plan participants

You can obtain more information about PCRA pricing by:

- Calling Schwab's dedicated PCRA Call Center at 1-888-393-PCRA (7272), Monday through Friday, 9:00 am through 7:30 pm (ET)
- Viewing the *Schwab Corporate and Retirement Services Pricing Guide* dated April 2008, for a more complete description of fees

Definition of Electronic Trades: Trades placed through one of Schwab's electronic channels, including online (e.g., www.schwab.com) and Schwab's automated phone services (e.g., Schwab by Phone™ or TeleBroker®). Certain securities may not be available through all electronic trading channels.

For all trade orders placed: For purchase, we require cleared funds in the account. When selling, we require securities on deposit.

Note: Your PCRA is a cash-up-front account. It is your responsibility to avoid overspending your account. If your account becomes overspent, Schwab reserves the right to liquidate a portion of your account to cover the debit balance. Broker-assisted fees will apply.

Schedule of Commissions and Transaction Fees²

Stocks³

Commissions per Executed Trade (includes Exchange-Traded Funds)		
Trading Channel	Less than 120 trades* and less than \$1,000,000 in PCRA Balance	120 or more trades* or \$1,000,000 or more in PCRA Balance
Electronic Stocks priced at \$1 per share or more	\$12.95 for the first 1,000 shares, plus \$0.015 ⁴ for each additional share	\$8.95
Stocks priced under \$1 per share	\$12.95	\$8.95
Broker-Assisted	Electronic commission, plus \$25	Electronic commission, plus \$25

*0-29 trades in current calendar quarter or 0-119 trades over the prior 12 months

⁴\$30 or more trades in current calendar quarter or 120 or more trades over the prior 12 months

Mutual Funds

No-Transaction-Fee (NTF) Mutual Funds: Trades in no load funds available through Schwab's Mutual Fund OneSource⁵ service (including Schwab Funds), as well as certain other funds, are available without transaction fees when placed through Schwab.com or our automated phone channels. Schwab reserves the right to change the funds we make available without transaction fees and to reinstate fees on any funds.

Transaction-Fee Mutual Funds:

Trading Channel	Transaction Fee	Minimum/Maximum
Electronic	0.56% of principal*	Minimum \$35 Maximum \$49.95
Broker Assisted	0.7% of principal	Minimum \$39 Maximum \$74.95

*Transaction-fee mutual fund trades placed through one of Schwab's electronic channels receive a 20% discount off the stated Broker-Assisted commissions or transaction fees, as illustrated above.

All electronic trades are subject to an overriding \$35 minimum and a \$49.95 maximum. Minimum transaction amounts apply for initial and subsequent purchases.

Investors should consider carefully information contained in the prospectus, including investment objectives, risks, trading policies, charges and expenses. You can request a prospectus by calling Schwab's dedicated PCRA Call Center at 1-888-393-PCRA (7272). You may also request a prospectus at www.schwab.com. Please read the prospectus carefully before investing.

Options⁶

Trading Channel	Commissions per Executed Trade
Electronic	\$8.95, plus \$0.75 per contract
Broker-Assisted	Electronic commission, plus \$25

Options trading in PCRA is limited to covered calls and protective puts.

Fixed Income Investments⁷

Product Type	Electronic Commission	Broker-Assisted Fee
New issues, including Certificates of Deposit (CDs)	\$0 (a selling concession is included in the original offering price)	
Treasuries at Auction and Secondary Treasuries, including Treasury Bonds, Treasury Bills, Treasury Notes and TIPS	\$0	\$25
Other Secondary Fixed Income trades, including CDs, Exchange-Traded Corporate Bonds, Municipal Bonds, Zero-Coupon Treasury Bonds, STRIPS and Mortgage-Backed Securities	\$1 per bond (\$10 min/ \$250 max)	Electronic commission, plus \$25
Government Agencies (such as Non-Pass-Through Bonds from FNMA, FHLB, etc.)	\$1 per bond (\$10 min/ \$250 max)	Electronic commission, plus \$25
Unit Investment Trusts	n/a	Sales charge applies; see prospectus
Commercial Paper, Foreign Bonds and other bonds	These are specialty products—please call us for information	
Preferred Stocks, Debts or REITs	Stock commissions and minimums apply for secondary transactions	

Note: The commissions and markups may be slightly less than what is shown above due to rounding.

