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CORRESPONDENCE MEMORANDUM

DATE: April 30, 2012
TO: Wisconsin Deferred Compensation Board
FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
SUBJECT: 2011 Plan Enhancement Program Results and 2012 Administrative Fee

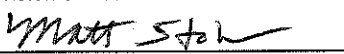
This memo is for informational purposes only. No Board action is required.

In 2010, as part of negotiations related to extending the existing administrative services agreement with Great-West Retirement Services (GWRS), the Wisconsin Deferred Compensation Board (Board) and GWRS jointly agreed on a new way to focus GWRS staff efforts during the year: a Plan Enhancement Program (PEP). Since 2011, Department of Employee Trust Funds (Department) and GWRS staffs have worked together on a yearly basis to develop specific plan enhancements, Wisconsin Deferred Compensation Program (WDC) initiatives, and metrics for measuring success. These goals and metrics form the PEP, which is then reviewed and approved by the Board. As agreed upon by the Board and GWRS, as of 2012 any increases in administrative fees paid to GWRS are linked to the amount of participant growth and progress toward annual goals set by the Board via the PEP.

PEP DIMENSIONS

As used by GWRS, a PEP generally has goals and metrics developed around the following dimensions:

1. *Participation* – increase the number of eligible employees contributing to the WDC and contribution levels.
2. *Asset allocation* – encourage appropriate diversification of participant assets in WDC investment options.
3. *Education and Learning* – provide more financial literacy learning opportunities for all participants.

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

Signature _____ Date 5/1/12

Board	Mtg Date	Item #
DC	6/7/12	11

4. *Retiree outreach* – provide additional education to retirees and retain retiree accounts and assets in the WDC (reduce rollovers out of the WDC)

The goals for the WDC's 2011 PEP included:

- Maintaining December 31, 2010, in-force account population (50,974).
- Enrolling 2,214 new participants (80% of 2010 new enrollments).
- Contacting all WDC employers to help them prepare for Roth contributions.
- Decreasing by 3% the number of participants with 70% or more of their assets in the Vanguard Admiral Money Market Account as of December 31, 2010.
- Maintaining high visibility statewide through group (1,050) and individual (5,250) meetings.
- Maintaining educational outreach and offering “nearing retirement” presentations and retirement seminars including “Fact or Fiction” workshops.
- Specific outreach efforts to a very large new employer, Milwaukee Public Schools, which included custom presentations at multiple locations and targeted messages for specific groups of employees.

2011 PEP SCORECARD

As noted in the attached 2011 PEP scorecard, GWRS met or exceeded the WDC's 2011 PEP objectives, with the exception of the number of group seminars under the “education and learning” dimension. During 2011, 752 group seminars were held, which was 71% of the target goal of 1,050 seminars. This exception was the result of changes within the State of Wisconsin beyond the Department's or GWRS' control. During 2011, retirement of public employees doubled from previous years and the Department experienced increased demand for information and services regarding retirement and other employee benefits, including those provided by the WDC.

To address participant's need for information, the WDC staff, in conjunction with the Department, made adjustments to the 2011 PEP which included more individual counseling sessions. During 2011, 6,842 individual counseling sessions were held, which was 130% of the target goal of 5,250 sessions. The local staff also customized a group workshop (“Fact or Fiction”) that helped alleviate some of the benefit-related concerns being expressed by public employees throughout Wisconsin. The temporary change in focus ensured the WDC was able to provide current participants with the information they needed to make informed decisions about retirement and their WDC

accounts, as well as address misinformation that was circulating regarding ownership of WDC assets.

While the focus of the education and learning goal unexpectedly shifted from group to individual meetings in 2011, Department staff believes the intent of this goal was met. WDC participants were provided with timely information and service from their local WDC representatives.

2012 GWRS ADMINISTRATIVE FEE

As outlined in Section 7.3A of the Board's Administrative Service Contract with GWRS, if total WDC participant growth is greater than 1% but less than 3%, the annual administrative fee due to GWRS increases by 2.7%. Additionally, if GWRS meets the Board's objectives as defined in the annual PEP, the administrative fee increases by an additional 0.3% in the following year, for a total increase of three percent. Exhibit 15 (attached), which was part of the contract extension, provides examples of projected administrative fees at various participant growth rate scenarios.

