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CORRESPONDENCE MEMORANDUM

DATE: February 16, 2011

TO: Wisconsin Deferred Compensation Board

FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program

SUBJECT: 2011 Plan Enhancement Program

Staff recommends that the Board approve the 2011 Plan Enhancement Program as outlined in the attached document.

The attached document contains the 2011 Plan Enhancement Program (PEP) proposed for the Wisconsin Deferred Compensation Program (WDC). The PEP outlines four areas of focus and the metrics that the Board may use to measure plan enhancements and improvements. It also contains target goals that have been slightly modified from the draft 2011 PEP the Board reviewed in November 2010. The changes were made after consulting with Department staff regarding continuing budgetary struggles at the State level, changes in federal regulations, and the workload expected with the addition of an extremely large new local employer to the WDC. The four dimensions and the goals for 2011 are summarized below.

Plan Dimension	2011 WDC PEP Goals
Participation • Employees • Employers	Increase WDC participation • 1.0% increase in participant accounts in force (= 51,469) • Contact all WDC employers to help them prepare for Roth contributions (90% by end of October 2011)
Asset Allocation	• Decrease the number of participants with 1 investment option by 3% (=10,557) • Increase lifecycle fund use by 3.0%(=15,379) • Increase advisory services use by 2.5% (=4,191)
Education and Learning	Maintain high visibility in number of group (=1,050) and individual (=5,250) meetings
Retention	Offer retirement seminars and hold the increase in number of full distributions to less than 2% (=1,056)

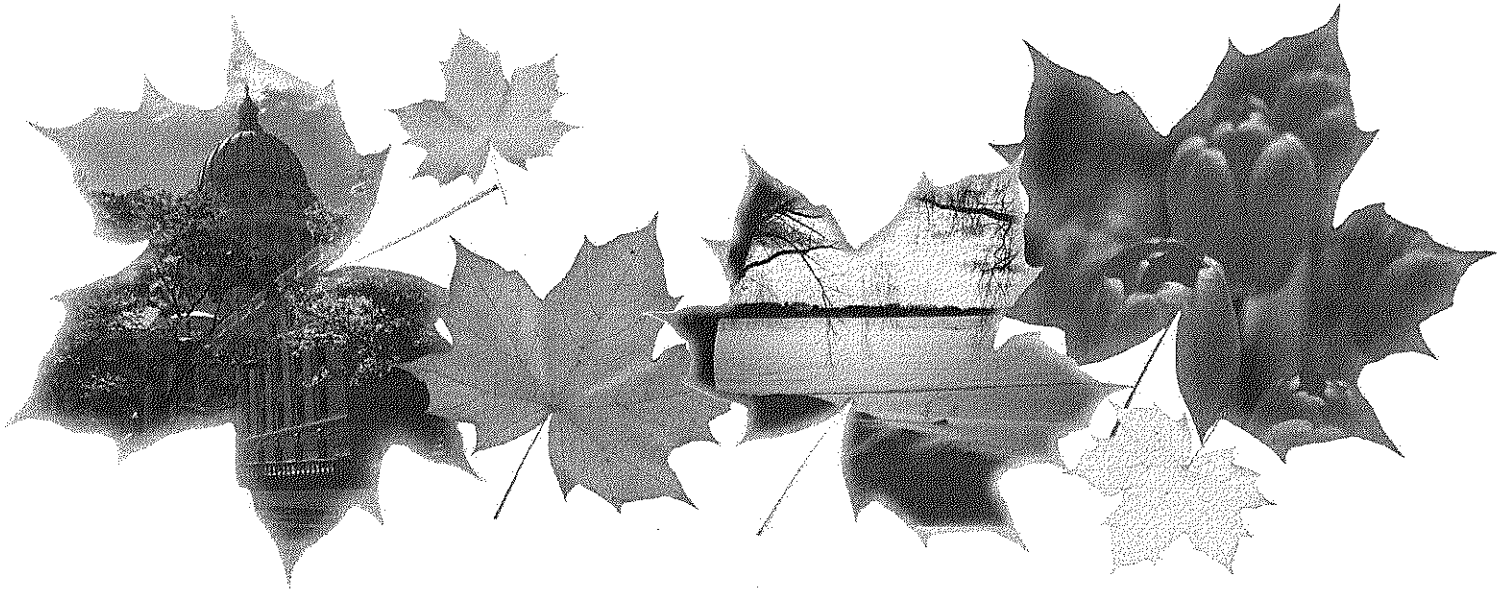
Throughout 2011, the WDC will also be focusing part of its outreach efforts on the Milwaukee Public Schools (MPS). MPS added the WDC in late 2010 and is interested in additional on-site WDC meetings that will lead to increased use of the WDC by its employees. Staff will be available to discuss the 2011 PEP with you at the Board meeting on March 1, 2011.