Schwab reserves the right to act as principal on any fixed income transaction, public offering or securities transaction. When Schwab acts as agent, a commission will be charged on the transaction. When Schwab acts as principal, the markup is included in the bond price.

¹ Schwab Personal Choice Retirement Account® (PCRA) is offered through Charles Schwab & Co., Inc. Charles Schwab & Co., Inc. also provides other brokerage and custody services to its customers. Schwab Retirement Plan Services, Inc. and The 401(k) Company, Inc. provide recordkeeping and related services with respect to retirement plans. The Charles Schwab Trust Company, a division of Charles Schwab Bank, provides trust and custody services with respect to retirement and other benefit plans, including Individual Retirement Accounts (IRAs).

² Excluding mutual funds, commissionable trades that execute over more than one day will be charged a separate commission for each additional day; each separate commission will apply to the portion of the trade executed on the corresponding additional day. Electronic Trade orders which price or quantity are changed by the client, and as a result execute over multiple trades on the same day, are each charged a separate commission.

³ Includes all stocks listed on U.S. or Canadian exchanges, as well as foreign stocks not listed on those exchanges. Foreign stock transactions (stocks not listed on U.S. or Canadian exchanges) are subject to the greater of the broker-assisted trade schedule, \$100 or 0.5% of principal. No maximum applies. Not applicable to American Depositary Receipts.

⁴ Half-cent increments are rounded up.

⁵ Charles Schwab & Co., Inc. receives remuneration from fund companies participating in the Schwab Mutual Fund OneSource® service for recordkeeping and shareholder services, and other administrative services. Schwab's short-term redemption fee of \$49.95 will be charged on redemption of funds purchased through Schwab's Mutual Fund OneSource® service (and certain other funds with no transaction fee) and held for 90 days or less. Funds are also subject to management fees and expenses.

⁶ Options carry a high level of risk and are not suitable for all investors. Certain requirements must be met to trade options through Schwab. Please read the Options Disclosure Document titled "Characteristics and Risks of Standardized Options" before considering any option transaction. Call your local Schwab office or write Charles Schwab & Co., Inc. 101 Montgomery Street, San Francisco, CA 94104 for a current copy.

⁷ For fixed income trades placed through one of Schwab's electronic channels, discounts may apply.

**State of Wisconsin
Department of Employee Trust Funds**

**Wisconsin Deferred Compensation Program
Selected 2007 Quarterly Statistics**

	1Q07	2Q07	3Q07	4Q07	Total
Local Employer Elections (new)	5	8	9	6	28
# Eligible Employees at New Employers	353	529	1,337	1,048	3,267
Participant Enrollments (new)					
State Participants	448	551	397	538	1934
Local Participants	420	418	397	402	1637
Participant Total	868	969	794	940	3,571
Selected Participant Data					
					Yearly Ave.
# With SDB Window (Schwab PCRA)	716	532	732	744	681
# With Target Retirement Accounts	4,442	5,513	6,213	7,091	5,815
Withdrawals					
Full Service Separation	275	260	234	258	1,027
Partial Service Separation	219	211	210	190	830
Periodic Payments	1,953	1,851	1,819	2,000	7,623
DeMinimis Payments	5	1	0	0	6
Rollovers OUT of the WDC	191	216	10	19	436
Final Withdrawals	368	372	351	53	1,144
Domestic Relations Order (DRO) Account Divisions					
					Total
Account Divisions Completed	24	25	11	11	71
DRO Distributions					
Full Withdrawals	7	6	2	1	16
Partial Withdrawals	8	4	7	4	23
Periodic Payments	2	2	3	3	10
DRO Totals	17	12	12	8	49
Financial Emergency Hardship Withdrawals					
					Total
New Applications Received	23	50	63	33	169
Applications Returned (need more info.)	18	34	49	31	132
Applications Forwarded to ETF for Review	15	28	57	33	133
1. Applications Approved	13	16	57	22	108
2. Applications Denied	2	3	9	8	22
3. Applications Pending	0	9	0	3	12
Percentage of Hardships Approved, Y-T-D	81%				
Percentage of Hardships Denied, Y-T-D	17%				

