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CORRESPONDENCE MEMORANDUM

DATE: October 26, 2010
TO: Wisconsin Deferred Compensation Board
FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
SUBJECT: Draft 2011 Plan Enhancement Program

This memo is for information and discussion only. No action is required.

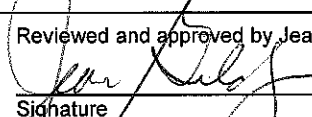
For your review and comment, the attached document contains the draft 2011 Plan Enhancement Program (PEP) proposed for the Wisconsin Deferred Compensation Program (WDC). This is the first edition of what staff anticipates will be an annual goal setting and evaluation process. The draft PEP outlines four areas of focus and the metrics the Board may use to measure plan enhancements and improvements. The four dimensions and the goals for 2011 are:

Plan Dimension	2011 WDC PEP Goals
Participation <ul style="list-style-type: none">• Employees• Employers	Increase WDC participation <ul style="list-style-type: none">• 2.5% increase in participant accounts in force• 2.0% increase in new employers over 2010
Asset Allocation	<ul style="list-style-type: none">• Decrease the number of participants with 1 investment option by 3%• Increase lifecycle fund use by 3.0%• Increase advisory services use by 2.5%
Education and Learning	Maintain high visibility in number of group and individual meetings
Retention	Offer retirement seminars and hold the increase in number of full distributions to less than 2%

The draft PEP contains target goals based on data currently available. After 2010 is complete, the goals will be updated and the final 2011 PEP will be presented to the Board for approval at the first Board meeting in 2011.

Department and Great-West Retirement Services staff will be available at the November Board meeting to discuss the draft PEP with you.