Attachment – 2011 Plan Enhancement Program PowerPoint

Reviewed and approved by Anne Boudreau, Deputy Division Administrator

Signature _____ Date 02-16-2011

Board	Mtg Date	Item #
DC	03.01.11	7

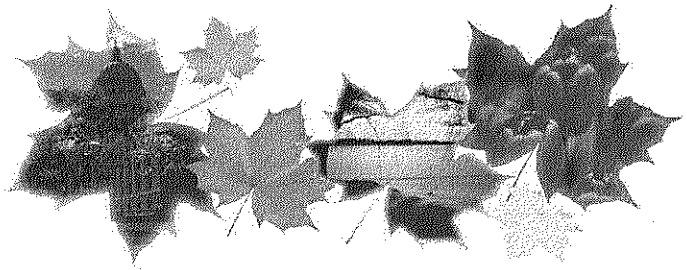


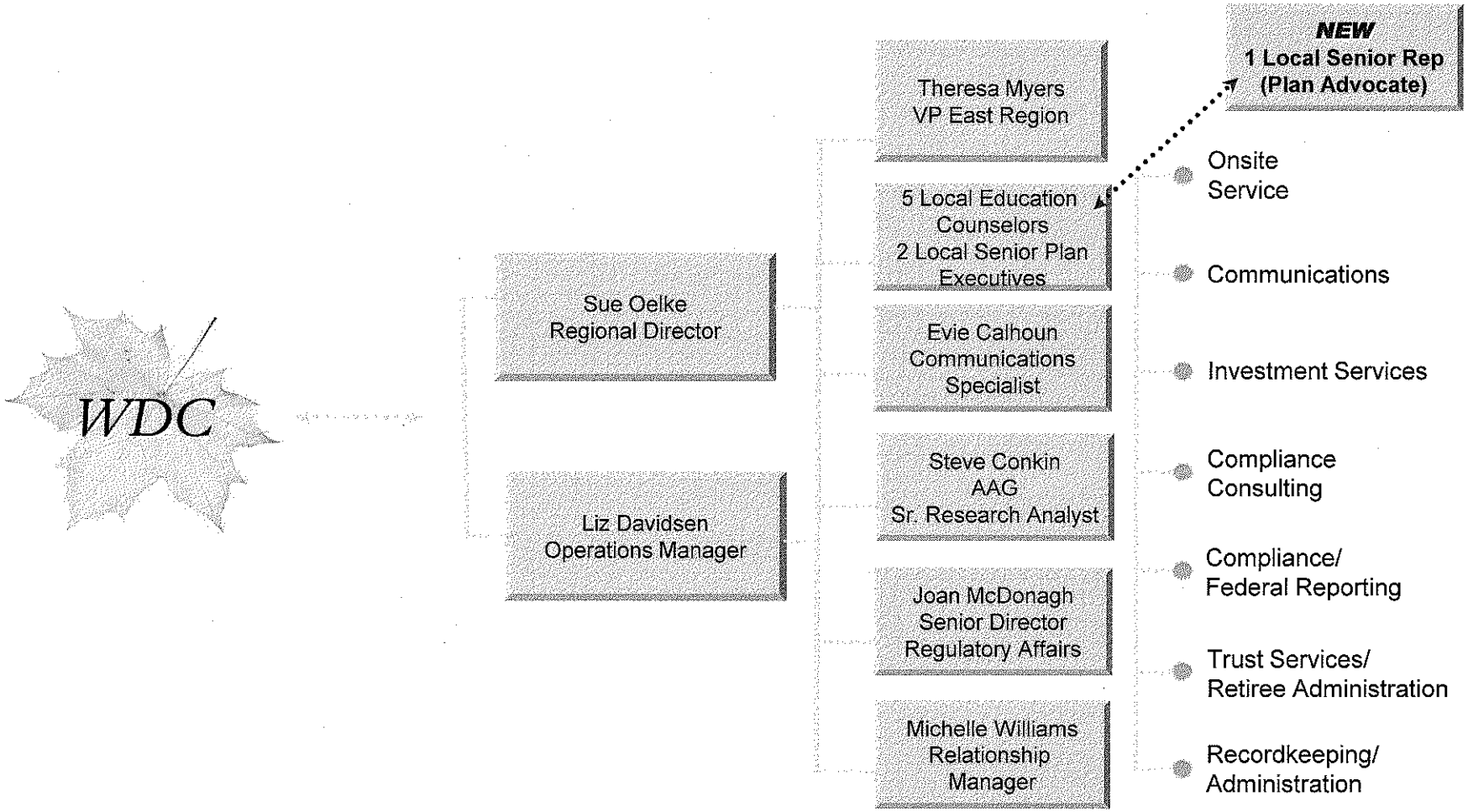
Wisconsin Deferred Compensation Plan Enhancement Program

Great-West RETIREMENT SERVICES®

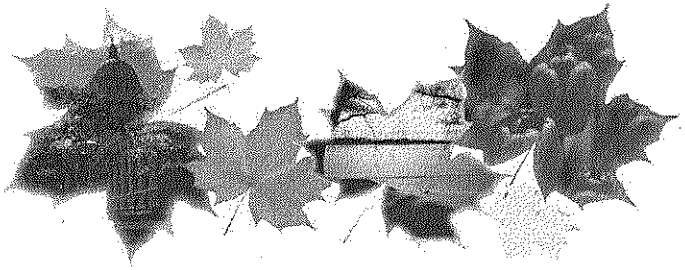
etf WISCONSIN DEPARTMENT OF EMPLOYEE TRUST FUNDS