**State of Wisconsin
Department of Employee Trust Funds**

**Wisconsin Deferred Compensation Program
2006 Quarterly Statistics**

	1Q06	2Q06	3Q06	4Q06	Total
Local Employer Elections (new)	5	4	3	5	17
# Eligible Employees at New Employers	322	551	1,210	82	2,165
Participant Enrollments (new)					
State Participants	*	266	268	540	1,074
Local Participants	*	395	327	265	987
Participant Total	*	661	595	805	2,061
* included in 2nd quarter data					
Selected Participant Data					Yearly Ave.
# With SDB Window (Schwab PCRA)	693	693	694	708	697
# With Target Retirement Accounts	1,642	2,178	2,680	3,480	2,495
Domestic Relations Order (DRO) Account Divisions					
Full Withdrawals	2	2	5	1	10
Partial Withdrawals	1	5	2	3	11
DRO Totals	3	7	7	4	21
Financial Emergency Hardship Withdrawals					Total
New Applications Received	39	33	32	35	139
Applications Returned (need more info.)	23	27	25	31	106
Applications Forwarded to ETF for Review	26	32	25	24	107
1. Applications Approved	19	23	22	20	84
2. Applications Denied	7	6	6	4	23
3. Applications Pending	0	3	0	0	---
Percentage of Hardships Approved, Y-T-D	79%				
Percentage of Hardships Denied, Y-T-D	21%				

State of Wisconsin Deferred Compensation Program Performance Standards Report 4th Quarter 2007

Participant Services

Contract Provision		Requirement	Number Processed	Standard	% Met Standard
	Enrollment Applications	Process enrollment applications	940	Processed within 5 days; established within 31 days or later, if requested.	100%
	Increase/Decrease Deferrals	Process deferral increases/decreases	1,751	Processed within 5 days; established within 31 days or later, if requested.	100%
	Allocation Changes	Process allocation changes	1,084	Processed within 5 days; effective next pay or later, if requested.	100%
	Transfers between funds	Process transfer requests	1,676	Processed same day if received in good order prior to 3:00 PM Central Time; otherwise, next business day	100%
	Lump Sum Distributions	Process lump sum distribution requests	544	Processed same day if received in good order prior to 3:00 PM Central Time; otherwise, next business day	100%
	Installment Payment Options	Process installment payment (PPAY) requests	2,000	Processed same day if received in good order prior to 3:00 PM Central Time; otherwise, next business day. Payments on the 29th, 30th or 31st of the month not allowed.	100%
	Complaints Error Resolution	Resolve complaints forwarded by participants	2	Respond to participants within time frame agreed upon with Great-West	100%

State of Wisconsin Deferred Compensation Program Performance Standards Report 4th Quarter 2007

Participant Services

Contract Provision	Requirement	Number Processed	Standard	% Met Standard	
Section C, Part 1.1 & 1.2	Local office	Field customer services will be provided in Wisconsin to participating employees and employers (to answer questions, provide additional information and services, etc.)	N/A	Every work day of the year.	100%
Section C, Part 3.0	Targeted Presentations	Conduct informational presentations targeted at various groups of employees (new, close to retirement, lower income or gender, etc.)	N/A	Format to be approved by the Department and Great-West.	Std Met
Section C, Part 3.0	Employer Presentations	Offer every participating employer an informational presentation.	N/A	At least annually for each employer	Std Met
Section C, Part 3.0	Employee Presentations	Offer every participating employee an informational presentation.	N/A	At least annually.	Std Met
Section C, Part 4.2	Eligible employer contact	Every eligible local government employer will be contacted regarding the WDC.	N/A	At least annually.	Std Met
Section C, Part 4.2	Eligible employee contact	All eligible state and local government employees will be notified of their eligibility to participate in the WDC.	N/A	Annually with an agreed upon payroll staffer.	Std Met
Section C, Part 5.3	Financial emergency hardships	Financial emergency hardship application review and processing.	N/A	Application and recommendation submitted to the Department within 5 working days from receipt of properly completed application and required documentation; distributions within 10 working days of receipt of notification of approval.	Std Met
Section C, Part 8.0	Contacting eligible employers not participating	Contact each eligible employer not participating in the WDC and offer an informational presentation.	N/A	At least annually.	Std Met

