



STATE OF WISCONSIN
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CORRESPONDENCE MEMORANDUM

DATE: January 24, 2013
TO: Wisconsin Deferred Compensation Board
FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
SUBJECT: 2012 Plan Enhancement Program (PEP) Results and 2013 Administrative Fee

The Wisconsin Deferred Compensation Board (Board) is asked to consider approving a 2.8% increase in the annual fee paid to Great-West Retirement Services (GWRs).

The 2012 Plan Enhancement Program (PEP), approved by the Board, identified specific enhancements and initiatives on which GWRs staff was directed to focus, and the metrics used to measure the results. As outlined in Section 7.3A of the Board's Administrative Service Contract with GWRs, if total Wisconsin Deferred Compensation (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 3%. Exhibit 15 (attached), which was part of the contract extension, provides examples of projected administrative fees at various participant growth rate scenarios. Achieving the 2011 PEP objectives resulted in a 3.0% increase in GWRs' administrative fee, from \$2,621,148 to \$2,699,782.

In 2012 GWRs exceeded the participation goal for employees, which was to maintain the same number of in-force accounts as of December 31, 2011 (51,577). As of December 31, 2012, there were 52,314 accounts, or 737 more participants with account balances than at the end of 2011. This is an increase of 1.41%. Although only 11 new local employers adopted the WDC in 2012 (four short of the 2012 goal of 15 new employers), the Department and GWRs concur that the intent of the employer

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

Electronically signed 1/29/13

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participation goal has been met. Two of these new local employers are extremely large and represent a pool of nearly 1,800 potential participants for the WDC. GWRS was also successful in diversifying participants' investments and providing outreach and education to retirees and active participants.

Based on the 2012 PEP results, staff recommends the Board approve a 2.8% fee increase in 2013, from \$2,699,782 to \$2,775,376.35. Staff from GWRS and the Department of Employee Trust Funds will be available at the February 19, 2013, meeting to discuss the 2012 PEP results with the Board.

Attachments: 1) 2012 PEP Scorecard

2) 2012 Scorecard Addendum

3) GWRS to ETF letter dated January 17, 2013

4) Exhibit 15 of ETE0005 (Example WDC Administrative Fee)

2012 WDC Scorecard



Four Dimensions		Metric/Goals	2012 Goals	2012 Results
1.	Participation a) Employees b) Employers	Maintain 12/31/2011 in-force account population	12/31/11 in-force accounts = 51,577	52,314 in-force accounts.
		Add 15 new employers over 12/31/2011	12/31/11 = 877 local employers offering the WDC	11 employers were added in 2012
	<p><i>Overall, the WDC worked with 11 employers to complete the adoption paperwork. Of these employers, two had over 450 employees (Oshkosh School District – 1,400 and Burlington School District – 450). The total size of employers adopting the WDC was higher than in prior years – 2011 eligible employees – 2,090 and 2012 eligible employees – 2,390. When we look at the number of eligible employees for the new employers, we believe the intent of this goal was met.</i></p>			
2.	Asset Allocation	Decrease number of participants using a target date fund and other investment options and/or multiple target date funds by 5%	<p>Decrease number of participants using a target date fund and other investment options within the WDC, and/or multiple target date funds, by 5%, or 445 participants.</p> <p>(As of 12/31/2011, the WDC had 7,663 participants investing in a target date fund and other investment options, and 1,248 participants had more than one target date fund).</p>	<p>The WDC decreased the number of participants in this category from 8,911 to 8,141, or 8%.</p> <p>(As of 12/31/2012, the WDC had 6,862 participants investing in a target date fund and other investment options, and 1,279 participants had more than one target date fund).</p>
		Decrease number of participants who only have only one asset class or one investment option (excluding target date funds)	<p>Decrease number of participants who have only one asset class or one investment option by 5% (excluding Target Date Funds).</p> <p>(As of 12/31/2011, the WDC had 7,195 participants who had only one asset class, of which 5,734 participants invested in only one investment option.)</p>	<p>The WDC decreased the number of participants in this category from 7,195 to 7,038, or 2%.</p> <p>(As of 12/31/2012, the WDC had 7,038 participants who had only one asset class, of which 5,585 invested in only one investment option.)</p>
	<p><i>Overall, the WDC was able to make an impact on the number of participants who were not diversified (as defined in the 2012 goal). When we combine the two Asset Allocation objectives, we were able to decrease this group by 6% from 16,106 to 15,179. Therefore, the Asset Allocation objective was met.</i></p>			
3.	Education and Learning	Maintain high visibility in number of group and individual meetings.	800 group seminars and 6,500 individual meetings	743 group meetings and 7,612 individual meetings have been reported.
		Going Green	Increase Online File Cabinet usage by 10% or 225 participants	As of the date of this report, this information was not available.
4.	Retention	Offer nearing retirement education	<ul style="list-style-type: none"> ▪ Retiree Advocate Meetings ▪ Steppingstones to Retirement Workshops 	<ul style="list-style-type: none"> ▪ <u>Retiree Advocate Meetings</u>: In early May, the WDC offered four (Middleton, La Crosse, Green Bay and Milwaukee) Pre-Retirement Workshops conducted by Ron Nichols, Great-West Retiree

