

DRAFT

MINUTES

February 19, 2013

Deferred Compensation Board
State of Wisconsin

Location:

State Revenue Building – Events Room
2135 Rimrock Road, Madison, WI



BOARD MEMBERS PRESENT:

Ed Main, Chair

John Nelson, Vice-Chair

Gail Hanson, Secretary (via teleconference)

BOARD MEMBERS ABSENT:

Martin Beil

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Bob Conlin, Secretary

Rob Marchant, Deputy Secretary

Cheryllynn Mullins, Board Liaison

Division of Retirement Services:

Matt Stohr, Administrator

Deferred Compensation Program:

Shelly Schueller, Director

Office of Communications and Legislation:

Tarna Gahan-Hunter, Legislative
Liaison

Office of Policy, Privacy & Compliance:

Steve Hurley, Director

OTHERS PRESENT:

Division of Management Services:

Jack Loman

Great-West Retirement Services:

Emily Lockwood

Theresa Myers (via teleconference)

Sue Oelke

State Engineering Association:

Bob Schaefer

Michael Gracz

Edward Main, Chair, called the meeting of the Deferred Compensation Board (Board) to order at 1:01 p.m.

Board	Mtg Date	Item #
DC	6.5.13	2

ANNOUNCEMENTS

Ms. Schueller noted that updated Wisconsin Deferred Compensation (WDC) Board Governance and Reference Manuals have been distributed to all Board members. Mr. Gracz will have his State Senate committee hearing tomorrow for his appointment to the WDC Board. He is present at this meeting but will not be voting on Board matters.

MINUTES

MOTION: Ms. Hanson moved acceptance of the minutes of the November 6, 2012, meeting as submitted by the Board Liaison. Mr. Nelson seconded the motion, which passed unanimously on a voice vote.

ELECTION OF OFFICERS

Mr. Main asked for nominations for Board officers.

MOTION: Ms. Hanson moved to elect Board officers for 2013 as follows: Ed Main as Chair, John Nelson as Vice-Chair, and Gail Hanson as Secretary. Mr. Nelson seconded the motion, which passed unanimously on a voice vote.

POLICY ON VENDOR PROCUREMENT APPEALS

Mr. Hurley requested approval of a draft process for handling Vendor Procurement Appeals/Contract Awards (Ref. DC | 2.19.13| 4). A similar procedure was approved in September 2012 by the Employee Trust Funds (ETF) Board. The difference between the ETF Board's process and the process before this Board for approval is an extra Chapter 16 State statute component that is not applicable to this Board. If approved, the procurement appeals policy will be included in the Board's Governance Manual.

MOTION: Ms. Hanson moved to approve the vendor procurement appeals procedure as provided in the January 23, 2013 memo by Steve Hurley. Mr. Nelson seconded the motion, which passed unanimously on a voice vote.

PLAN AND TRUST REVISION: SCHWAB IN-KIND TRANSFERS

Ms. Schueller requested an addition to the WDC Plan and Trust document to specifically permit in-kind transfers of Schwab self-directed brokerage account assets. (Ref. DC | 2.19.13| 5) A WDC participant requested the ability to move his assets from

his existing WDC Schwab account (including assets in a closed mutual fund) directly to an IRA in which he wished to invest in the same closed mutual fund. Without the in-kind transfer feature, this would be impossible. ETF confirmed that both Great-West Retirement Services (GWRS) and Schwab can process in-kind transfers and will do so if this is permitted by the Board. There is no extra cost to the Board or participants for this service. If the Board approved this proposed revision, it would go into effect on May 1, 2013, after the public and participants have been notified of the Plan and Trust revision via the April 2013 WDC newsletter.

MOTION: Ms. Hanson moved to approve an addition to the Plan and Trust document to permit in-kind transfers of self-directed brokerage account assets and to authorize the Board Chair to sign the amended Plan and Trust document. Mr. Nelson seconded the motion, which passed unanimously on a voice vote.

ADMINISTRATIVE SERVICES AGREEMENT AMENDMENTS

Ms. Schueller asked the Board to approve an amendment to the administrative services agreement with GWRS for two items (Ref. DC | 2.19.13 | 6):

- a) authorizing GWRS to process in-kind transfers of participants' Schwab assets; and
- b) addressing how GWRS will honor the existing service contract with the Board, as it transitions record keeping from the current U.S. Conference of Mayors record-keeper to GWRS.

Schwab in-kind transfers

MOTION: Ms. Hanson moved to approve an addition to the administrative service agreement with GWRS authorizing GWRS to process in-kind transfer requests of Schwab self-directed brokerage account assets. Mr. Nelson seconded the motion, which passed unanimously on a voice vote.

U.S. Conference of Mayors Plan

Ms. Schueller reminded the Board of a discussion at the November 6, 2012, Board meeting regarding the U.S. Conference of Mayors (USCM) plan in Wisconsin. At that time, Ms. Myers shared the news that GWRS has been selected by the USCM to perform the record keeping for the USCM Section 457 deferred compensation plan.

