

MINUTES OF MAY 18, 2010, MEETING

DRAFT

**STATE OF WISCONSIN
DEFERRED COMPENSATION BOARD**
801 West Badger Road
Conference Room GB
Madison, WI

BOARD PRESENT:

Ed Main, Chair John Nelson, Vice-Chair Martin Beil, Secretary	Michael Drury Gail Hanson
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PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Dave Stella, Secretary Bob Conlin, Deputy Secretary Jean Gilding, Division of Retirement Services Steve Hurley, Office of Policy, Privacy and Compliance Shelly Schueller, Division of Retirement Services	Matt Stohr, Office of Legislation, Communications and Quality Assurance Sharon Walk, Board Liaison
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OTHERS PRESENT:

ETF Office of the Secretary: Cindy Gilles ETF Office of Internal Audit: John Vincent Advised Assets Group: Steve Conkin	Clifton Gunderson: Jennifer Davis and Thomas Rey Great-West Retirement Services: Liz Davidsen, Joan McDonagh, Sue Oelke and Michelle Williams M & I Bank: Rick Phelps Wipfli: Zach Mayer Jason Compton
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Edward Main, Chair, called the meeting of the Deferred Compensation Board (Board) to order at 1:00 p.m.

Shelly Schueller announced that Gail Hanson and Marty Beil have been reappointed to the Board by Governor Doyle. She also advised the Board that the administrative services contract extension with Great-West Retirement Services (GWRS) has been finalized and signed by Board Chair Ed Main.

Board	Mtg Date	Item #
DC	11.16.10	3

CONSIDERATION OF MINUTES OF THE MARCH 2, 2010, MEETING

MOTION: Ms. Hanson moved acceptance of the minutes of the March 2, 2010, meeting as submitted by the Board Liaison. Mr. Drury seconded the motion, which passed without objection on a voice vote.

LEGISLATIVE UPDATE

Matt Stohr, Director of Legislation, Communications, and Quality Assurance, provided an update on legislative matters that impact the Wisconsin Deferred Compensation (WDC) Program.

He noted that Wisconsin Act 161 has been signed into law. This puts Wisconsin state law in alignment with section 811 of the Internal Revenue Code and keeps the Wisconsin deferral limits consistent with the \$16,500 federal deferral limit level. Had this legislation not been enacted, the deferral limits in Wisconsin would have reverted back to \$8,000.

With respect to federal legislation, House Resolution (HR) 4421 was introduced in February. HR 4421 would extend the Required Minimum Distribution moratorium through 2010. There has been no action on the bill.

HR 4213, which has been referred to as the *American Workers and State Business Relief Act*, would allow participants of the WDC and other governmental plans to treat elective referrals as Roth IRA contributions. This was introduced in December of 2009 and passed both the Senate and the House in different versions. It is likely that a conference committee will be convened to work out the differences.

Senate Bill (S) 3217, also known as the *Restoring American Financial Stability Act of 2010*, was introduced in April 2010. This bill would make it difficult for 457 plans to offer stable value funds. Secretary Stella sent a letter to Senator Kohl and Senator Feingold several weeks ago pointing out what the bill does and asking them to consider amending the legislation.

CLEARINGHOUSE RULE (CR) 10-004

Steve Hurley, Director of the Office of Policy, Privacy and Compliance, discussed CR 10-004 relating to domestic partner benefits and health insurance for adult children. He noted that there have been some small changes to the rule since the Board looked at it last November. None of the changes affect the WDC Program.

MOTION: Ms. Hanson moved to approve the proposed rule. Mr. Drury seconded the motion, which passed without objection on a voice vote.

INVESTMENT PERFORMANCE REVIEW

Steve Conkin, Senior Analyst with Advised Assets Group, presented the *Fund Performance Review as of March 31, 2010*, to the Board. He noted that all of the funds are currently passing the Board's investment policy criteria. The Rolling 3-Year Quartile Rankings show that the Fidelity Contrafund fell out of the top quartile and is at the 74th percentile. Mr. Conkin introduced several new data points that he has added to the report. One of these data points is "Quarterly Net Transfers." This shows where participants are moving their money each quarter, beginning with first quarter 2010. Total WDC assets as of March 31, 2010, are \$2.369 billion, up from \$2.27 billion on December 31, 2009.

PARTICIPANT FEE ANALYSIS

Ms. Schueller reviewed the memo that had been prepared by Bob Willett, Chief Trust Financial Officer, regarding participant fees. Mr. Willett recommends that no changes be made to the administrative fee charged to participants. As of 2009, the account balance was 79% of projected annual expenses. Ms. Schueller reminded the Board of its objective to maintain a balance equal to at least 50% of WDC annual expenses in the account. She noted that an annual investment return of 3.7% is needed to keep the Board's balance at the 50% target.

MOTION: Mr. Drury moved to defer a decision regarding participant fees to the Board's November 2010 meeting. Ms. Hanson seconded the motion, which passed without objection on a voice vote.