Attachment

Reviewed and approved by Jean Gilding, Deputy Division Administrator

Signature _____ Date 10/27/10

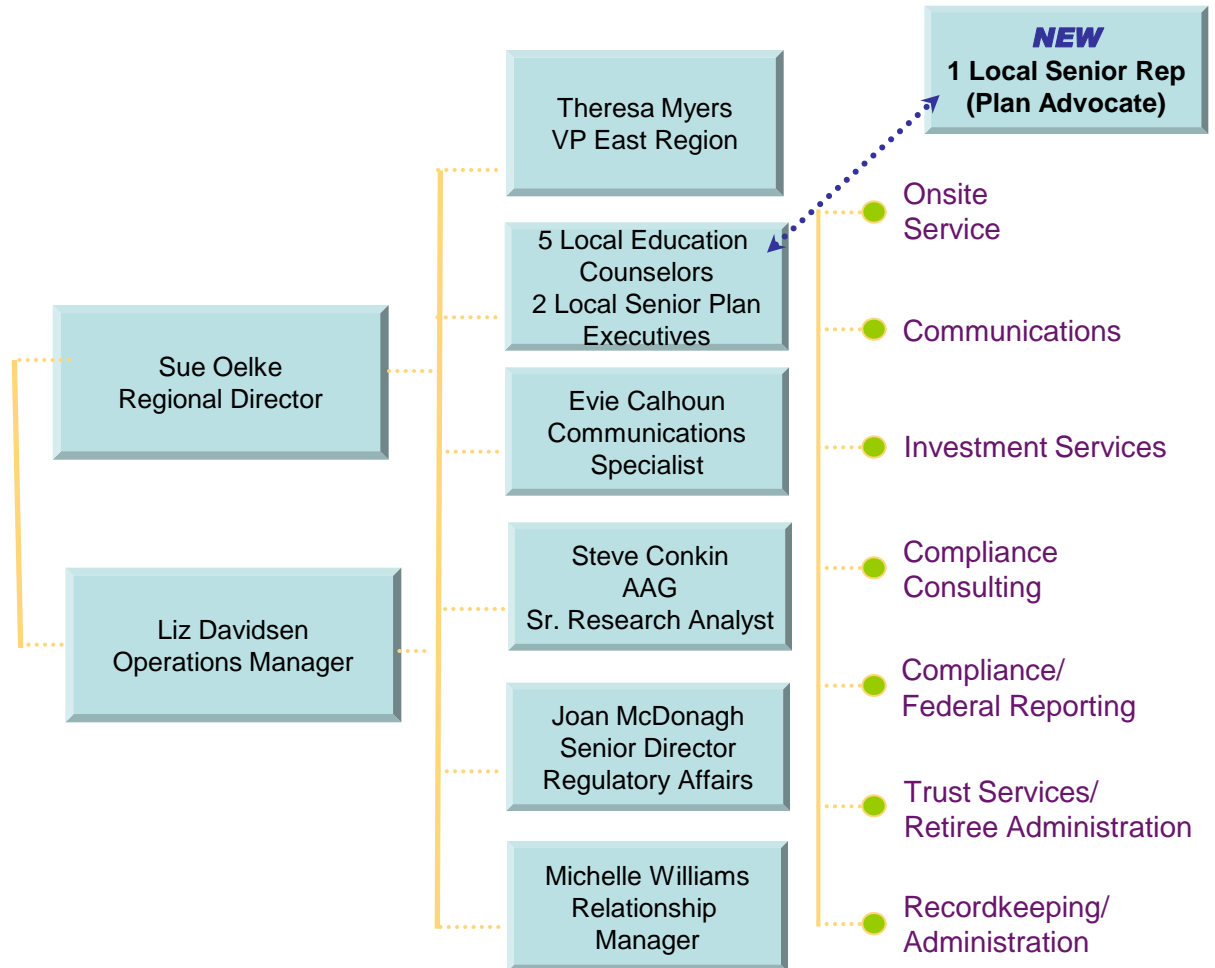
Board	Mtg Date	Item #
DC	11.16.10	9



Wisconsin Deferred Compensation Plan Enhancement Program



WDC Service Team



Plan Enhancements 2005-2010



- Local call center with expanded hours (7 a.m. to 7 p.m. Central Time)
- Expertise and oversight of specialized functions (cash processing, participant transactions, distributions) realigned to specialists at corporate
- 2009 employer survey results reflected 94% of employers rated GWRS' services as good to excellent
- Plan-level, dedicated legal representative
- Custom branding of WDC and customized website
- Oversight of Advised Assets Group for quarterly fund performance review
- Plan Service Center reporting capabilities
- Addition of advisory services with no plan-level cost implications
- Contributions directly to Schwab PCRA

Improving the WDC



Best Practices



- Provide direction and leadership to our plan sponsors
- Take advantage of latest technologies and legislation
- Form a framework and vision ahead of our competition
- Form a “roadmap” of plan evolution for plan sponsors