State of Wisconsin Deferred Compensation Program Performance Standards Report 4th Quarter 2007

Administrative Services

Contract Provision		Requirement	Number Processed	Standard	% Met Standard
Section B, Part 2.8	Audit expenses	Great-West to remit up to \$15,000 annually toward the cost of the annual audit of WDC's financial condition by the independent Certified Public Accounting firm selected, monitored and retained by the WDC.	N/A	Payment of up to \$15,000 to the Plan Administrative Account within 90 days from the end of the calendar year.	Std Met
Section B, Part 2.9	Open records for Audits	Open all books, records, ledgers and journals relating to the WDC for inspection and audit.	N/A	Within 30 days of receipt of request.	Std Met
Section B, Part 2.11	Participant Fees	Participant fees will be assessed monthly and deposited into the WDC's Plan Administrative Account maintained by Great-West.	N/A	Deposited on the date assessed or next business day thereafter.	Std Met
Section B, Part 2.12	Payments from Administrative Account	Payments from the WDC's Plan Administrative Account maintained by Great-West to reimburse Department expenses will be made on a quarterly basis.	N/A	Within 15 days after the end of the quarter from receipt of request unless insufficient funds available.	Std Met
Section C, Part 6.1	Web site availability	Web site available	N/A	Web site availability 24 hours a day, except for routine maintenance of the system, which when necessary generally takes place on Sunday between the hours of 12:01 a.m. Mountain Time and 12:01 p.m. Mountain Time. Access to the Web site may be limited or unavailable during periods of peak demand, market volatility, systems upgrades, maintenance or for other reasons.	Std Met

State of Wisconsin Deferred Compensation Program Performance Standards Report 4th Quarter 2007

Reporting

Contract Provision		Requirement	Number Processed	Standard	% Met Standard
Section B, Part 2.10	Annual Report	Annual report itemizing local office actual administrative costs incurred by Great-West.	N/A	Within 120 days from the end of the calendar year.	Std Met
Section C, Part 7.6	Consolidated quarterly participant statements	Consolidated quarterly participant statements, including personal rate of return.	N/A	Within 20 business days from the end of each quarter, or within ten (10) business days after receipt of information in good order from third party sources, (including the newsletter) whichever is later.	Std Met
Section C, Part 7.7	Investment returns	Investment return of the quarterly investment performance of products and participant newsletter.	N/A	Within 20 business days from the end of each quarter, or within ten (10) business days after receipt of information in good order from third party sources, (including the newsletter) whichever is later.	Std Met
Section C, Part 10.1	Plan Status Report	Plan Status Report as contained in Exhibit 5	N/A	Quarterly within 45 days of the end of the quarter.	Std Met
Section C, Part 10.2	Performance Standards Report	Performance Standards Report in a mutually agreeable format as contained in Exhibit 5: WDC Report Details.	N/A	Quarterly within 45 days of the end of the quarter.	Std Met
Section C, Part 10.10	Demographic Analysis	WDC Demographic Analysis	N/A	Within 75 days of the end of the year.	Std Met
Section C, Part 12.5	Basic Fund Performance	Basic Fund Performance Reports	N/A	Within 60 days of the end of each quarter. Three quarters will receive a Basic Fund Performance.	Std Met
Section C, Part 12.8	Annual Fund Performance Report	Annual Expanded Fund Performance Report	N/A	Draft within 75 days of the end of the year with the final version delivered within 90 days after the end of the year.	Std Met

State of Wisconsin Deferred Compensation Program Performance Standards Report 4th Quarter 2007

