

MINUTES OF MAY 17, 2011, MEETING

**DRAFT**

STATE OF WISCONSIN  
DEFERRED COMPENSATION BOARD

801 West Badger Road  
Conference Room GB  
Madison, Wisconsin

**BOARD PRESENT:**

|   |                        |
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| Ed Main, Chair<br>John Nelson, Vice-Chair | Gail Hanson, Secretary |
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**BOARD ABSENT:**

|             |  |
|-------------|--|
| Martin Beil |  |
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**PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:**

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| Dave Stella, Secretary<br>Bob Conlin, Deputy Secretary<br>Matt Stohr, Administrator, Division of Retirement Services<br>Shelly Schueller, Director, Deferred Compensation Program | ETF Office of Budget and Trust Finance:<br>Jerry Dietzel<br>Sharon Walk, Board Liaison |
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**OTHERS PRESENT:**

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| ETF Office of the Secretary: Rhonda Dunn<br>ETF Office of Legislation and Communications: Shawn Smith<br>ETF Office of Budget and Trust Finance: Jon Kranz<br>Advised Assets Group: Dan Maddock, David McLeod | Clifton Gunderson: Jennifer Davis (via conference call)<br>Great-West Retirement Services: Theresa Myers, Sue Oelke, Eric Zeegers<br>M&I Bank: Roxanne Brazeau<br>State Engineering Association: Bob Schaefer<br>Wisconsin 529 College Savings Program: Jim DiUlio |
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Edward Main, Chair, called the meeting of the Deferred Compensation Board (Board) to order at 1:12 p.m.

**MINUTES**

***MOTION: Ms. Hanson moved acceptance of the minutes of the March 1, 2011, meeting as submitted by the Board Liaison. Mr. Nelson seconded the motion, which passed without objection on a voice vote.***

| Board | Mtg Date | Item # |
|-------|----------|--------|
| DC    | 05.17.11 | 2      |

## **2010 FINANCIAL STATEMENTS AUDIT RESULTS**

Jennifer Davis, Audit Manager with Clifton-Gunderson, appeared via telephone. She presented the *Draft 2010 Financial Statements Audit Report* (ref. DC | 05.17.11 | 2) to the Board. She reviewed the report and stated that no issues were identified as a result of the audit.

***MOTION: Ms. Hanson moved to accept the 2010 Financial Statements Audit Results. Mr. Nelson seconded the motion, which passed without objection on a voice vote.***

## **2010 INVESTMENT PERFORMANCE REVIEW**

Dave McLeod, Managing Director, and Dan Maddock, Portfolio Analyst, Advised Assets Group (AAG) introduced themselves to the Board. Mr. McLeod discussed the turnover of investment analysts assigned to the Wisconsin Deferred Compensation (WDC) Program over the past twelve months. He introduced Dan Maddock, who is based in Denver and, *in absentia*, Bill Thornton who is based in Cincinnati. Mr. Thornton will assume the lead role for the WDC and Mr. Maddock will assume a supporting role.

Mr. Maddock provided a summary of the *Fund Performance Review as of December 31, 2010*, (ref. DC | 05.17.11 | 3) to the Board. He noted that all of the funds are meeting or exceeding one or more of their benchmarks on the five-year basis and are receiving at least three stars from Morningstar. There are no concerns at this time about the performance of any of the funds. The one-year asset weighted return as of December 31, 2010, was 13.86%. Much of this can be attributed to the strong return of the funds, especially the T. Rowe Price MidCap Growth Fund, which returned 28.06%.

## **PARTICIPANT FEE ANALYSIS**

Jerry Dietzel, ETF Deputy Controller, Office of Budget and Trust Finance, discussed the participant fee recommendations memo (ref. DC | 05.17.11 | 4) written by Bob Willett, Chief Trust Financial Officer. The Board maintains an account that is used to pay the administrative expenses of the WDC. The revenues from this account are used to fund the expenditures of the WDC Program. As of December 31, 2010, the account balance was approximately \$2 million. The ratio of reserve balance to estimated administrative expense is 69%, which is above the 50% target for the program. Staff recommends no change to the administrative fee at this time.

***MOTION: Ms. Hanson moved to accept the recommendation of staff that there be no change to the administrative fee. Mr. Nelson seconded the motion, which passed without objection on a voice vote.***

## **ADMINISTRATIVE SERVICES AGREEMENT AMENDMENT: SIGNATURE-LESS SERVICES**

Ms. Schueller asked the Board to consider approving an amendment that would make two revisions to the administrative services agreement with Great-West Retirement Services (GWRS) (ref. DC | 05.17.11 | 5).