WDC Service Team



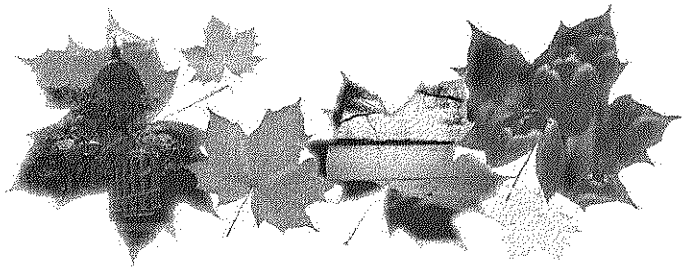


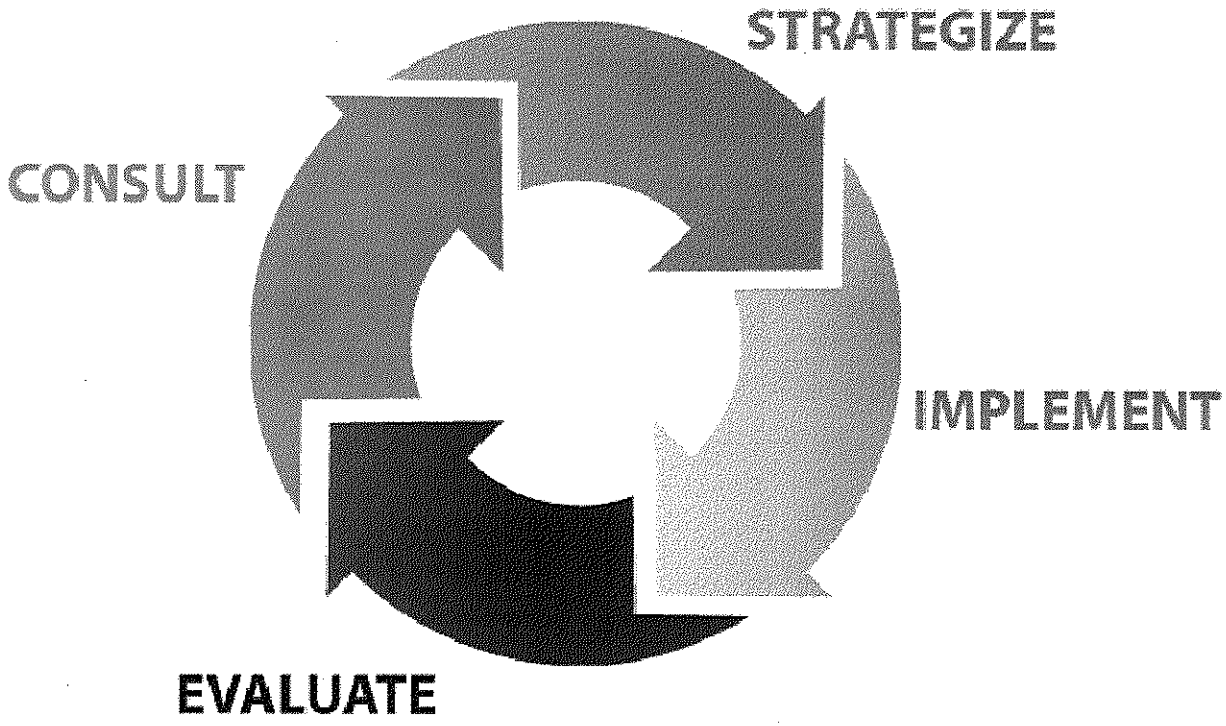
Plan Enhancements 2005-2010



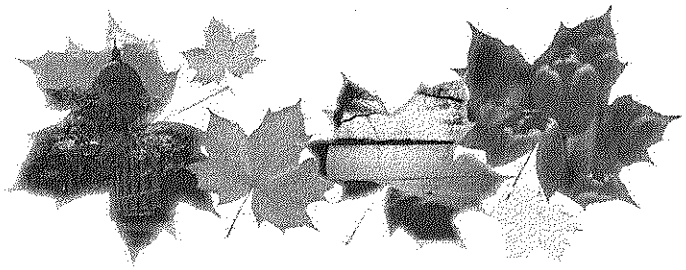
- Local call center with expanded hours (7 a.m. to 7 p.m. Central Time)
- Expertise and oversight of specialized functions (cash processing, participant transactions, distributions) realigned to specialists at corporate
- 2009 employer survey results reflected 94% of employers rated Great-West services as good to excellent
- Plan-level, dedicated legal representative
- Custom branding of WDC Program and customized website
- Oversight of Advised Assets Group for quarterly fund performance review
- Plan Service Center reporting capabilities
- Addition of advisory services with no plan-level cost implications
- Contributions directly to Schwab PCRA

Improving the WDC

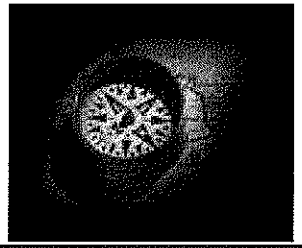


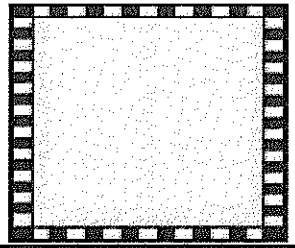


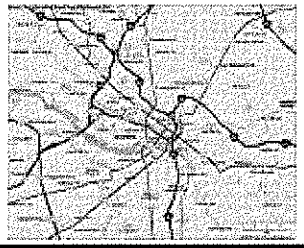
Best Practices

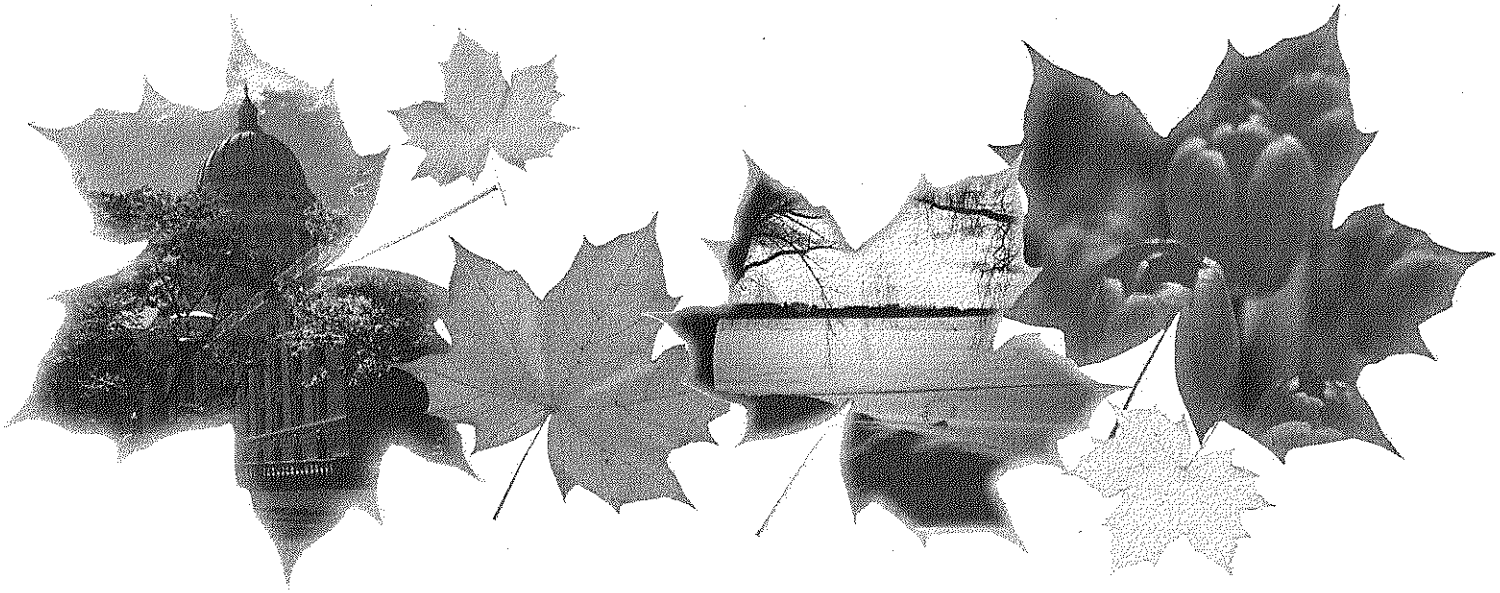


- Provide direction and leadership to our plan sponsors
- Take advantage of latest technologies and legislation
- Form a framework and vision ahead of our competition
- Form a "roadmap" of plan evolution for Plan Sponsors