Interactive Services

Contract Provision		Requirement	Number Processed	Standard	% Met Standard
Section C, Part 10.8	Web site statistics	Web site statistics: information to be included in each report located in Exhibit 5: WDC Report Details.	N/A	Quarterly within 45 days of the end of the quarter.	Std Met
Section C, Part 10.9	IVR statistics	IVR statistics: information to be included in each report located in Exhibit 5: WDC Report Details	N/A	Quarterly within 45 days of the end of the quarter.	Std Met
Telephones	CSR and IVR Systems	Client Service Representatives and Automated Voice Response System	N/A	All telephone calls to the Wisconsin and Home Office Client Service Representatives and the automated voice response system combined will be answered within ninety (90) seconds on average at least ninety percent (90%) of the time on an on-going average annual calendar year basis. On average for the calendar year, there will be less than one percent (1%) of calls that receive a busy signal, and the abandoned call rate will average less than five percent (5%) for the calendar year.	Std Met; 95% of calls answered inside 90 seconds, 0% of calls received busy signal, and 1.71% calls abandoned.

2007 NEW EMPLOYERS			
EMPLOYER #	NAME	NUMBER ELIGIBLE	DATE ADOPTED
FIRST QUARTER			
4928	Antigo Housing Authority, City of	12	02/20/07
5395	Mosinee Fire District	50	02/13/07
5425	Mount Horeb Area Fire District	8	02/21/07
4236	Wisconsin Dells School District	252	02/19/07
5036	Oshkosh Housing Authority	31	01/29/07
SECOND QUARTER			
0107	South Wayne, Village of	5	04/09/07
1350	Westfield, Village of	11	04/10/07
0087	Elmwood, Village of	9	04/09/07
0704	Prescott, City of	25	04/09/07
0574	Oostburg, Village of	16	05/14/07
1071	Shorewood School District	350	05/08/07
4396	Menominee County	110	05/17/07
5361	Hurley Housing Authority, City of	3	06/11/07
THIRD QUARTER			
4386	New Berlin School District	490	07/09/07
0049	Hurley, City of	44	07/11/07
5349	Greenville, Town of	11	08/13/07
5138	Greenville Sanitary District	4	08/13/07
5438	Cumberland Housing Authority	7	08/08/07
4721	Fox Valley Technical School	750	08/27/07
0572	Milltown, Village of	14	09/10/07
0764	Stratford, Village of	14	09/11/07
5436	Northern Waupaca Joint Municipal Court Committee	3	09/26/07
FOURTH QUARTER			
5365	Menasha Utilities	63	09/26/07
5095	Stanley-Boyd School District	120	09/18/07
5441	Manawa Rural Fire Department	50	10/11/07
0943	Marathon County	800	09/18/07
0109	Tigerton, Village of	6	10/05/07
0027	Cameron, Village of	9	11/12/07



Wisconsin Deferred Compensation Program

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TO: Shelly Schueller, Director
Deferred Compensation Program

FROM: Sue A. Oelke
Wisconsin Account Manager

DATE: January 21, 2008

RE: Emergency Withdrawal Report
4th Quarter 2007

Great-West is pleased to present the 4th quarter 2007 Emergency Withdrawal Report. The following is the information on the Emergency Withdrawal Applications that were received and reviewed during the quarter. The applications are tracked by the date they are received or processed by the local office.

NEW APPLICATIONS RECEIVED	33
APPLICATIONS RETURNED FOR MORE INFORMATION	31
APPLICATIONS FORWARDED TO ETF FOR REVIEW	33

APPROVED	22, or 66.7%
DENIED	8, or 24.2%
PENDING*	3, or 9.1%

If you have any questions or would like additional information, please contact me directly.

*All 3 pending applications were approved on 1/2/08.

**Wisconsin Deferred Compensation Program
Report of Financial Emergency Hardship Withdrawals – ETF 70.10 (6)
Deferred Compensation Board Meeting
March 2008**