Ms. Myers, via teleconference, confirmed that the contract between WDC and GWRS requires GWRS to secure Board approval prior to performing any work on any s. 457 plan that may be considered a competitor to the WDC in the State of Wisconsin. At the

November 2012 meeting, the Board requested three items from GWRS regarding the USCM plan:

1. A letter outlining the GWRS plan for providing limited services to the USCM plan in Wisconsin;
2. Creation of unbiased educational materials including a comparison between the USCM plan and the WDC; and
3. Confirmation that GWRS will ensure there is no overlap or conflict of interest regarding the GWRS employees providing services to the WDC and the USCM plans.

MOTION: Ms. Hanson moved to approve an amendment to the administrative services agreement to clarify the Board will permit GWRS to provide limited services for the U.S. Conference of Mayors' s. 457 plan in Wisconsin as outlined in the December 7, 2012, memo from Theresa Cruz Myers of GWRS to the Department, contingent upon the amendment including a statement indicating that GWRS will seek Board approval prior to making any future changes, and authorizing the Board Chair to approve and sign both "a" and "b" amendments to the administrative services agreement with GWRS. Mr. Nelson seconded the motion, which passed unanimously on a voice vote.

2012 PLAN ENHANCEMENT PROGRAM (PEP) RESULTS AND 2013 ADMINISTRATIVE FEE

Ms. Schueller shared the results of the 2012 Plan Enhancement Program (PEP) (Ref. DC | 2.19.13| 7) and the subsequent effect these results will have on the 2013 administrative fee paid to GWRS by the Board. In 2012, GWRS exceeded the participation goal for employees and was only four short of the 2012 goal of 15 new employers. However, two of these new employers (both local) were extremely large and represent a pool of nearly 1,800 potential WDC participants. The Department believes GWRS met the intent of the PEP even though GWRS did not meet the exact numerical goals.

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.

MOTION: Ms. Hanson moved to approve a 2.8% increase in the annual fee paid to GWRS. Mr. Nelson seconded the motion, which passed unanimously on a voice vote.

RETIREMENT INCOME CONTROL PANEL

Ms. Schueller briefly reviewed the enhanced retirement planning tools that GWRS will soon make available to participants to help them better understand their retirement readiness. (Ref. DC | 2.19.13| 8)

Ms. Oelke explained how the Retirement Income Control Panel will help change the focus of participant's retirement savings from focusing on their lump sum account balances to per month payments. With this approach, participants will be able to better understand what their retirement account savings balance means, in terms of future retirement income.

FDIC OPTION PROVIDER RFP UPDATE

Ms. Schueller gave an update on the FDIC Option Provider Request (Ref. DC | 2.19.13| 9). She reported that the RFP was released February 14, 2013. One firm has replied, stating they will respond to the proposal. Interested vendors have until April 4, 2013, to submit proposals. Ms. Schueller will present the evaluation committee's recommendations to the Board at the June meeting.

LIBOR RATE SETTING SITUATION UPDATE

Ms. Schueller presented an update on the LIBOR situation as requested at the November 2012 Board meeting (Ref. DC | 2.19.13| 10). Upon contacting WDC investment providers, their responses were similar to what was received in November 2012. Investment providers indicated they are evaluating and assessing the situation and, if the circumstances warrant, they will become part of a lawsuit for their clients. In addition, ETF will be contacting the Wisconsin Department of Justice for their advice. Additional updates will be brought to the Board at the June 2013 Board meeting.

OPERATIONAL UPDATES

Ms. Hunter provided the Board with a legislative update. Governor Walker is proposing his State budget tomorrow (February 20, 2013) and the legislative session started January 7, 2013.

On the federal level, the American Tax Payers Relief Act (also known as the "fiscal cliff" bill) was passed on January 1, 2013. This bill included a provision to allow money in pre-tax retirement accounts to be converted in-plan to Roth accounts beginning January 1, 2013. Because the converted amount would be taxable in the year the conversion is made, federal officials estimated this provision would raise \$12 billion in tax revenue. Earnings after the conversion date will be tax-free if the distribution is a qualified distribution. According to Ms. Schueller, the WDC meets the qualifications

necessary for providing the in-plan Roth conversion option to participants. GWRS is presently working on the administrative and recordkeeping changes needed to offer this service, which would be available to WDC participants without additional cost. If there is Board interest in offering this service, it is likely that both a Plan and Trust revision and an amendment to the Board's administrative service contract would be needed. The Board indicated they would like to offer this feature. Staff will begin to draft the document revisions for Board consideration at the June Board meeting.

Ms. Schueller referred the Board members to the materials under the operational updates section in their meeting materials for routine reports and additional information and news from the investment providers. (Ref. DC | 2.19.13| 11).

ADJOURNMENT

MOTION: Ms. Hanson moved to adjourn. Mr. Nelson seconded the motion, which passed unanimously on a voice vote.

The meeting was adjourned at 1:44 p.m.

Date Approved: _____

Signed: _____

Gail Hanson, Secretary
Deferred Compensation Board