The first revision addresses incoming rollover requests, which can occur when a participant elects to roll 401(k) money or other qualified plan money into a WDC account. The amendment would include a statement in the administrative services contract indicating that GWRS is instructed by the Board to accept participants' rollover contributions into the WDC.

The second revision incorporates four "Letters of Instruction" (LOI) into the administrative services contract. These LOIs cover a range of "signature-less services" such as processing domestic relations orders and authorizing public safety officer insurance premium distributions. Through LOIs, the responsibility for the entire transaction has been delegated to GWRS.

***MOTION: Ms. Hanson moved to approve the amendment and authorize the Board Chair to sign the document on behalf of the Board. Mr. Nelson seconded the motion, which passed without objection on a voice vote.***

## **PLAN AND TRUST DOCUMENT REVISION: IN-PLAN ROTH CONVERSIONS**

Ms. Schueller reminded the Board that at the March meeting they discussed the new Roth 457 distribution and deferral options. The proposed revision to the Plan and Trust Document would authorize an in-plan Roth conversion for participants who are interested in this option. She referred the Board to the draft (ref. DC | 05.17.11 | 6) that showed the proposed changes to the Plan and Trust Document.

***MOTION: Ms. Hanson moved to approve the Plan and Trust Document changes and authorize the Board Chair to sign the document on behalf of the Board. Mr. Nelson seconded the motion, which passed without objection on a voice vote.***

## **2011 PLAN ENHANCEMENT PROGRAM (PEP)**

Sue Oelke, Regional Director, GWRS, summarized the revised 2011 PEP. She noted that when the administrative services contract amendment went into effect on January 1, 2011, rather than having a performance penalty or rebate built into the contract, there were performance bonuses for GWRS if certain enrollment goals were met. The PEP outlines four areas where the Board agrees GWRS should focus its WDC efforts. She referred the Board to the memo from Ms. Schueller (ref. DC | 05.17.11 | 7) that outlined

the goals of the PEP for 2011. Ms. Oelke discussed the anticipated changes to state employee benefits resulting from proposed state legislation, and stated that a large number of WDC participants are withdrawing all of their money from their accounts and potential new members are not joining the WDC because they don't know if they will be required to pay part of their Wisconsin Retirement System contributions. As a result, the PEP goals for 2011 were revised in consultation with the Department. The goals include the following: maintain December 31, 2010, in-force account numbers (50,974); enroll 2,214 new participants; decrease the number of participants with 70% or more of their assets in the Vanguard Admiral Money Market account by 3% as of December 31, 2010; maintain individual and group meetings; and maintain educational outreach including the *Fact or Fiction* workshops.

***MOTION: Ms. Hanson moved to approve the goals outlined for the 2011 Plan Enhancement Program. Mr. Nelson seconded the motion, which passed without objection on a voice vote.***

## **2010 YEAR IN REVIEW – STATISTICS**

Ms. Schueller highlighted several items in the report (ref. DC | 05.17.11 | 8). She pointed out that the difference in the average account balance by gender continues to grow. She reminded the Board that there is a Social Security Administration grant project underway to study the savings habits of women. The *Stepping Stones* workshops conducted in conjunction with the Wisconsin Retirement System and the Social Security Administration were very successful.

## **MISCELLANEOUS**

### **Legislative Update**

Shawn Smith, Director of the Office of Legislation and Communications, provided a verbal update on the status of Wisconsin Act 10.

### **Miscellaneous**

The Contract Compliance Audit Request for Bids went out in April. Proposals are due on May 18, 2011.

Ms. Schueller reminded the Board about the pay-to-play regulations that have been developed by the Securities and Exchange Commission (SEC). Vanguard and Fidelity have notified her that they intend to fully comply with the SEC regulations.

Hardship applications continue to come in to GWRS. The intake and initial review process has been moved from the local GWRS office to the home GWRS office in Colorado, which has staff dedicated to working solely with hardship applications.

**ADJOURNMENT**

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

The meeting was adjourned at 2:15 p.m.

Date Approved: \_\_\_\_\_

Signed: \_\_\_\_\_

Gail Hanson, Secretary  
Deferred Compensation Board