				<p>Advocate. 484 participants attended the meetings and 86% of survey respondents said they would recommend the workshop to a friend.</p> <ul style="list-style-type: none"> ▪ <u>Steppingstones to Retirement</u> workshops were held Nov. 5-8 in Janesville, Rice Lake, Wausau and Oshkosh. Unfortunately, due to budgetary constraints, Social Security was unable to attend. However, WRS and the WDC carried on and provided handouts and contact information from Social Security. 214 people attended the meetings. This number is down significantly from previous years we believe due to the lack of a Social Security presentation.
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Update on Milwaukee Public Schools (MPS)

1.	Participation	Increase WDC participation from 52 to 100 MPS accounts	<ul style="list-style-type: none"> ▪ Target outreach campaigns: <ul style="list-style-type: none"> ▪ Letter to employees contributing maximum amount to TSA ▪ Letters to new hires sent quarterly with quick enrollment form, provided a list from MPS quarterly of their new hires ▪ WDC attending New Educators Institute (August 2012) ▪ MPS releasing Catch-up information in their newsletters 	<p>70 MPS employees have enrolled in the WDC.</p> <p><u>TSA Max Users:</u> A letter was mailed to approximately 300 MPS employees in February 2012.</p> <p><u>New Hires:</u> A letter was approved to be sent to new hires at MPS on a quarterly basis provided a list was obtained from MPS. A list was not provided.</p>
2.	Education and Learning	Maintain high visibility in number of group and individual meetings	<ul style="list-style-type: none"> ▪ WDC to attend MPS New Educators Institute in August ▪ MPS to host WDC Pre-Retirement Seminar in May ▪ WDC to conduct WRS/WDC evening meeting in October for MPS employees only ▪ MPS to host Steppingstones meeting in November 	<p><u>New Educators Institute:</u> WDC attended in August. New employees were able to visit tables of 403(b) vendors and WDC to ask questions. There were approximately 300 new teachers and paraprofessionals in attendance, and many stopped by the WDC table to learn more. Most spoke with all of the vendors to compare, and a handful already knew they wanted to enroll in the WDC.</p> <p><u>Pre-Retirement Workshops:</u> WDC invited WRS to attend pre-retirement workshops at MPS this fall. Meetings were held during 3 evenings; 2 in October and 1 in November. Due to changes at MPS, they did not conduct pre-retirement workshops in May. WDC was included on the agenda to provide a 15 min. presentation on the WDC to the ~760 MPS employees who attended the meetings in total. Informational packets were distributed to all attendees, as well.</p>

MPS asset allocation and retention goals were deferred due to small base of existing participants.

Addendum to Scorecard

1. Participation

Participant Outreach:

Letter to employees who were 50 or older	1,121 letters were distributed in April 2012
Newly hired employees	List was not provide – no action taken
Electronic payroll stuffers for employers	Roth Tax Time Target Date On-line File Cabinet
Enrollment packets sent to employers included a new flyer explaining how to enroll in the WDC and letting new employees know of upcoming service visits	Distributed to all employers who requested packets
Targeted on-site “Department” meetings Great-West representatives reached out to departments who had less than the median participation rate to offer an enrollment meeting.	43 service visit days at state agencies with less than median participation rates during 1 st Quarter.

Employer Outreach:

Current Employers	Newsletter – provide the current local employers with an informational/educational newsletter on relevant topics in 2012	Released January 2013
	Conduct a satisfaction survey	Released June 2012; 31% of employers returned the survey, and responses were extremely positive. Their local WDC representative, employee presentations, the local service center, and the WDC overall were rated. A few employers indicated they did not know they had a local representative, and the employer newsletter addresses this as well as the January 2013 MoneyTalks newsletter.
	Attend 2-3 major conventions and as many benefits fairs as staff allows in Fall 2012	Attended 6 conventions and 51 benefits fairs
	Plan Reviews – conduct thorough reviews of WDC and specific demographics relative to 12 large/midsize employers throughout 2012	11 plan reviews conducted; 1 rescheduled for 2013
	Letter to employers currently not using the PSC	74 letters mailed 10/30/12

