



STATE OF WISCONSIN
Department of Employee Trust Funds
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CORRESPONDENCE MEMORANDUM

DATE: November 5, 2008
TO: Wisconsin Deferred Compensation Board
FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
SUBJECT: FDIC Fixed/Floating Interest Rate Decision

The Board is asked to consider allocating seventy-five percent (75%) of the allocation to the fixed portion and the remaining twenty-five percent (25%) to the floating portion of the Federal Deposit Insurance Corporation bank option for the Wisconsin Deferred Compensation (WDC) program.

M&I Bank of Southern Wisconsin has been under contract to offer FDIC bank option for WDC participants since January 1, 2001. WDC participants holding assets in the FDIC account receive a blended rate of interest based on the fixed/floating interest rate allocation selected by the WDC Board.

The contract between the Board and M&I Bank permits the Board to change the percentage allocated to the fixed and floating interest rate for the following year, provided the Board gives M&I Bank a 30-day notice.

To determine the interest rate to be applied to participant accounts in 2009, action is needed by the Board at the November 2008 meeting to set the percentage of the FDIC account assigned to the fixed and floating interest rate calculation. The attached memo from Alex Roitz at Advised Assets Group (a division of Great-West Retirement Services) provides background on the recommended allocation for 2009.

AAG recommends the Board consider allocating seventy-five percent (75%) of the allocation to the fixed portion and the remaining twenty-five percent (25%) to the floating portion. Staff concurs with this recommendation. It is the same allocation as the Board selected for 2008, and appears prudent given the volatility and uncertainty in the worldwide economy and current historically high LIBOR rates.

Mr. Roitz and Department staff will be available at the meeting to discuss this recommendation.

attachment

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

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