Because GWRS met the 2011 PEP objectives and increased WDC participant growth by 1.2%, the 2012 administrative fee the WDC will pay GWRS increases by three percent (3.0%) from \$2,621,148 to \$2,699,782.

Staff from GWRS and the Department will be available at the meeting to discuss the 2011 PEP results and resulting administrative fee change for 2012 with the Board.

- Attachments: 1) 2011 PEP Scorecard
2) Exhibit 15: Administrative Fee Example

Scorecard *(all data as of 12/31/11)*



Four Dimensions	Metric/Goals	2011 Goals	Results
1. Participation a) Employees b) Employers	Maintain 12/31/10 in-force account population	12/31/10 in-force accounts = 50,974	51,577 in-force accounts as of 12/31/11, or 101.2% of goal.
	Enroll 80% of 2010 new enrollments	2,214 new enrollments	2,299 participant's enrolled, or 103.8% of goal.
	Establish ROTH 457 procedures with WDC employers	Roth 457 – 50% employers set up for contributions by end of Q1; 75% by end of Q2, and 90% by end of Q3	<p>Employers: 100% of employers were given instructions on how to use the WDC Roth. A series of 3 letters were mailed and those that did not respond to the mailings were called.</p> <p>Several employers have chosen not to offer the WDC Roth to their employees, and a few have sent contributions in to the WDC without specifying them as Roth contributions. These are being handled on a case-by-case basis.</p> <p><i>Participants: 1,150 participants, or 2.2%, were making a Roth contribution as of 12/31/11</i></p>
2. Asset Allocation	Decrease number of participants with 70% or more of their assets in the Vanguard Admiral Money Market account by 3%	Reduce # of participants with 70% or more from 391 (as of 12/31/10) to 379.	334 participants had 70% or more remaining in their account in VUSX. This represents 111.9% of goal.
3. Education and Learning	Maintain high visibility in number of group and individual meetings.	1,050 group seminars	752 group seminars were reported, or 71.6% of goal. <i>Note: Fact or Fiction workshops replaced regular presentations February – May 2011.</i>
		5,250 individual counseling sessions	6,842 individual meetings were conducted (130.3% of goal).
		Investment Symposiums	4 workshops (Eau Claire, Green Bay, Madison and Milwaukee) were held In November 2011. Vanguard, Galliard, and Fidelity partnered with the WDC to present at each of the workshops and discuss mutual funds, diversification and other general investing topics. A total of 188 participants attended these meetings.
		Online File Cabinet usage increased by 7% to 2,125	Online File Cabinet users have increased to 2,370, or 111.5% of goal.

			Unique website logins increased to 432,971 (12/31/10 x 105% = 412,354 per 2010 Plan Review x 105% = 432,971)	There were 454,800 total logins to the WDC website, or 105.0% of goal, and 89,566 distinct users.
4.	Retention	Offer nearing retirement education	<ul style="list-style-type: none"> ▪ Newsletter articles ▪ Website messaging 	<p>Steppingstones to Retirement workshops were postponed due to Act 10 changes.</p> <p>Four articles for those nearing or in retirement were published in the <i>MoneyTalks</i> newsletter</p> <p>Website messaging was enhanced with information regarding deferring sabbatical pay for retirees and the security of investments within the WDC.</p>

Update on Milwaukee Public Schools (MPS)

1.	Participation	Increase WDC participation	<ul style="list-style-type: none"> ▪ WDC attending large events at MPS in 2011 (pre-retirement workshops, New Educators Institute, and WEAC) ▪ Target outreach campaigns: <ul style="list-style-type: none"> ▪ Letters to employees of various age groups to remind them of the importance of saving for retirement 	<p>52 MPS employees have enrolled in the WDC.</p> <p><u>Pre-retirement workshops:</u> WDC attended pre-retirement workshops in April and May 2011. There were 2 workshops with approx. 50 attendees total. All vendors were present. WDC was given 25 minutes to present.</p> <p><u>New Educators Institute:</u> WDC attended in August. New employees were able to visit tables of vendors to ask questions. Approx. 25 of the 75 attendees visited the WDC table.</p> <p><u>WEAC:</u> Cancelled indefinitely in 2011</p>
2.	Education and Learning	Maintain high visibility in number of group and individual meetings	<ul style="list-style-type: none"> ▪ WDC to attend: <ul style="list-style-type: none"> ▪ MPS Pre-retirement workshops in April/May ▪ MPS New Educators Institute in August ▪ WEAC Convention by MPS invitation in October ▪ Target mailing to specific age groups 	<p><u>Target mailing to age groups:</u> Postponed due to Act 10 changes</p> <p>Letter to unions offering a presentation at union meetings was mailed in October.</p> <p>MPS released an email blast (the WDC Roth flyer) to all staff letting them know about the WDC Roth and reminding them of their 457 plan option.</p>