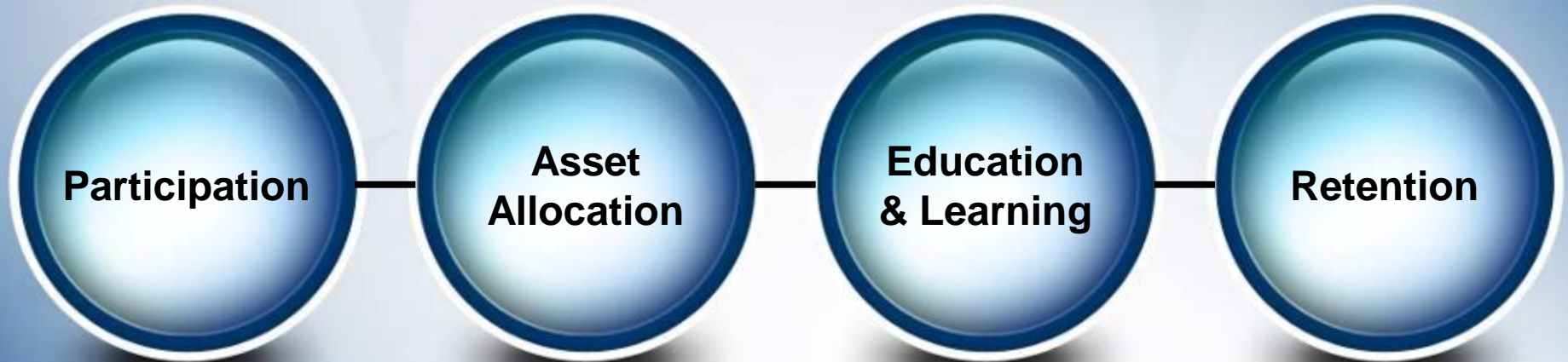


The Four Dimensions

Four Dimensions of the WDC



Every plan has four primary characteristics



4 Step Process



- **Step 1: Create Plan Enhancement Program (PEP)**
 - PEP measures and compares the four dimensions of WDC
 - “What gets measured gets improved”

- **Step 2: Determine Target Initiatives**
 - Target initiatives for priorities established by the plan sponsor
 - Specific Marketing and Communications Program

- **Step 3: Implement Strategy**
 - Great-West has tools to improve each dimension of the WDC

- **Step 4: Annual Plan Report Card**
 - Results measured & evaluated
 - Have plan elements improved?
 - Reset objectives for following year

Participation – Employee



- **How It's Measured**

- Percent of eligible population participating in the WDC
- Contribution amount by participant
- New enrollments

- **Goals**

- Increase the number of in-force accounts by 2.5%

- **Tools To Improve Participation:**

- Automatic enrollment or online enrollment
- Automatic deferral increase
- Group meetings and individual consultations
- Special restart initiative
- Seminars and orientation meetings



Participation – Employer



- **How It's Measured**

- Percent of eligible population of employers offering the WDC
- New enrollments

- **Goals**

- Increase number of employers offering WDC by 2%

- **Tools To Improve Participation:**

- Attend employer conventions
- Quarterly target outreach initiatives – 20 employers per quarter
- Dedicated staff member for contacting eligible employers and helping them through the WDC's adoption process.



Benchmarking Participation–Employee*



	State	Local	Total
Eligible Employees	35,167	105,576	140,743
Total Participants (12/31/09)	26,375	23,143	49,518
Total Participation Rate	74.9%	21.9%	35.2%

*All figures are excluding 403(b) markets

How does this compare with other plans?

WDC	National Average	Great-West States	Great-West Cities & Counties
61%	35%	56%	54.5%

*Based on 12/31/09 numbers as this information is compiled once per year

Benchmarking Participation–Employer



Eligible Employers	2,415*
Participating Employers (6/30/10)	843
Participation Rate	34.9%

*Per ETF as of 12/31/09

How does this compare to the past?

December 2005	June 2010
717	843

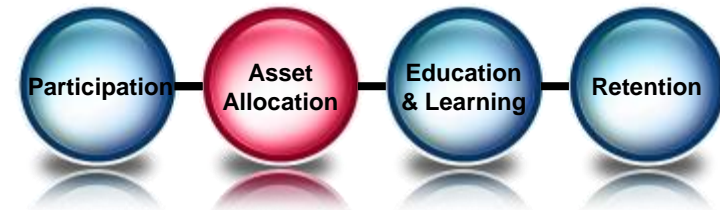
Asset Allocation



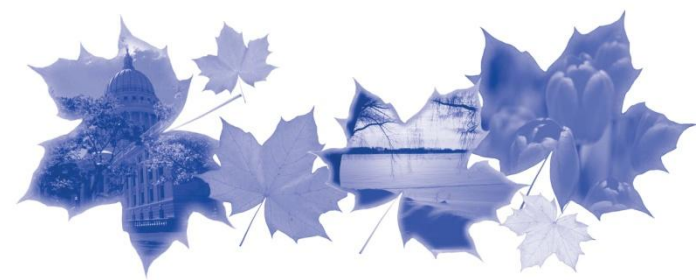
- **How It's Measured**
 - Account diversification among asset classes
 - Utilization of Reality Investing (guidance, advice, and managed accts)
 - Utilization of lifecycle funds (target retirement date)

- **Recommend Goals**
 - Reduce number of participants with balances allocated to only one fund

- **Tools to Improve Asset Allocation**
 - Targeted mailings for “non-diversified” participants
 - Education workshops
 - Breeze presentations posted on the WDC’s website
 - Group and individual meetings
 - Annual account reviews (participant level)
 - Flyers, web tools



Benchmarking Asset Allocation (6/30/10)



- Advisory Services (Guidance, Advice, and Managed Accounts) 3,542
- Participants with one investment option 10,240
- Participants in lifecycle funds 14,105
- Participants in Vanguard Money Market* 467
- Average number of investment options 4.3

How does this compare to the past?

