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**CORRESPONDENCE MEMORANDUM**

**DATE:** January 24, 2013  
**TO:** Wisconsin Deferred Compensation Board  
**FROM:** Shelly Schueller, Director  
Wisconsin Deferred Compensation Program  
**SUBJECT:** Proposed Plan and Trust Document Addition Related to In-Kind Transfers of Self-Directed Brokerage Account Assets

**Staff recommends the Wisconsin Deferred Compensation Board (Board) consider approving an addition to the WDC's Plan and Trust Document to specifically permit in-kind transfers of self-directed brokerage account assets.**

This memo outlines a proposed addition to the Wisconsin Deferred Compensation Program (WDC) Plan and Trust document that would permit participants to make in-kind, direct transfers of self-directed brokerage account assets. Last October WDC staff received this request from a participant who wanted to transfer some of his WDC assets currently in a mutual fund in the Schwab self-directed brokerage option directly to the same mutual fund in a Schwab traditional individual retirement account (IRA). The mutual fund this participant is using via the WDC's Schwab self-directed brokerage option is currently closed, thus unless an in-kind transfer is permitted, the participant cannot move his assets and continue to use the same mutual fund.

In researching this request, staff discovered that both the administrator, Great-West Retirement Services (GWRS) and Schwab can process in-kind transfers, but the WDC's Plan and Trust document is silent on this subject. GWRS' legal staff recommends the Board clarify that an in-kind transfer is permissible, and amend the administrative services agreement with GWRS to include language to clarify that GWRS can process in-kind transfer requests from participants. Board agenda item six contains a proposed administrative services agreement for this amendment.

Staff agrees with these recommendations, and requests the Board to consider explicitly authorizing in-kind transfers in the Plan and Trust document as a service to the WDC's participants using the Schwab self-directed brokerage option.

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

Electronically signed 1/29/13

Board	Mtg Date	Item #
DC	2.19.13	5

Permitting in-kind transfers allows participants to maintain their specific investment options; participants using this would not have their assets sold or bought. The shares are transferred and the only difference is how the asset is registered (in a s. 457 plan or IRA, for example). GWRS and Schwab both state they will process in-kind transfers at no extra cost.

For the Board's consideration, GWRS legal staff has drafted the following in-kind transfer language as a new Plan and Trust section in Article VIII, Special Rules Regarding the Self-Directed Brokerage Option (SDO):

“8.12 Notwithstanding anything to the contrary in Article VIII, Special Rules Regarding the Self-Directed Option, a PARTICIPANT or BENEFCIARY who receives an ELIGIBLE ROLLOVER DISTRIBUTION may elect to distribute 100% of their SDO account assets in-kind to an ELIGIBLE RETIREMENT PLAN.”

If the Board approves the recommended in-kind transfer language above and subsequently approves an administrative service agreement amendment authorizing GWRS to process in-kind transfers, the Board Chair could sign the revised Plan and Trust document after the Board meeting. The new Plan and Trust document would formally take effect after it has been announced to participants via the April 2013 WDC quarterly newsletter. New educational material regarding this service will also be developed.

GWRS and staff will be available at the meeting to discuss this memo and answer any questions regarding the proposed addition.

Attachments: [Draft Revised Plan and Trust Document](#)  
[October 25, 2012 participant letter](#)