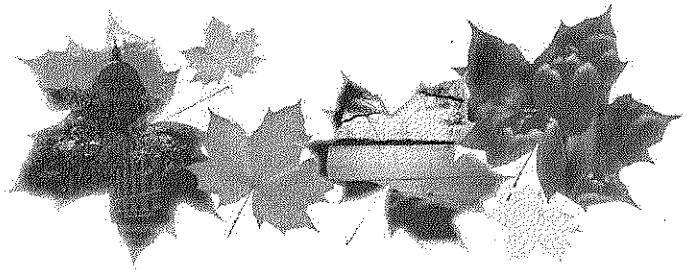




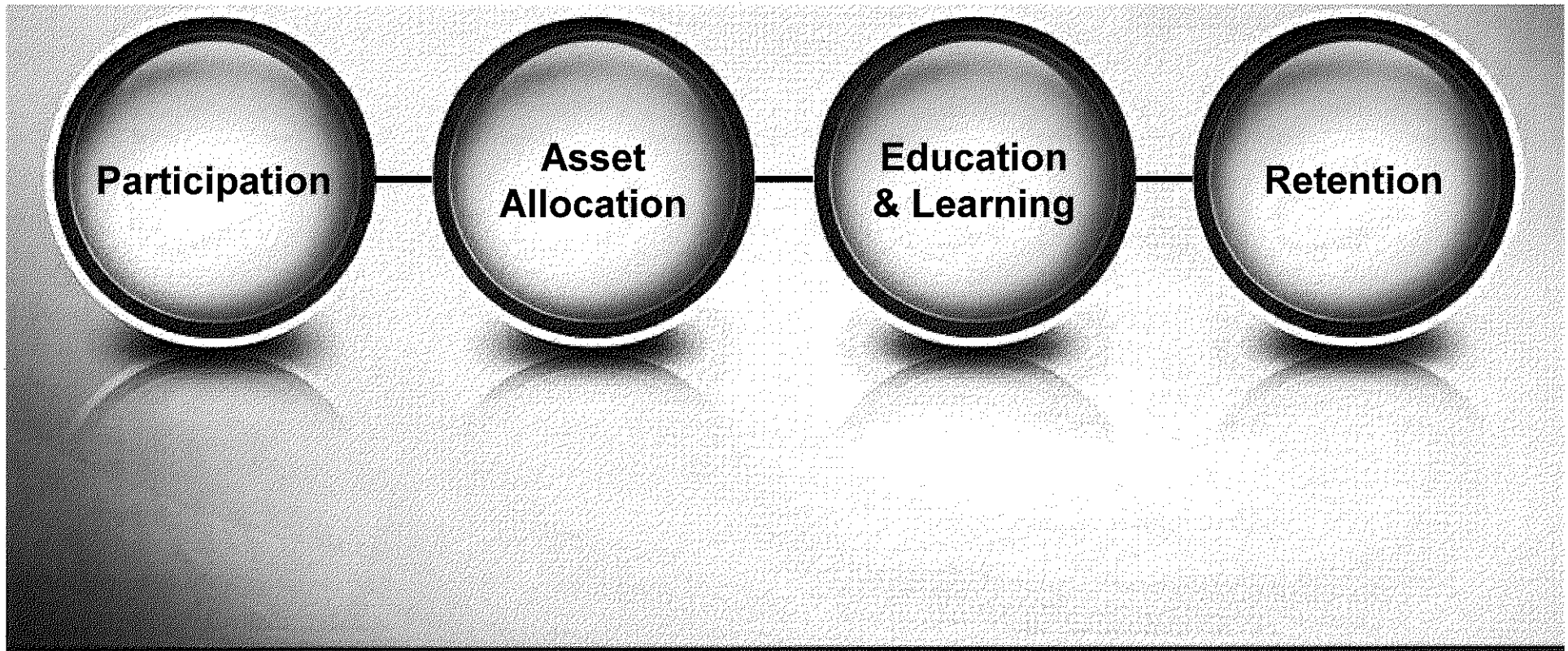


The Four Dimensions

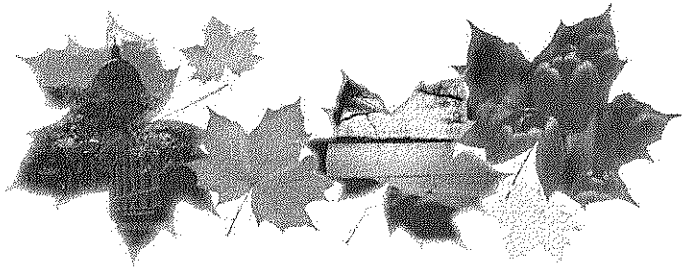
Four Dimensions of the WDC



Every plan has four primary characteristics



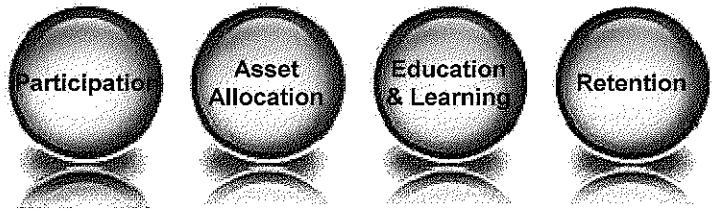
4 Step Process



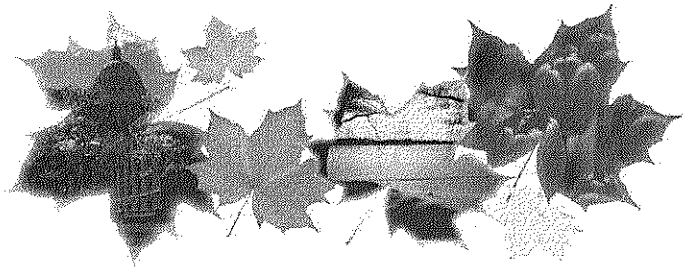
- **Step 1: Create Plan Enhancement Program (PEP)**
  - PEP measures and compares the Four Dimensions of WDC
  - "What gets measured gets improved"
- **Step 2: Determine Target Initiatives**
  - Target initiatives for priorities established by you, the Plan Sponsor
  - Specific Marketing and Communications Program
- **Step 3: Implement Strategy**
  - Great-West has tools to improve each dimension of the WDC
- **Step 4: Annual Plan Report Card**
  - Results measured & evaluated
  - Have plan elements improved?
  - Reset objectives for following year

Participation – Employee

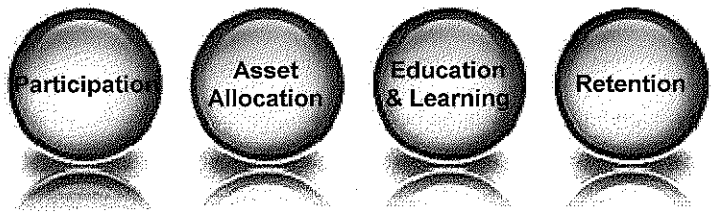
- **How It's Measured**
  - Percent of eligible population participating in the WDC
  - Contribution amount by participant
  - New enrollments
- **Goals**
  - Increase the number of in-force accounts by 1%
- **Tools To Improve Participation:**
  - Automatic deferral increase
  - Group meetings and individual consultations
  - Special restart initiative
  - Automatic enrollment or online enrollment
  - Seminars and orientation meetings



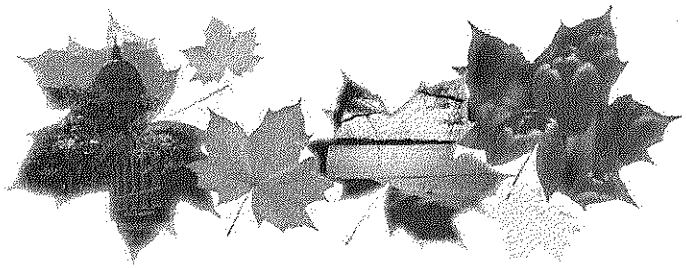
Participation – Employer



- **How It's Measured**
  - Percent of eligible population of employers offering the WDC
  - New employers adopting
  - Employers establishing ROTH 457 procedures
- **Goals**
  - Help all WDC employers establish ROTH 457 procedures
  - 50% set up by end of Q1; 75% by end of Q2; 90% by end of Q3
- **Tools To Facilitate Employer Establishment of ROTH Procedures:**
  - Attend employer conventions
  - Dedicated staff members (2) for contacting WDC employers and helping them through the ROTH 457 procedures.