DATE SUBMITTED BY GWRS	FINANCIAL HARDSHIP EMERGENCY WITHDRAWAL REQUEST SITUATION	ETF DECISION AND DATE
October 29, 2007	The participant requested an emergency withdrawal to pay rent on his primary residence. The household is experiencing financial difficulties and is behind on multiple bills, resulting in missed rent payments. The participant has received a 5-day notice to pay rent or quit. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved October 30, 2007
October 31, 2007	The participant requested an emergency withdrawal to make mortgage payments on his primary residence. The household is experiencing financial difficulties and is behind on multiple bills, resulting in six months of missed mortgage payments. The house is in foreclosure. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved October 31, 2007
October 31, 2007	The participant requested an emergency withdrawal to make mortgage payments on his primary residence. The household is experiencing financial difficulties and is behind on multiple bills. The house is in foreclosure. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved November 5, 2007
October 31, 2007	The participant requested an emergency withdrawal because the household is experiencing financial difficulties and regular bills are past due. No documentation has been provided regarding a foreclosure on the home. Denied as the participant failed to demonstrate or document how her financial situation could be considered unforeseen or unbudgetable per the IRS code requirement.	Denied November 5, 2007
November 1, 2007	The participant requested an emergency withdrawal to replace lost income and pay for medical expenses which are beyond what the participant's insurance covers. The participant has no other means to pay for these expenses. Approved as the participant documented how this situation was unforeseen, unbudgetable and beyond her control per the IRS code requirement.	Approved November 5, 2007
November 8, 2007	The participant requested an emergency withdrawal to pay for medical expenses related to her mother's overseas (Nigerian) hospital expenses. The participant's family has no other means to pay for these expenses. Approved as the participant documented how this situation was unforeseen, unbudgetable and beyond her control per the IRS code requirement.	Approved November 13, 2007
November 8, 2007	The participant has had some health issues and requested an emergency withdrawal to replace lost income resulting from changing from full time to part-time employment. Denied as the participant failed to demonstrate or document how his financial situation could be considered unforeseen or unbudgetable per the IRS code requirement.	Denied November 13, 2007
Third request November 8, 2007 (previous requests in Oct. 2007, on Oct. 2007 WDC Board report)	The participant requested an emergency withdrawal for unplanned medical expenses beyond what insurance covers. Approved the emergency release of funds for medical expenses as this situation was unplanned and beyond the participant's control.	Approved November 14, 2007

DATE SUBMITTED BY GWS	FINANCIAL HARDSHIP EMERGENCY WITHDRAWAL REQUEST SITUATION	ETF DECISION AND DATE
November 13, 2007	The participant requested an emergency withdrawal to replace lost income. The participant's spouse has been hospitalized 4 times since July 2007 and has used up all available sick and vacation time. The household is facing additional medical expenses and is falling behind on bills. The household has no other means to pay for these monthly expenses. Approved as the participant documented how this situation was unforeseen, unbudgetable and beyond her control per the IRS code requirement.	Approved November 15, 2007
November 19, 2007 Second request January 29, 2008	The participant requested an emergency withdrawal to make mortgage payments on his primary residence and to pay for medical expenses beyond what his insurance covers. The household is experiencing financial difficulties and is behind on multiple bills. The house is in foreclosure. Approved the emergency release of funds as this situation unplanned, unbudgetable and beyond the participant's control.	Approved November 20, 2007 and January 31, 2008
November 26, 2007	The participant requested an emergency withdrawal to make mortgage payments on his primary residence. The household is experiencing financial difficulties and is behind on multiple bills. The house is in foreclosure. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved November 28, 2007
November 26, 2007	The participant requested an emergency withdrawal to make mortgage payments on her primary residence. The household is experiencing financial difficulties and is behind on multiple bills. The house is in foreclosure. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved November 28, 2007
November 28, 2007	The participant requested an emergency withdrawal to replace lost income and pay for legal and medical expenses associated with his mother's care prior to her death this year. Expenses are beyond what insurance covered. Due to deteriorating health, the participant's mother made some poor financial decisions (e.g., neglected to pay health insurance premiums on time) and they have no other means to pay for these expenses. Approved as this situation was unforeseen, unbudgetable and beyond her control per the IRS code requirement.	Approved December 3, 2007
December 5, 2007	The participant requested an emergency withdrawal to make mortgage payments on his primary residence. The household is experiencing financial difficulties and is behind on multiple bills. The house is in foreclosure. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved December 10, 2007
December 5, 2007	The participant requested an emergency withdrawal for loss of income. The participant was involuntarily demoted in November 2007. He has secured an additional part-time position, but the household is experiencing financial difficulties and is behind on multiple bills. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved December 10, 2007
December 5, 2007	The participant requested an emergency withdrawal because the household is experiencing financial difficulties and he is concerned that he will not be able to pay his regular bills. No documentation has been provided regarding a foreclosure or eviction. Denied as the participant failed to demonstrate or document how this financial situation could be considered unforeseen or unbudgetable per the IRS code requirement.	Denied December 10, 2007