Dec. 2005	August 2009	Ibbotson Recommendation
4	4.4	5 - 7

Reflects participants with more than 70% of account balance in VUSX

Education and Learning



- **How Its Measured**
 - Scheduled education seminars
 - Scheduled individual consultations
 - Employee/participant surveys and focus groups
- **Recommended Goals**
 - 1,050 group presentations annually
 - 5,250 individual meetings annually
- **Tools to Improve Education and Learning**
 - 14 Education modules available in classroom style
 - Group and individual meetings
 - Plan features and highlights brochure
 - “Lunch & Learn” seminars
 - Website tools and calculators



Benchmarking Education (12/31/2009)*



- Group Informational Meetings 860
- Participant attendance 9,212
- Individual consultations 4,548
- Employers with on-site visits 684
- Number of unique website log-ins 435,021

How does this compare to the past?

December 2006	2009
465	860

*Based on 12/31/09 numbers as this information is compiled once per year

Retention



■ How It's Measured

- Asset retention in WDC
- Reduced full distributions
- Reduced rollovers
- Attendance at retirement seminars

■ Recommended Goals

- Maintain / reduce full distributions
 - Educate retirees on Spend-down Advice
 - Educate retirees on advantages of leaving assets in WDC
 - Educate retirees on ramifications or rolling out
 - Educate retirees on effective account management/distribution options

■ Tools To Improve Outreach

- National Retiree Advocate
- Pre-retirement seminars
- Post-retirement seminars
- *Retiree Crossroads* website



Benchmarking (12/31/2009)*



- Full withdrawals 604
- Full rollovers 499
- Total 1,103
- Total assets distributed \$34,036,049
- Percentage 1.5%

How does this compare to the past?

December 2005	June 2009
--	1.3%

*Based on 12/31/09 numbers as this information is compiled once per year



Strategic Objectives / Proposed Initiatives for 2011

Four Dimensions		Metrics	Tools and Resources
1.	Participation a) Employees b) Employers	Goals: Increase WDC participation – <ul style="list-style-type: none"> ▪ Increase WDC employee participation by 2.5% ▪ Increase employers offering WDC by 2% 	<ul style="list-style-type: none"> ▪ Targeted employer outreach ▪ Automatic enrollment or online enrollment ▪ Special restart initiative ▪ Seminars and orientation meetings ▪ Retiree outreach
2.	Asset Allocation	Goals: Decrease number of participants with one investment option by 3%. Increase usage in advisory services by 2.5%. Increase usage in lifecycle funds by 3%. <ul style="list-style-type: none"> ▪ Account diversification among asset classes ▪ Utilization of advisory services (Guidance, Advice, and Managed Accounts) ▪ Utilization of Life Cycle Funds 	<ul style="list-style-type: none"> ▪ Targeted mailings for “non-diversified” participants ▪ Targeted mailings for those in the Vanguard Admiral US Treasury Money Market fund ▪ Educational workshops ▪ Breeze presentations posted to the WDC website ▪ Annual account reviews (participant level) ▪ Flyers, web tools
3.	Education and Learning	Goal: Maintain high visibility in number of group and individual meetings. <ul style="list-style-type: none"> ▪ Scheduled education seminars ▪ Scheduled individual consultations ▪ Employee/Participant surveys and focus groups 	<ul style="list-style-type: none"> ▪ New women and investing seminar ▪ New investment symposiums ▪ Maintain number of group meetings ▪ Maintain number of individual appointments ▪ Survey results and scoring ▪ Number of unique website users compared to prior year ▪ Increase Online File Cabinet usage
4.	Retention	Goal: Offer retirement seminars and increase the number of full distributions by less than 2%. <ul style="list-style-type: none"> ▪ Asset retention in WDC ▪ Reduced full distributions ▪ Reduced rollovers ▪ Attendance at retirement seminars 	<ul style="list-style-type: none"> ▪ National Retiree Advocate ▪ Pre-retirement seminars ▪ Post-retirement seminars ▪ Retiree Crossroads website