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	Mailing to school districts to offer to attend their back-to-school in-service meetings; included form to return if interested	Released flyer in March and again in July; Attended 18 back-to-school events
Non-participating Employers:	Follow up on leads generated from 2011 newsletter to all non-participating employers	Very little response from mailing
	Quarterly outreach campaign – 10-15 employers in each territory were mailed employer packets and representatives followed up by phone and in person to encourage these employers to adopt the WDC.	1 st quarter - 61 employers 2 nd quarter - 66 employers 3 rd quarter – 49 employers 4 th quarter – 89 employers
University of Wisconsin – Madison:	Mailing to employees contributing the maximum amount to their TSA provided UW can supply a list of these employees	List was not provided by UW
Milwaukee Public Schools:	Mailing to MPS employees contributing the maximum amount to their TSA	Released Feb. 2012
	Introductory letter to new hires	MPS opted out
	New Educators Institute in August	Attended
	WDC pre-retirement workshop at MPS location.	Held Ron Nichols presentation at MPS high school
	WRS/WDC evening workshops in October for MPS employees	Attended 3 evening workshops and coordinated with WRS
	MPS released Catch-up flyer in their internal newsletters. E-mail blast(s) released by MPS will include such topics as: invitations to pre-retirement and Ron Nichols workshops, Catch-up flyer, and Double Your Savings Power (formerly Contributing Through Two Plans – 403(b) vs. 457).	

2. Asset Allocation

Expand participant knowledge of investment options, asset allocation and the importance of taking an active role in planning for their retirement.	Investment 101 seminar offered at various locations
Targeted Web Messages	Added to website March 2012
Newsletter related to Asset Allocation and/or fund changes	3 rd quarter newsletter focused on importance of diversification and included an article on target date funds. Target Date flyer was released to employers and handed out at group meetings and benefits fairs
Appointment Cards	Cards sent to participants with more than one target date fund, a target date fund and other investment options, and those with more than 70% of their accounts in one investment option prior to service visit. 5% of participants who received cards met with their representative

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3. Education

Targeted Web Messaging Enhancements	Added to website March 2012
eLearning with 5-Minute Finance workshops	Added Budgeting, Tax Benefits, and Protecting Your Retirement Savings November 2012
Field seminars	Added Advanced Investment Education and Retirement Planning: An Action Plan for Women
Newsletter Articles to Employers	May – 3 articles released to employers November - 2 articles and limit reminder released to employers

4. Retention/Retiree Outreach

GWRS Retiree Advocate	Conducted May 2012; previously reported
Offer a limited number Steppingstones to Retirement Joint presentations	Conducted November 2012; previously reported
IRA In-bound Call Center	Implemented specialized team at Great-West corporate office to work with participants interested in rolling to IRA in order to retain assets
Fee Flyer	Flyer to be completed January 2013

5. Operational Efficiencies

Distributions approval. Explore the possibility of moving this review process from the local GWRS office to corporate office. This would include contacting any participant who needs to provide additional information or clarification on a distribution form. By moving this function to the “experts” it would increase the efficiency of the distribution processing.



Wisconsin Deferred Compensation Program

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January 17, 2013

Ms. Shelly Schueller
Department of Employee Trust Funds
801 W. Badger Road
P.O. Box 7931
Madison, WI 53707-7931

Dear Shelly:

On behalf of the entire Great-West Financial (Great-West) team, we are pleased to provide you with the 2012 PEP Scorecard.

Great-West, the Wisconsin Deferred Compensation Board (Board) and Department jointly agreed that beginning each year we will develop an annual Plan Enhancement Program (PEP) which defines the specific plan goals, incorporates WDC Board initiatives, and includes metrics for measuring success. These goals and metrics form the PEP and become the focus for the Great-West team.

PEP DIMENSIONS:

The PEP generally has goals and metrics developed around the following *Four 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.
4. *Retiree Outreach* – Provide additional education to retirees and retain retiree accounts and assets in the WDC (reduce rollovers out of the WDC).

As noted in the attached 2012 PEP Scorecard, Great-West met or exceeded the WDC's 2012 PEP objectives with the exception of New Employers and On-line Filing Cabinet® usage.

New Employers – In reviewing the group of employers that adopted the WDC in 2012, the total number of eligible employees represents more than the typical number of employers added. Because of the size of the employers, we believe the intent of this goal was met, yet the number of employers who adopted was less than the stated goal.

On-line Filing Cabinet[®] – At the time of this report, we are unable to determine the percent change in the number of participants using the On-line Filing Cabinet[®]. However, the preliminary report indicates that we did not meet this goal.

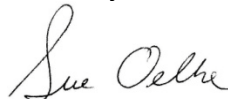
2013 GREAT-WEST ADMINISTRATIVE FEE

As outlined in Section 7.3A of the Board's Administrative Service Contract with Great-West, if total participant growth is greater than 1% but less than 3%, the annual administrative fee due to Great-West increases by 2.7%. Additionally, if Great-West 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 3.0%.

Because Great-West met all but two of the 2012 PEP objectives, and increased WDC participant growth by 1.2%, Great-West is requesting that the 2013 administrative fee increase by 2.9% (2.7% for the participant growth and .2% for the 2012 PEP) from \$2,699,782 to \$2,778,075.

Please let me know if you have any questions or need additional information regarding the 2012 PEP Scorecard.

Sincerely,



Sue A. Oelke
Client Relationship Director

cc: Theresa Myers

enclosure

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