2009 CONTRACT COMPLIANCE AUDIT

Zach Mayer, Wipfli Senior Manager, presented the 2009 Contract Compliance Audit report to the Board. He explained the two primary components of the audit: 1) testing certain transactions and activities processed by the third-party administrator (TPA) to make sure they are in compliance with regulatory aspects required by Internal Revenue Service; and 2) testing provisions of the administrative services contract to ensure that the TPA is adhering to the contract. A memo summarizing the results of the audit was presented to the Board. Ms. Schueller discussed the findings regarding timeliness of participant account establishment and deferrals; distribution testing; and local public employer outreach. As a result of the audit findings, staff will draft revised contract language regarding account establishment and will work with Great-West to develop specific employer-related goals for 2011 as part of an overall plan enhancement process. These proposals will be presented to the Board for review and approval in November.

FINANCIAL STATEMENTS AUDIT REPORT

Thomas Rey and Jennifer Davis of Clifton Gunderson presented the *Financial Statements Audit Report* to the Board. The audit report findings illustrate the WDC's overall good health. WDC net assets as of December 31, 2009, were \$2.3 billion, an increase of approximately \$456.2 million. Employee contributions in 2009 were \$142.6 million. Participant deferrals, investment income and expenses are all accounted for in the report.

The Board asked that, in the future, the *Financial Statements Audit Report* be submitted as a draft document, rather than as a final document. The Board will review the draft report at its regularly scheduled meeting and, if there are no concerns, the report will be approved.

The Board also directed the Clifton Gunderson auditors to make a formal request for investment account statements from Vanguard rather than relying on data from the FUNDLinx system.

2009 YEAR IN REVIEW

Ms. Schueller presented a review of the WDC program for calendar year 2009. She noted that the net investment gain in 2009 was \$3.72 million. She covered statistics showing employee and employer enrollment growth, deferrals and investment income, assets by asset class and the usage of Reality Investing®. 2009 was another record year for financial emergency hardship distribution requests. Ninety-three percent of the hardship applications were approved. The majority of hardship applicants cite "loss of income" as the reason for the application. Future initiatives for the WDC program include employer outreach efforts, the use of the quick enrollment form and targeted mailings that will be conducted as part of the "Did You Know?" postcard series.

MISCELLANEOUS

Ms. Schueller referred the Board members to the miscellaneous items in their meeting material binders.

Mr. Nelson asked that the investment performance reports included with participant statements be reworked so that benchmarks and the associated results are printed next to the WDC options. Great-West agreed to look at the feasibility of this request.

Mr. Drury asked that notices posted about WDC presentations include the participant fee structure. Because of the low cost of the WDC, he indicated that including the fees may be a good incentive to encourage employees to attend a presentation. Ms. Oelke indicated that she would add this to the notice and thanked Mr. Drury for his suggestion.

ADJOURNMENT

MOTION: Mr. Drury moved to adjourn. Ms. Hanson seconded the motion, which passed without objection on a voice vote.

The meeting was adjourned at 2:50 p.m.

Date Approved: _____

Signed: _____

Martin Beil, Secretary
Deferred Compensation Board

MINUTES OF OCTOBER 18, 2010, MEETING

DRAFT

**STATE OF WISCONSIN
DEFERRED COMPENSATION BOARD**
121 East Wilson Street
Presentation Room
Madison, WI

BOARD MEMBERS PRESENT:

John Nelson, Vice-Chair Martin Beil, Secretary	Michael Drury Gail Hanson
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BOARD MEMBERS ABSENT:

Ed Main, Chair	
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PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Sharon Walk, Board Liaison	
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OTHERS PRESENT:

Office of the Secretary: Deputy Secretary Bob Conlin Department of Justice: Assistant Attorney General Charlotte Gibson	Tim Vande Hey Steven J. Junior
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John Nelson, Vice-Chair, called the meeting of the Deferred Compensation Board (Board) to order at 1:00 p.m. Mr. Nelson announced that Ed Main, Chair, had recused himself from deliberations on the appeal.

MOTION TO CONVENE IN CLOSED SESSION

Mr. Nelson announced that the Board would convene in closed session pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a) for the purpose of quasi-judicial deliberations on Appeal No. 2009-021-DC. Ms. Gibson and Ms. Walk were invited to remain during the discussion on the appeal.

MOTION: Mr. Beil moved to convene in closed session pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a) for the purpose of quasi-

Board	Mtg Date	Item #
DC	11.16.10	3

judicial deliberations. Mr. Drury seconded the motion, which passed on the following roll call vote:

Members Voting Aye: Beil, Drury, Hanson and Nelson

Members Voting Nay: None

The Board convened in closed session at 1:04 p.m. and reconvened in open session at 2:00 p.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

Mr. Nelson announced that the Board adopted the hearing examiner's proposed decision with modifications. A written copy of the Board's decision will be mailed to the parties after it is finalized.

ADJOURNMENT

MOTION: Mr. Beil moved to adjourn. Ms. Hanson seconded the motion, which passed without objection on a voice vote.

The meeting was adjourned at 2:01 p.m.

Date Approved: _____

Signed: _____

Martin Beil, Secretary
Deferred Compensation Board