Strategic Objective – Participation



Increase:

- Employer adoption of WDC
- Awareness of WDC
- Participation in WDC
- Participation and average deferral amounts among employees ages 25 to 35
- Participation and average deferral amounts among women
- Regular contributions

Partner with ETF in identifying state agencies and local employers that do not meet participation benchmark standards in order to increase employee participation at these locations.

Proposed Initiatives - Participation



Objective – To Increase:	Strategy	Timing	Expected Result
Employer adoption of WDC by 2%	Targeted outreach to non-participating employers	Quarterly	More employers offering the WDC
Awareness of WDC	Onsite service visits, payroll stuffers, email announcements	Ongoing	WDC recognition
Participation in WDC by 2.5%	Onsite service visits and payroll stuffers	Ongoing	Increased enrollment
Both participation and average deferral amounts among employees ages 25 to 35 by 5%	Targeted seminars and meeting announcements	Ongoing	Increased participation and deferral amounts in this age group
Participation and average deferral amounts among women by 5%	Women and Investing seminar	Ongoing	Increase in enrollment and deferral amounts among women in the WDC

Strategic Objective – Asset Allocation



- Educate participants as to the value of maintaining a diversified portfolio

Proposed Initiatives – Asset Allocation



Objective	Strategy	Timing	Expected Result
Maintain number of average investment options per participant	Conduct group meetings on asset allocation throughout the State and target mailings to people who have one investment choice	July - December	Reduce the number of participants using only one investment option
	Target participants using the Vanguard Admiral US Treasury Money Market fund to explain default and options	July - December	Increase diversification

Strategic Objective - Education/Learning



Plan Level

- Provide additional employer level reporting – target large employers and provide onsite employer plan overview including demographics

Participant Level – maintain the number of group and individual meetings throughout various locations and departments

	2009	2010 (as of 6/30/2010)
Group education seminars	860	429
Seminar attendees	9,212	3,774
Individual meetings	4,548	3,419

Proposed Initiatives – Education/Learning



Objective	Strategy	Timing	Expected Result
Continue education seminars to include delivery of all elements of the four dimensions	Group and individual meetings	Continuous	All results as stated throughout four dimensions initiatives
Specifically target: <ul style="list-style-type: none"> ▪ Women ▪ Retirees ▪ Close to retirement ▪ Vanguard Admiral US Treasury Money Market 	<ul style="list-style-type: none"> ▪ Women and Investing seminar ▪ Investment Symposiums ▪ Understanding Your Distribution Options seminar ▪ Asset Allocation seminar 	Continuous	Increased participation, contributions and diversification, as well as retention of assets

eLearning Seminars



- Multiple topics on retirement planning
- Available through the WDC website, and available for state and local employer Intranets, or on DVD/CD
 - Participants can view any time

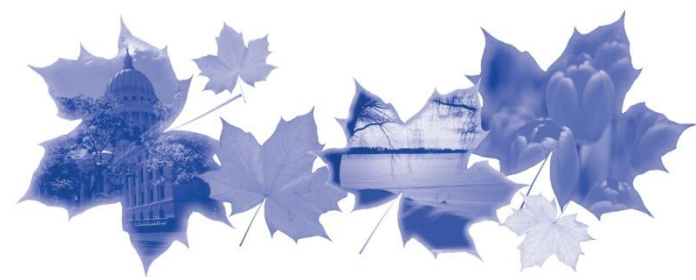


eLearning Seminar Enhancements



- Enhanced course curriculum aligned with retirement planning lifecycle
- More modules
- Shorter in duration
- Addition of links at conclusion, relative to account, based on the subject matter

Target Web Messages



- Remind participants of key elements that are essential to their overall retirement planning
- With personalization, there is greater likelihood they will take a desired course action
- Rules-based pop-up windows appear to a specified participant when logged in
- Messages are tailored to the individual based on items such as:
 - Current savings rate
 - Age
 - Asset allocation

Example: A person who is age 50 will see a Targeted Web Message related to the opportunity to take advantage of catch-up contributions to their WDC account.

