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## CORRESPONDENCE MEMORANDUM

**DATE:** February 21, 2008  
**TO:** Wisconsin Deferred Compensation Board  
**FROM:** Shelly Schueller, Director  
Wisconsin Deferred Compensation Program  
**SUBJECT:** Reality Investing and Other Managed Account Services

Throughout 2007 the Wisconsin Deferred Compensation Board (Board) discussed Reality Investing, which is the guidance, advice and managed account service offered by the Wisconsin Deferred Compensation Program (WDC)'s record keeper, Great-West Retirement Services (Great-West). As part of its due diligence review, the Board asked the Investment Committee to examine the Reality Investing service and determine how the features and costs of it compared to other managed account services. Consequently, the Department, in early 2008, released a Request for Information (RFI) on managed account services.

### Managed Account Marketplace

The attached RFI was released on January 31, 2008, with a response due date of February 18, 2008. The Department received several inquiries regarding the RFI; some firms were interested in providing this service but did not believe they could compete because Great-West is the WDC's record keeper and "they're well-respected and offer a quality product."

Eight vendors responded to the RFI. The attached table provides a comparison of managed account services and costs from the responding vendors. Some vendors did not complete the entire RFI, and some sent copies of their standard literature and marketing materials, which did not fully address all of the questions in the RFI. The responses received from the potential vendors had weaknesses as follows:

- High cost to Board: MasteryPOINT/Newkirk, Morningstar, Wilshire  
Annual fees ranged from \$15,000 to \$150,000. One vendor indicated an initial setup fee of \$250,000-\$300,000 and another said it would charge the Board a fee of between \$5,000 and \$15,000 if the Board changed record keepers.
- High participant cost: Argus Financial/Absolute Capital, MasteryPOINT/Newkirk  
One vendor charges an annual fee of 200 basis points (bps) or 2.00% of assets to participants with balances under \$125,000. Another charges only 25 bps, but also has an annual participant fee of \$25 per year.

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

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Signature

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Date

Board	Mtg Date	Item #
DC	03/04/2008	3

- 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