Benchmarking Participation–Employee



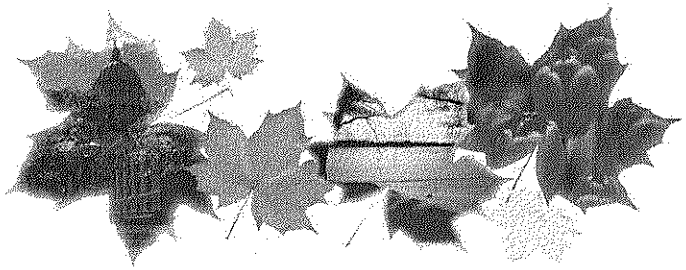
	State	Local*	Total
Eligible Employees	72,790	70,214	143,004
Total Participants (during 2010)	30,740	20,579	51,319
Total Participation Rate	42.23%	29.3%	35.9%

*Not including technical colleges and all local school districts where 403(b) markets exist

How does this compare with other plans?

WDC	National Average	Great-West States	Great-West Cities & Counties
35.9%	35%	56%	54.5%

Benchmarking Participation–Employer



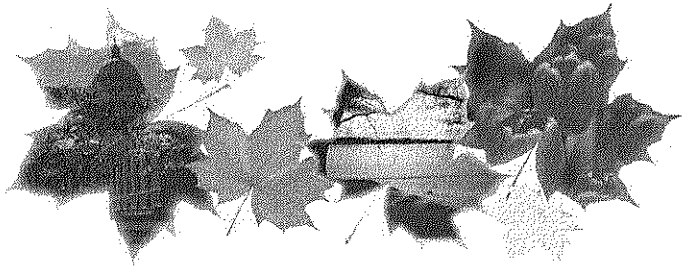
Eligible Employers	1,413*
Participating Employers	850
Participation Rate	60.2%

*Per ETF

How does this compare to the past?

December 2005	June 2010
717	843

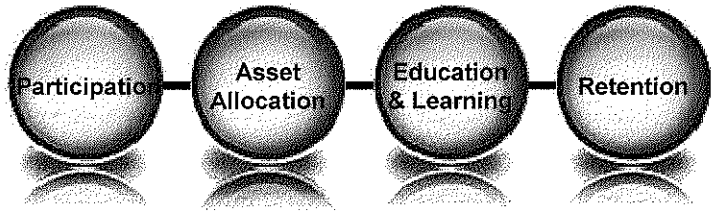
Asset Allocation



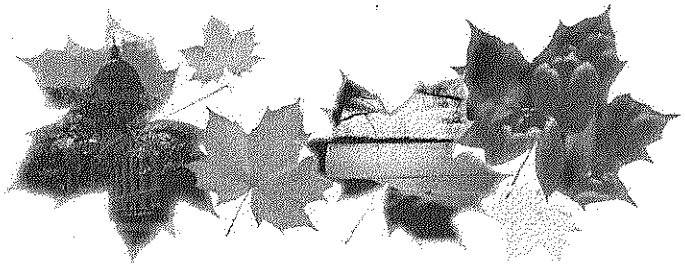
- **How It's Measured**
  - Account diversification among asset classes
  - Utilization of Reality Investing (guidance, advice, and managed accts)
  - Utilization of lifecycle funds (target retirement date)

- **Recommend Goals**
  - Reduce number of participants that are allocated to only one fund

- **Tools to Improve Asset Allocation**
  - Targeted mailings for "non-diversified" participants
  - Education workshops
  - Breeze presentations posted on the WDC's website
  - Group and individual meetings
  - Annual account reviews (participant level)
  - Flyers, web tools



Benchmarking Asset Allocation (12/31/10)



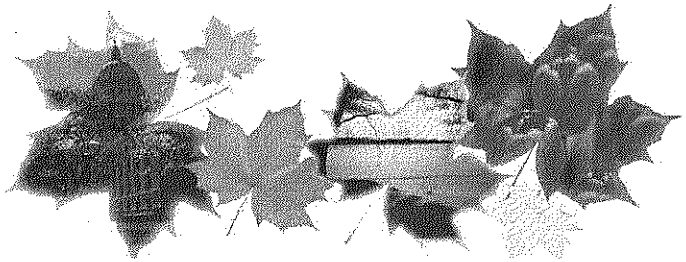
- Advisory Services (Guidance, Advice, and Managed Accounts) 4,089
- Participants with one investment option 10,884
- Participants in lifecycle funds 14,932
- Participants in VUSX* 391
- Average number of investment options 4.3

How does this compare to the past?

Dec. 2005	August 2009	Ibbotson Recommendation
4	4.4	5 - 7

* Reflects participants with more than 70% of account balance in VUSX

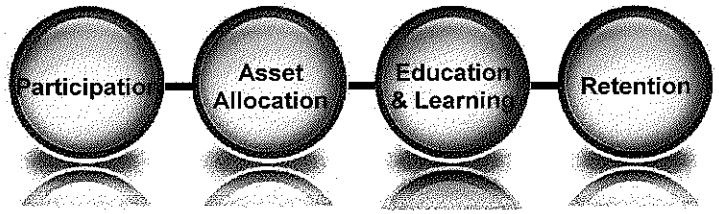
Education and Learning



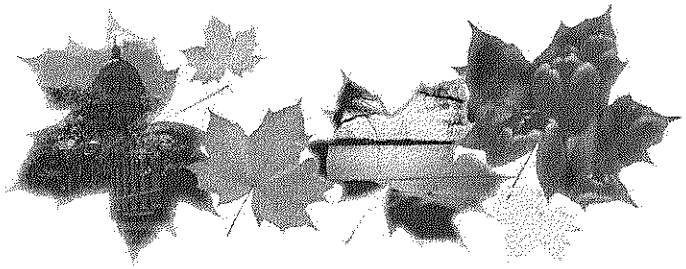
- **How It's Measured**
  - Scheduled education seminars
  - Scheduled individual consultations
  - Employee/Participant surveys and focus groups

- **Recommended Goals**
  - 1,050 group presentations annually
  - 5,250 individual meetings annually

- **Tools to Improve Education and Learning**
  - 14 Education modules available in classroom style
  - Group and individual meetings
  - Plan features and highlights brochure
  - "Lunch & Learn" seminars
  - Website tools and calculators



Benchmarking Education (12/31/2010)

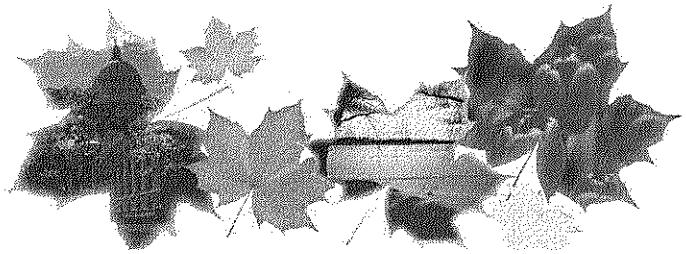


▪ Group Informational Meetings	810
▪ Participant attendance	9,030
▪ Individual consultations	6,264
▪ # of Website log-ins	137,451

How does this compare to the past?