DATE SUBMITTED BY GWRS	FINANCIAL HARDSHIP EMERGENCY WITHDRAWAL REQUEST SITUATION	ETF DECISION AND DATE
December 12, 2007	The participant requested an emergency withdrawal to make mortgage payments on her primary residence. The household is experiencing financial difficulties and is behind on multiple bills. The house is in foreclosure. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved December 17, 2007
December 12, 2007	The participant requested an emergency withdrawal for loss of income. The participant's household has not been receiving its court-ordered child support payments since June 2007. The household is experiencing financial difficulties and is behind on multiple bills. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved December 17, 2007
December 12, 2007	The participant requested an emergency withdrawal for loss of income. Because the spouse is on a leave of absence, the household is experiencing financial difficulties. No documentation has been provided regarding the loss of income. Denied as the participant failed to demonstrate or document how this financial situation could be considered unforeseen or unbudgetable per the IRS code requirement.	Denied December 17, 2007
December 19, 2007	The participant's spouse suffered an injury and has been unable to work since August 2007. The participant requested an emergency withdrawal to replace lost income and become current on past due bills. Approved as the participant documented how this situation was unforeseen, unbudgetable and beyond her control per the IRS code requirement.	Approved December 26, 2007
December 26, 2007	The participant requested an emergency withdrawal to make mortgage payments on her primary residence. The household is experiencing financial difficulties and is behind on multiple bills. The house is in foreclosure. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved January 2, 2008
December 26, 2007	The participant requested an emergency withdrawal to make mortgage payments on his primary residence. The household is experiencing financial difficulties and the house is in foreclosure. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved January 2, 2008
December 26, 2007	The participant requested an emergency withdrawal for unplanned medical expenses that are not covered by insurance. The household is experiencing financial difficulties and is behind on multiple bills. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved January 2, 2008
January 16, 2008	The participant requested an emergency withdrawal to pay for his daughter's funeral expenses. The household is experiencing financial difficulties and has no other resources to pay for the funeral. Approved the emergency release of funds as this situation was unplanned, unbudgeted and beyond the participant's control.	Approved January 22, 2008
February 8, 2008	The participant requested an emergency withdrawal to make mortgage payments on his primary residence. The household is experiencing financial difficulties and is behind on multiple bills and the house is in foreclosure. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved February 12, 2008
February 8, 2008	The participant requested an emergency withdrawal for unplanned medical expenses for a dependent child (age 21) that are not covered by insurance. The household is also experiencing financial	Approved February 12, 2008

DATE SUBMITTED BY GWRS	FINANCIAL HARDSHIP EMERGENCY WITHDRAWAL REQUEST SITUATION	ETF DECISION AND DATE
	difficulties and is behind on multiple bills. Approved the emergency release of funds as this situation is beyond the participant's control.	
February 8, 2008	The participant requested a distribution for 1 month of income. He is on a medical leave of absence and will have 30 days of unpaid leave before income continuation insurance will begin. Approved as this situation was unforeseen, unbudgetable and beyond the participant's control per the IRS code requirement.	Approved February 12, 2008
February 18, 2008	The participant requested an emergency withdrawal to make mortgage payments on her primary residence. The participant recently went through a divorce, creating financial difficulties and as a result, the house is in foreclosure. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved February 18, 2008
February 19, 2008	The participant requested an emergency withdrawal to become current on routine expenses. The household has been providing financial support to her father-in-law, which has resulted in financial difficulties for the participant; they are behind on their bills. However, no documentation was provided regarding a foreclosure. Denied as the participant failed to demonstrate or document how this financial situation could be considered unforeseen or unbudgetable per the IRS code requirement..	Denied February 21, 2008