MPS Asset Allocation and Retention were deferred due to small base of existing participants

EXAMPLE -- WDC ADMINISTRATIVE FEE

% Participant Growth	PEP INCENTIVE		% TOTAL YEARLY FEE INCREASE
	% ADMIN. FEE INCREASE	% ADD'L INCREASE	
less than 1.0	0.0	--- (not met)	0.0
1.0 to less than 3.0	2.7	--- (not met)	2.7
1.0 to less than 3.0	2.7	0.3	3.0
3.0 or greater	3.0	--- (not met)	3.0
3.0 or greater	3.0	0.7	3.7

WDC Fee Growth Scenarios**Scenario 1: WDC participant growth @ 0.75% each year***Ppt growth under 1.0% results in no annual fee increase*

	2011	2012	2013	2014	2015
Annual Fee - Fixed	\$2,621,148.00	\$2,621,148.00	\$2,621,148.00	\$2,621,148.00	\$2,621,148.00
Expected # of ppt (end of yr)	51,251	51,635	52,023	52,413	52,806
Average price per ppt	\$51.14	\$50.76	\$50.38	\$50.01	\$49.64

Scenario 2: WDC participant growth @ 2.5% each year, but PEP not met*Ppt growth at 1.0% to less than 3.0% = fee increase of 2.7% (no PEP incentive)*

	2011	2012	2013	2014	2015
Annual Fee - Fixed	\$2,621,148.00	\$2,691,919.00	\$2,764,600.81	\$2,839,245.03	\$2,915,904.65
Expected # of ppt (end of yr)	51,251	52,532	53,846	55,192	56,572
Average price per ppt	\$51.14	\$51.24	\$51.34	\$51.44	\$51.54

Scenario 3: WDC participant growth @ 2.5% each year, PEP met*Ppt growth at 1.0% to less than 3.0% = fee increase of 3.0% (2.7% + 0.3% PEP incentive)*

	2011	2012	2013	2014	2015
Annual Fee - Fixed	\$2,621,148.00	\$2,699,782.44	\$2,780,775.91	\$2,864,199.19	\$2,950,125.17
Expected # of ppt (end of yr)	51,251	52,532	53,846	55,192	56,572
Average price per ppt	\$51.14	\$51.39	\$51.64	\$51.90	\$52.15

Scenario 4: WDC participant growth at or over 3.0% each year but PEP not met*Ppt growth equal to or greater than 3.0% = fee increase of 3.0% (no PEP incentive)*

	2011	2012	2013	2014	2015
Annual Fee - Fixed	\$2,621,148.00	\$2,699,782.44	\$2,780,775.91	\$2,864,199.19	\$2,950,125.17
Expected # of ppt (end of yr)	51,251	52,789	54,372	56,003	57,683
Average price per ppt	\$51.14	\$51.14	\$51.14	\$51.14	\$51.14

Scenario 5: WDC participant growth at or over 3.0% each year and PEP met*Ppt growth equal to or greater than 3.0% and PEP met = fee increase of 3.7% (3.0% + 0.7% PEP incentive)*

	2011	2012	2013	2014	2015
Annual Fee - Fixed	\$2,621,148.00	\$2,718,130.48	\$2,818,701.30	\$2,922,993.25	\$3,031,144.00
Expected # of ppt (end of yr)	51,251	52,789	54,372	56,003	57,683
Average price per ppt	\$51.14	\$51.49	\$51.84	\$52.19	\$52.55