



STATE OF WISCONSIN
Department of Employee Trust Funds
David A. Stella
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931
1-877-533-5020 (toll free)
Fax (608) 267-4549
<http://etf.wi.gov>

CORRESPONDENCE MEMORANDUM

DATE: November 3, 2011
TO: Wisconsin Deferred Compensation Board
FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
SUBJECT: EuroPacific Growth Fund Share Class Change Proposal


The Investment Committee recommends that the Board consider a change in share class for the American Funds EuroPacific Growth Fund.

One of the key benefits of the Wisconsin Deferred Compensation Program (WDC) for participants is the Board's ability and commitment to keep fees, charges, and expenses low. Part of how the Board accomplishes this is by offering the least expensive share class available, and by using fund house reimbursements to offset participant administrative fees.

The WDC currently offers participants Capital Management Group's American Funds EuroPacific Growth Fund, R5 share class (RERFX). The American Funds EuroPacific Growth Fund added an additional share class, R6 (RERGX), for large retirement plans such as the WDC. R6 is a less expensive share class, which in general also means a lower expense ratio, the result of which is that less of WDC participants' money in this fund would be used for expenses and more of WDC participants' money in this fund would be invested.

The Board receives reimbursement payments from four fund houses (American Funds, Federated, Fidelity and T. Rowe Price) for certain plan-related expenses, such as account administration and marketing. In 2010, the total reimbursement was \$1.28 million. Under the current agreement with Capital Management Group, the WDC's EuroPacific Growth Fund reimbursement rate is 0.05% (5 basis points). As a result of the reimbursement agreement, the Board receives approximately \$53,500 per year from American Funds. If the Board moved to the R6 share class, the fund expense ratio for the EuroPacific Growth Fund would drop by 5 basis points (from 47 to 42) and the reimbursement the Board received would also end.

Reviewed and approved by Matt Stohr, Administrator,
Division of Retirement Services.


Signature _____ Date 11/3/11

Board	Mtg Date	Item #
DC	11.15.11	10

American Funds EuroPacific Growth Share Class Change

November 3, 2011

Page 2

Because the R6 share class is available at a lower cost to participants than R5, the Investment Committee is recommending that the Board offer WDC participants the R6 share class. Depending on how the market does in the future, the move from R5 to R6 may result in a future participant fee increase, as the loss of fund reimbursements would need to be made up through participant fees. However, the Board has the responsibility to offer investment options that are selected as appropriate for the WDC at the lowest cost to the member. The R6 share class is the lowest available for the American Funds EuroPacific Growth Fund.

Staff will be available at the Board meeting to discuss this recommendation. If the Board decides to approve the recommendation, Department staff will inform American Funds of the desire to change and will publicize the change for participants via the newsletter and the WDC web site.

Attachment: American Funds R-6 Share Class

The newest member of the family: the R-6 share class for retirement plans

Institutional investors interested in the American Funds have a new option: the R-6 share class. The new class, which is the latest offering in American Funds' family of R shares, is designed for the retirement plan sponsor seeking to externalize all servicing fees.

American Funds R shares are subdivided into six classes (R-1 through R-6) in order to give plan sponsors more flexibility over the level of service they want, how much to compensate the financial adviser, and how to pay for recordkeeping. The R-1 and R-2 share classes include more costs for services and recordkeeping, making them most appropriate for smaller plans that need the support of advisers and do not want to pay administrative fees out of pocket. Classes R-3 and R-4 are designed for mid-size plans, and R-5 is for large plans, with no distribution fees (also known as 12b-1 fees) and a minimal recordkeeping fee.

The latest addition to the R share family is the R-6 class, which was first introduced last May. It is especially appropriate for the largest plans. In addition to not having any 12b-1 fees, like the R-5 class, R-6 shares also take out the subtransfer agency fees, or recordkeeping fees, which is 0.05% of assets for R-5 shares.

Since its inception one year ago, the R-6 share class has become increasingly popular with large institutional retirement plans wanting to invest in the American Funds, attracting \$20 billion in assets by the beginning of 2010. The new R-6 class also offers a competitively priced alternative in the institutional marketplace.

R-6 share class

- Part of the R-share family designed exclusively for retirement plans
- Externalized recordkeeping fees
- Competitively priced alternative

Class R shares

Plan size	Share class	Types of fees included		Average expense ratio*
		Fees for educating, enrolling and servicing participants	Record-keeping fees for administrative expenses	
Small	R-1	●	●	1.52%
Mid-sized	R-2	●	●	1.59
	R-3	●	●	1.05
Large	R-4	●	●	0.76
	R-5		●	0.47
Largest	R-6			0.42

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

*The average expense ratio for each R share class is based on the average daily net assets of each fund as of their most recent fiscal year-ends. Additionally, more weight is given to funds that are larger in size and less weight to smaller funds. The average expense ratio for Class R-6 is estimated based on expense projections for all funds. Depending on the fund, the estimated expense ratios range from 0.31% to 0.77%. (The expense ratios for the funds in the Target Date Retirement Series are not included in the average.) The investment adviser to the American Funds has reimbursed certain expenses for some funds and share classes. These reimbursements may be adjusted or discontinued by the investment adviser at any time. Please see each fund's most recent shareholder report or prospectus for details.

Securities offered through American Funds Distributors, Inc. Member FINRA/SIPC.

Investors should carefully consider the investment objectives, risks, charges and expenses of the American Funds. This and other important information is contained in each fund's summary prospectus and/or prospectus, which can be obtained from your financial professional and should be read carefully before investing.

05/2010 © 2010 Capital Group Institutional Investment Services

The Capital Group Companies

American Funds

Capital Research and Management

Capital International

Capital Guardian

Capital Bank and Trust