



STATE OF WISCONSIN
Department of Employee Trust Funds

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CORRESPONDENCE MEMORANDUM

DATE: November 2, 2009
TO: Wisconsin Deferred Compensation Board
FROM: Robert C. Willett, CPA
Chief Trust Financial Officer
SUBJECT: Participant Fee Recommendation Update

Staff recommend that no changes be made to the current administrative fee structure used to recover administrative costs from Wisconsin Deferred Compensation (WDC) plan participants. In addition, due to the volatile market conditions, staff recommends reviewing the fee structure in May 2010 to ensure that reserves are adequate to meet anticipated plan expenses.

Background:

The WDC plan maintains an administrative account that is used to pay administrative expenses. These expenses primarily consist of the administrative services contract with Great-West Retirement Services, but also include the costs for Employee Trust Funds (ETF) staff, audits and other plan expenses.

Revenues to fund administrative expenses come from participant fees, investment provider reimbursements, and investment income on the account balance. Participant fees and investment provider reimbursements are both closely correlated to plan assets. During the period from January 2008 through March 2009, losses in investment values reduced net plan assets by over \$550 million, resulting in a proportionate reduction in plan revenues. That reduction prompted an alert at your May 2009 meeting that further losses in the value of plan assets would necessitate an increase in participant fees.

In the subsequent six months, plan assets grew by over \$428 million, recovering more than 77% of the previously lost value.

Our preliminary analysis indicates that the current level of plan assets, even without further market recovery, will generate adequate revenues to support plan administrative expenses through the coming year. The balance in the administrative account currently represents more than 85% of annual plan expenses, providing an adequate short-term reserve against further market declines.

The market recovery experienced to date has eliminated the need for an immediate increase in participant fees. We will perform a more comprehensive analysis of participant fees after year-end and provide further recommendations at your May 2010 meeting.

Reviewed and approved by Jon Kranz, Director, Office of Budget and Trust Finance.

Signature

Date

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