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CORRESPONDENCE MEMORANDUM

DATE: April 23, 2008
TO: Wisconsin Deferred Compensation Board
FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
SUBJECT: 2007 Wisconsin Deferred Compensation Program Statistics and Survey Results

This memo is for information only. No Board action required.

2007 WDC Program Statistics

A paper copy of a PowerPoint slide presentation covering the 2007 WDC Program Statistics report is attached to this memo. This presentation illustrates primary WDC features and how participants used the WDC in 2007 as compared to previous years. Data provided includes overall participation and contribution amounts, asset allocation and diversification, distributions and withdrawals, participant contacts and local WDC office activities. Major points include the following:

- WDC participants grew to 47,000 as of December 31, 2007.
- WDC assets as of December 31, 2007, totaled \$2,293.95 million.
- During 2007, WDC participants deferred \$153,081,245 to their accounts. Just over 35% went to large cap funds, 14% to fixed funds. Approximately 9% went to each of the following: international, small cap and lifecycle funds.
- In 2007, the average WDC participant deferred \$4,343. The average account balance was \$48,505. In comparison, in 2006, the average WDC deferral was \$4,310 and the account balance average was \$44,920.
- More than 5,000 participants received WDC benefit distributions during 2007.

Winter 2008 Online WDC Survey

The WDC last surveyed participants in 2004. The purpose of that survey was to gauge participant knowledge and use of WDC features, interest in additional investment options and potential use of online educational tools. One result of the information gained through this survey was the addition of the Vanguard Target Retirement Date lifecycle funds in August 2005. Over 7,000 WDC participants now use these funds.

In January 2008 the WDC activated an online survey link accessible to participants logged in to their WDC account pages. Non-participants viewing the WDC Web site could not see or use the survey so that we would have input from WDC participants only. The survey questions were

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

Signature

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basic and intended to provide a baseline gauge regarding how participants currently view the WDC, given the format changes in quarterly statements, the newsletters, the WDC Web site layout, phone services, etc., resulting from the 2005 transition to Great-West Retirement Services as the program administrator. Staff intends to publish the survey highlights and use the feedback to help guide WDC improvements.

In addition to posting the survey link on the WDC Web site, the Department included a link to the survey on its Web site, promoted the survey in the January 2008 edition of the WDC newsletter, and sent an e-mail message to the State's Payroll Council for distribution to state employees. The survey was open for approximately 8 weeks, from January 9 through March 8, 2008.

The WDC received 261 survey responses. Based on self-reporting, 42% (110 of 261) of participants responding were between the ages of 50 and 59, and 20% (51 of 261) were between the ages of 40 and 49. Of those responding, 36% (92 of 261) are planning to retire between the ages of 56 and 60, and another 20% (51 of 261) plan to retire between ages 50 and 55. Nearly 100 participants responding have had a WDC account for over fifteen years, and 72% of the responding participants were male (188 of 261).

Highlights from this survey include:

- Overall, participants like the WDC: 85% (222 of 261) rated the overall WDC as a "good" or "excellent" supplemental retirement program and 95% would recommend the WDC to a friend or colleague. Seventy-three percent (191 of 261) also rated the program administrator as "good" or "excellent."
- Approximately 88% (231 of 261) ranked the quarterly WDC participant statement as "good" or "excellent." However, there is room for improvement in the WDC's communication materials: 25% (66 of 261) felt the newsletter was only "fair" or "poor," 23% (59 of 261) rated the quarterly investment performance report as "fair" or "poor," and 19% (52 of 261) felt the Web site was "fair" or "poor." Survey suggestions indicate that participants may be seeking additional investment guidance or advice and direct links to fund provider Web sites.
- Despite warnings that past investment results may not be a good indicator of future performance, 29% of WDC participants responding to this question indicated that past investment performance is their primary influence when making investment decisions, followed by information on the internet (18%). Group WDC presentations were the least influential and only cited by 5% as being their top investment decision making influence.
- Most responding participants felt the WDC local office, field staff and call center representatives provide "good" or "excellent" service. Interestingly, while 51% of those responding (135 of 261) also agreed that on-site WDC educational meetings are helpful and informative, 41% (109) said that they had never attended a group presentation. This suggests that it may be worth exploring what sort of WDC-related information participants are seeking, in order to increase attendance.
- The results included 103 participant comments in the "write in any comments and/or suggestions" option. These remarks suggest that while many participants appreciate some features of the WDC (low participant fees, self-directed brokerage option, and some of the WDC Web site features) other participants have additional suggestions to improve the WDC. For example, they would like additional investment options in the core spectrum such as precious metals, energy, real estate, exchange traded funds, and

additional international funds. They would also like a managed accounts or advice feature and a Web site that is easier to navigate that includes additional features such as a yearly "Rate of Return" link for quick access to this information.

2008 NAGDCA Defined Contribution Plan Survey

Included with this memo is a copy of the national summary report from the 2008 National Association of Government Defined Contribution Administrators (NAGDCA) Defined Contribution Plan survey. A total of 199 responses were received from s. 457 plans, 16 s. 401(k) plans, 16 s. 401(a) plans, and one s. 403(b). Points of interest from this survey include:

- The national average annual state s. 457 plan participant deferral in 2007 was \$3,250. The WDC average annual deferral in 2007 was about 34% higher, at \$4,343 per participant.
- Nationwide, nearly 33% of state s. 457 plan assets are held in stable value funds. Although the stable value fund is the second most popular fund in the WDC in terms of assets, overall, less than 18% of total WDC assets are in the stable value fund.
- Of the 119 responding plans, nearly 41% have 11 to 20 investment options and 26% offer 21 to 30 options. In comparison, the WDC offers 23 options, including the Schwab self-directed brokerage option and five Vanguard Target Retirement Date funds.
- Fifty-three percent of state s. 457 plans offer investment advice to participants and approximately 50% offer loans.
- Twenty-two percent have implemented the optional Public Safety Officer Tax Exempt Insurance Premium Payment service available as a result of the 2006 Pension Protection Act.
- Half the plans responding to the survey indicated they would like to add a managed accounts feature that would provide their participants with investment advice.

Conclusions

Overall, the WDC is in good shape. It compares favorably to other states' s. 457 plans in terms of usage and services offered. WDC participation continues to rise, participants are more diversified in terms of investment options and use many of the services and features provided.

However, as the winter 2008 online survey illustrated, there will always be room for improvement. Department staff intend to use the information and insights gained from the online survey to guide program improvements. In addition, some of the questions and comments that participants provided may result in informational articles and "Web tips" in the quarterly newsletter.

Staff will be available at the Board meeting to discuss the information in this memo and the attachments.

Attachments: 2007 WDC Program Statistics PowerPoint presentation
Zoomerang Survey Results: WDC Online Survey, Winter 2008
NAGDCA Defined Contribution Plan Survey Report, March 2008