December 2006 Group Meetings	2009 Group Meetings
465	**860**

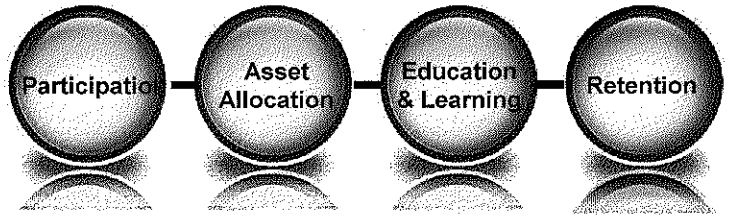
Retention



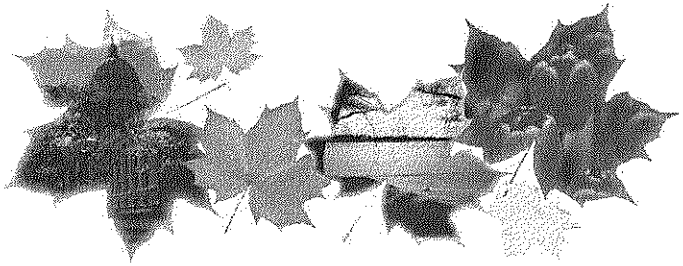
- **How It's Measured**
  - Asset retention in WDC
  - Reduced full distributions
  - Reduced rollovers
  - Attendance at retirement seminars

- **Recommended Goals**
  - Maintain / reduce full distributions
    - Educate retirees on spend-down advice
    - Educate retirees on advantages of leaving assets in WDC
    - Educate retirees on ramifications of rolling out
    - Educate retirees on effective account management/distribution options

- **Tools To Improve Outreach**
  - National Retiree Advocate
  - Pre-retirement seminars
  - Post-retirement seminars
  - *Retiree Crossroads* website



Benchmarking (12/31/2010)



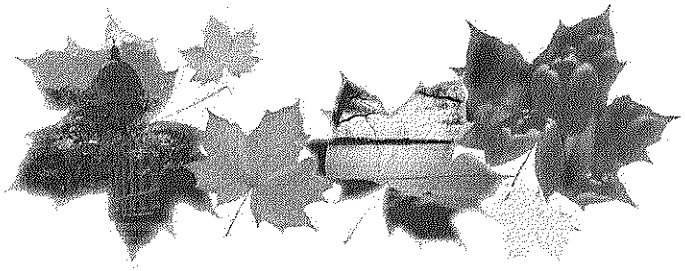
- Full withdrawals 458
- Full rollovers 578
- Total full distributions* 1,036
- Full withdrawal amount $49,240,151
- Percentage** 1.87%

How does this compare to the past?

December 2005	June 2009
--	1.3%

*Full distributions include amounts $1,000 and over

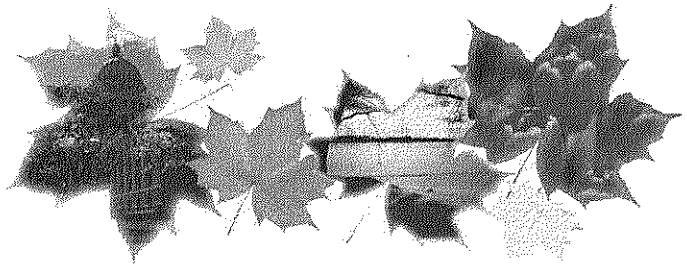
**Percentage = full withdrawal amount/total plan assets



Strategic Objectives/ Proposed Initiatives for 2011

	Four Dimensions	Metrics	Tools and Resources
1.	**Participation** **a) Employees** **b) Employers**	**Goals: Increase WDC participation –** ▪ Increase WDC employee participation by 1% ▪ Establish ROTH 457 procedures with all WDC employers	▪ Targeted employer outreach ▪ Automatic enrollment or online enrollment ▪ Special restart initiative ▪ Seminars and orientation meetings ▪ ROTH 457 rollout ▪ Retiree outreach
2.	**Asset Allocation**	**Goals: Decrease number of participants with one investment option by 3%. Increase usage in advisory services by 2.5%. Increase usage in lifecycle funds by 3%.** ▪ Account diversification among asset classes ▪ Utilization of advisory services (Guidance, Advice, and Managed Accounts) ▪ Utilization of Life Cycle Funds	▪ Targeted mailings for "non-diversified" participants ▪ Targeted mailings for those in the Vanguard Admiral US Treasury Money Market fund ▪ Educational workshops ▪ Breeze presentations posted to the WDC website ▪ Annual account reviews (participant level) ▪ Flyers, web tools
3.	**Education and Learning**	**Goal: Maintain high visibility in number of group and individual meetings.** ▪ Schedule 1,050 education seminars ▪ Schedule 5,250 individual consultations ▪ Employee/Participant surveys and focus groups	▪ New women and investing seminar ▪ New investment symposiums ▪ ROTH 457 communications ▪ Maintain number of group meetings ▪ Maintain number of individual appointments ▪ Number of unique website users compared to prior year ▪ Increase Online File Cabinet usage ▪ Increase usage of online videos and Virtual Classroom
4.	**Retention**	**Goal: Offer retirement seminars and increase the number of full distributions by less than 2%.** ▪ Asset retention in WDC ▪ Reduced full distributions ▪ Reduced rollovers ▪ Attendance at retirement seminars	▪ National Retiree Advocate ▪ Pre-retirement seminars ▪ Post-retirement seminars ▪ ROTH 457 communications ▪ Retiree Crossroads website

Strategic Objective – Participation

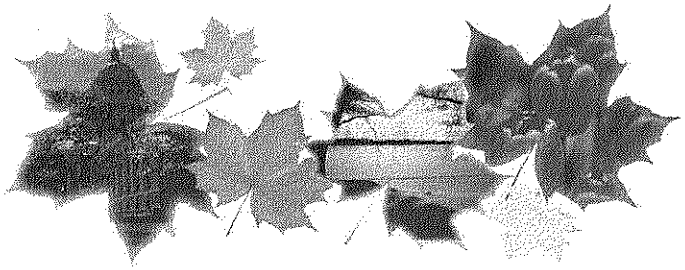


Increase:

- Employer adoption of WDC
- Awareness of WDC
- Participation in WDC – ROTH 457 and pre-tax
- Both participation and average deferral amounts among employees ages 25 to 35
- Participation and average deferral amounts among women
- Regular contributions

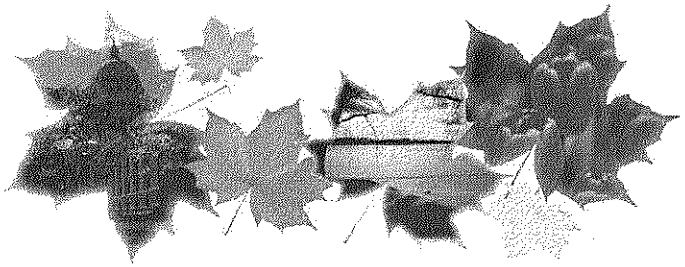
Partner with ETF in identifying state agencies and local employers that do not meet participation benchmark standards in order to increase employee participation at these locations