Strategic Objective – Retention



- Establish WDC Employer Advocate
- Establish Participant Retiree Advocate
- Educate participants throughout employment period
- Educate participants during exit process

Proposed Initiatives – Retention

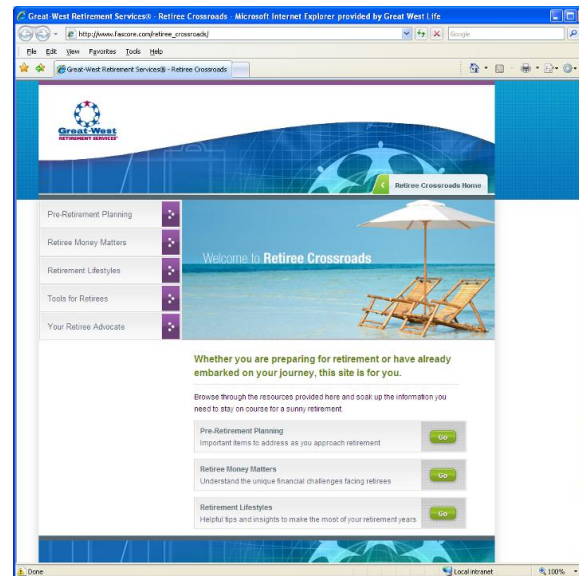


Objective	Initiative	Timing	Expected Result
Establish a base of informed, loyal participants and retirees	Conduct pre-retirement educational seminars starting at age 45 to provide focused material using “Ready to Retire” seminars and flyers	Continuous	Better informed participants and fewer retirees leaving the WDC (rolling money out)
Educate participants during exit from employment	Human Resource package to include pre-retirement checklist	Continuous for all employees at termination	Maintain the leakage percentages
Establish employer and participant retention liaisons	GWRS has initiated a plan/participant level retiree outreach	Continuous	Maintain rollout assets to no more than 3% increase per year.

Retention



- Steppingstones to Retirement Workshop
- Exit Survey
- Spend-Down Advice
- Retiree Advocate



- ✓ 85% of boomers are “very concerned” . . .
- ✓ 2004, \$507 billion in distributions
- ✓ 2012, \$1.09 trillion expected in distributions

Scorecard



Four Dimensions		Metrics	2011 Draft Goals
1.	Participation a) Employees b) Employers	Goals: Increase WDC participation – a. 2.5% increase in in-force account b. 2% new employers over 2010	<ul style="list-style-type: none"> 12/31/10 in-force accounts x 102.5% ≈ 53,000 12/31/10 number of employers x 102% ≈ 17
2.	Asset Allocation	Goals: a. Decrease number of participants with one investment option by 3% b. Increase usage in lifecycle funds by 3% c. Increase usage in advisory services by 2.5%	<ul style="list-style-type: none"> 12/31/10 number of participants with one investment option x 103% ≈ 10,547 12/31/10 number of participants using lifecycle funds x 103% ≈ 14,528 12/31/10 participants using advisory services x 102.5% ≈ 3,630
3.	Education and Learning	Goal: Maintain high visibility in number of group and individual meetings.	<ul style="list-style-type: none"> 1,050 group seminars 5,250 individual counseling sessions
4.	Retention	Goal: Offer retirement seminars and increase the number of full distributions by less than 2%.	<ul style="list-style-type: none"> 12/31/10 # full distributions and rollovers x 102% ≈ 1,125

NOTE: Numbers are approximations and will be finalized based on 12/31/10 data.