Proposed Initiatives - Participation



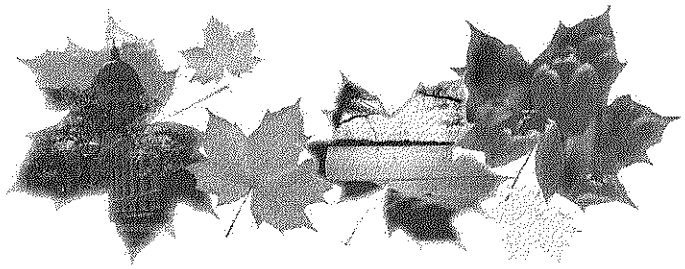
Objective – To Increase:	Strategy	Timing	Expected Result
Awareness of WDC	Onsite service visits, payroll stuffers, email announcements	Ongoing	WDC recognition
Awareness of ROTH 457	Targeted outreach to non-participating employers	First 6 months of 2011	WDC employers having established procedures for ROTH 457
Participation in WDC by 1%	Onsite service visits and payroll stuffers	Ongoing	Increased enrollment
Both participation and average deferral amounts among employees ages 25 to 35 by 5%	Targeted seminars and meeting announcements	Ongoing	Increased participation and deferral amounts in this age group
Participation and average deferral amounts among women by 5%	Women and Investing seminar	Ongoing	Increase in enrollment and deferral amounts among women in the WDC

Strategic Objective – Asset Allocation



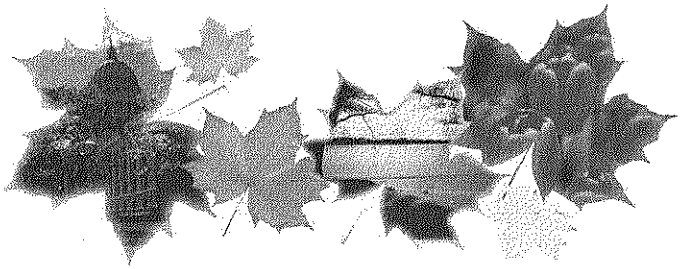
- Educate participants as to the value of maintaining a diversified portfolio

Proposed Initiatives – Asset Allocation



Objective	Strategy	Timing	Expected Result
Maintain number of average investment options per participant	Conduct group meetings on asset allocation throughout the State and target mailings to people who have one investment choice	July - December	Reduce the number of participants using only one investment option
	Target participants using the Vanguard Admiral US Treasury Money Market fund to explain default and options	July - December	Increase diversification

Strategic Objective - Education/Learning



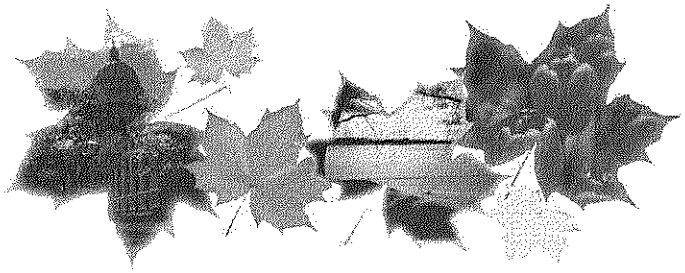
Plan Level

- Provide additional employer level reporting – target large employers and provide onsite employer plan overview including demographics

Participant Level – maintain the number of group and individual meetings throughout various locations and departments

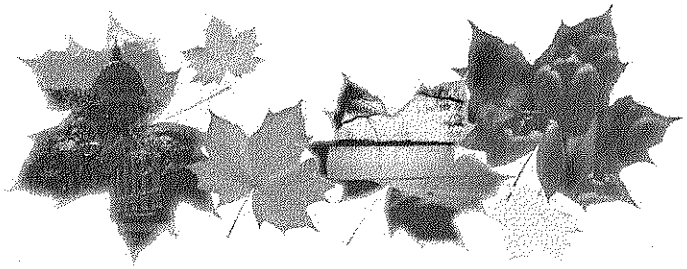
	2009	2010 (as of 12/31/2010)
Group education seminars	860	810
Seminar attendees	9,212	9,030
Individual meetings	4,548	6,264

Proposed Initiatives – Education/Learning



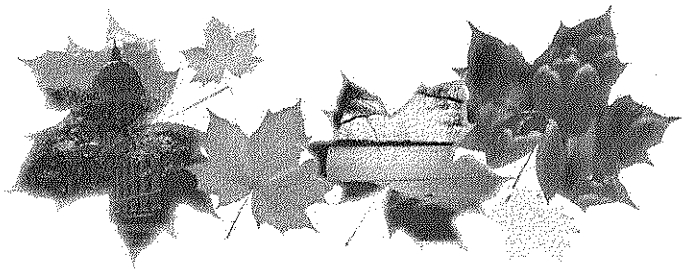
Objective	Strategy	Timing	Expected Result
Continue education seminars to include delivery of all elements of the four dimensions	Group and individual meetings	Continuous	All results as stated throughout four dimensions initiatives
Specifically target: ▪ ROTH 457 ▪ Women ▪ Retirees ▪ Close to retirement ▪ WDC Website and tools ▪ Vanguard Admiral US Treasury Money Market	▪ Women and Investing seminar ▪ ROTH 457 added to all group seminars ▪ Investment Symposiums ▪ Understanding Your Distribution Options seminar ▪ Asset Allocation seminar ▪ How to Use the WDC Website (DreamTracker, Rebalancer, online videos, etc.)	Continuous	Increased participation, contributions and diversification, as well as retention of assets
Ability to provide for ROTH 457	Dedicate 2 Sr. Account Executives to working with employers to establish ROTH 457 procedures for employees and participants	First 6 months of 2011	All WDC employers having established procedures for ROTH 457

eLearning Seminars



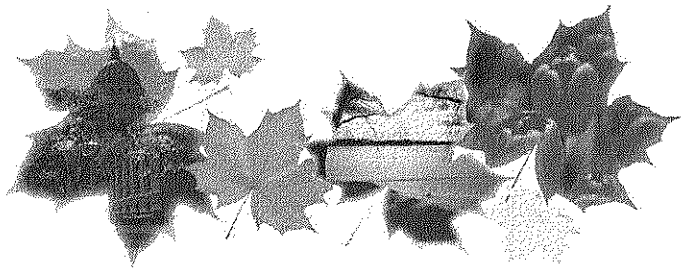
- Multiple topics on retirement planning
- Available through the WDC Website, and available for state and local employer Intranets, or on DVD/CD
  - Participants can view any time

eLearning Seminar Enhancements



- Enhanced course curriculum aligned with retirement planning lifecycle
- More modules
- Shorter in duration
- Addition of links at conclusion, relative to account, based on the subject matter

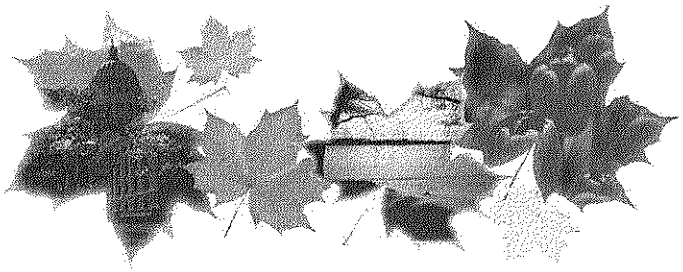
Target Web Messages



- Remind participants of key elements that are essential to their overall retirement planning
- With personalization, there is greater likelihood they will take a desired course action
- Rules-based pop-up windows appear to a specified participant when logged in
- Messages are tailored to the individual based on items such as:
  - Current savings rate
  - Age
  - Asset allocation

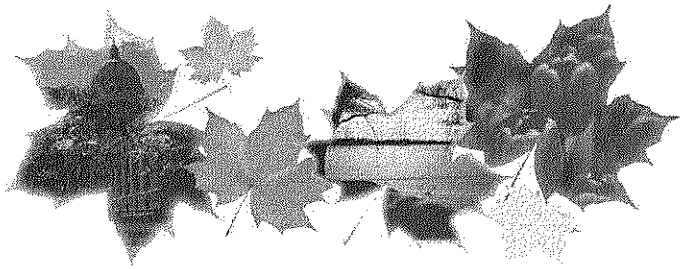
  Example: A person who is age 50 will see a Targeted Web Message related to the opportunity to take advantage of catch-up contributions

Strategic Objective – Retention



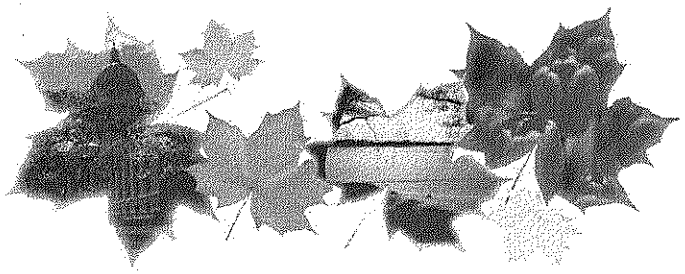
- Establish WDC Employer Advocate
- Establish Participant Retiree Advocate
- Educate participants throughout employment period
- Educate participants during exit process

Proposed Initiatives – Retention



Objective	Initiative	Timing	Expected Result
Establish a base of informed, loyal participants and retirees	Conduct pre-retirement educational seminars starting at age 45 to provide focused material using "Ready to Retire" seminars and flyers; focus on plan tools such as DreamTracker, Reality Investing, online workshops, and Virtual Classroom	Continuous	Better informed participants and fewer retirees leaving the WDC (rolling money out)
Educate participants during exit from employment	Human Resource package to include pre-retirement checklist	Continuous for all employees at termination	Maintain the leakage percentages
Establish employer and participant retention liaisons	GWRS has initiated a plan/participant level retiree outreach	Continuous	Maintain rollout assets to no more than 2% increase per year.

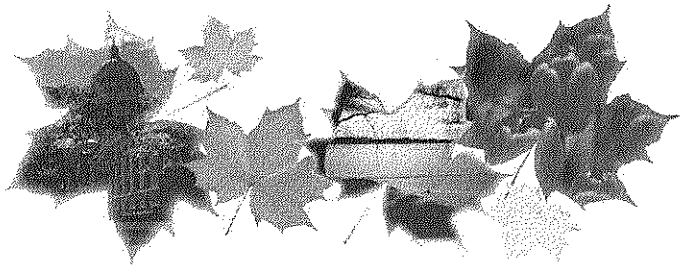
Retention



- Steppingstones to Retirement Workshop
- Exit Survey
- Spend-Down Advice
- Retiree Advocate

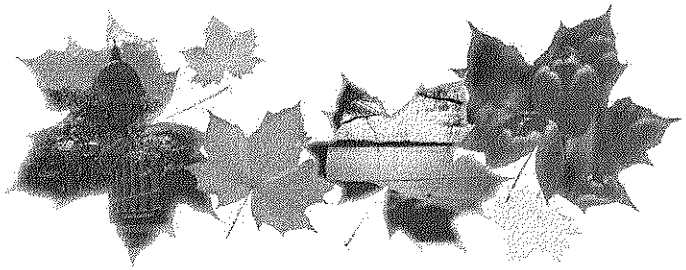
- ✓ 85% of boomers are "very concerned" . . .
- ✓ 2004, $507 billion in distributions
- ✓ 2012, $1.09 trillion expected in distributions

Scorecard



	Four Dimensions	Metrics	2011 Goals
1.	Participation a) Employees b) Employers	**Goals: Increase WDC participation –** **a. 1% increase in in-force accounts** **b. Contact all WDC employers to help them adjust for Roth 457 contributions**	a. 12/31/10 in-force accounts x 101% = 51,469 b. Roth 457 – 50% employers set up for contributions by end of Q1; 75% by end of Q2, and 90% by end of Q3
2.	Asset Allocation	**Goals:** **a. Decrease number of participants with one investment option by 3%** **b. Increase usage in lifecycle funds by 3%** **c. Increase usage in advisory services by 2.5%**	a. 12/31/10 number of participants with one investment option x -103% = 10,557 b. 12/31/10 number of participants using lifecycle funds x 103% = 15,379 c. 12/31/10 participants using advisory services x 102.5% = 4,191
3.	Education and Learning	**Goal: Maintain high visibility in number of group and individual meetings.**	▪ 1,050 group seminars ▪ 5,250 individual counseling sessions ▪ Online File Cabinet usage increased by 7% to 2,125 ▪ Unique website logins increased to 144,323 (12/31/10 x 105%)
4.	Retention	**Goal: Offer retirement seminars and increase the number of full distributions by less than 2%.**	▪ 12/31/10 # full distributions and rollovers x 102% = 1,056

2011 PEP
Milwaukee Public Schools



	Four Dimensions	Metrics	Tools and Resources

1.	**Participation**	**Goals: Increase WDC participation**	▪ WDC attending large events at MPS in 2011 (pre-retirement workshops, New Educators Institute, and WEAC)
			▪ Target outreach campaigns:
			  ▪ Letter to union leaders to offer informational meetings
			  ▪ Letters to employees of various age groups to remind them of the importance of saving for retirement

2.	**Asset Allocation**	**Defer to 2012**	

3.	**Education and Learning**	**Goal: Maintain high visibility in number of group and individual meetings**	▪ WDC to attend:
			  ▪ MPS Pre-retirement workshops in April/May
			  ▪ MPS New Educators Institute in August
			  ▪ WEAC Convention by MPS invitation in October
			▪ Target mailing to union leaders to offer informational meetings

4.	**Retention**	**Defer to 2012**	