



STATE OF WISCONSIN
Department of Employee Trust Funds
Robert J. Conlin
SECRETARY

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CORRESPONDENCE / MEMORANDUM

DATE: February 4, 2014
TO: Deferred Compensation Board
FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
SUBJECT: 2013 Plan Enhancement Program (PEP) Results and
2014 Administrative Fee Change

The Deferred Compensation Board (Board) is asked to approve a 3.0% increase in the annual fee paid to Great-West Financial (Great-West).

The 2013 Plan Enhancement Program (PEP) approved by the Board identified specific enhancements and initiatives upon which Great-West staff should focus and the metrics used to measure the results. As outlined in Section 7.3A of the Board's Administrative Service Contract with Great-West, if total Wisconsin Deferred Compensation (WDC) 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%. Exhibit 15 (attached), which was part of the contract extension, provides examples of projected administrative fees at various participant growth rate scenarios.

2013 PEP Results

In the 2013 PEP, the Board set goals of increasing the number of participants by 1.5% and adding ten new local public employers to the WDC. Great-West was very successful in this area. The number of participating employees increased by 2.3%. As of December 31, 2013, there were 53,543 accounts, or 1,229 more participants with account balances than at the end of 2012. Additionally, 20 new local employers adopted the WDC in 2013 and 15 local employer level plan reviews were completed (three beyond the 2013 goal of twelve).

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

 Electronically Signed 2/10/14

Board	Mtg Date	Item #
DC	3.4.14	8

As shown on the attached 2013 WDC Scorecard, Great-West was also successful in reaching other PEP goals, including diversifying participants' investments and providing outreach and education to retirees and active participants. In 2013 Great-West:

- Reduced the number of participants using multiple target date funds or a target date fund and other investments by 8.6%. (goal was 3%).
- Conducted 888 group seminars (goal was 800) and 8,773 individual meetings (goal was 6,500).
- Reduced the number of participants without a beneficiary designation on file by 785 or 8.1% (goal was 2%).
- Implemented the new WDC website, including the Retirement Income Control Panel.

In the "Retention" area of the PEP, the evening workshop events did not turn out as planned, through no fault of Great-West. As planned in the PEP, Great-West organized a pilot evening WDC workshop in the spring of 2013. Despite efforts to advertise and encourage attendance, the participant turnout was poor and the pilot was not repeated. The "Steppingstones to Retirement" workshops were cancelled after it was discovered that staff from the Social Security Administration (SSA) could not participate and ETF's Outreach and Education staff were also not available. Without SSA and ETF, attendance at the workshops would likely have been very low and not a cost effective use of resources.

US Conference of Mayors Plan in Wisconsin

In 2013, the Board approved an amendment to the WDC's administrative services contract with Great-West. The amendment permits Great-West to provide support in the State of Wisconsin to any United States Conference of Mayors (USCM) s. 457 deferred compensation plan sponsors with balances of \$1 million or greater interested in moving the existing USCM plans to the Great-West platform. Great-West agreed to provide the Board with updates on its activities in Wisconsin regarding the USCM plan. As indicated on the attached letter from Great-West dated January 30, 2014, as of the end of 2013, only two small non-WDC employers have moved USCM accounts to Great-West.

Recommendation

Based on the 2013 PEP results, staff recommends the Board approve a 3.0% fee increase in 2013, from \$2,778,075 to \$2,861,417.

Staff from Great-West and the Department of Employee Trust Funds will be available at the March 4, 2014, meeting to discuss the 2013 PEP results with the Board.

- Attachments: 1) 2013 PEP Scorecard
2) 2013 Great West US Council of Mayors plan activities in Wisconsin
3) Exhibit 15 of ETE0005 (Example WDC Administrative Fee)

2013 WDC Scorecard



Four Dimensions		Metric/Goals	2013 Goals	Year End Update (12/31/2013)
1.	Participation a) Employees b) Employers	<p>a. Increase 12/31/2012 in-force account population by 1.5%</p> <p>b. Add 10 new employers by 12/31/13</p>	<p>a. As of 12/31/12, there were 52,314 in-force accounts</p> <p>b. As of 12/31/12, there were 873 employers offering the WDC</p> <ul style="list-style-type: none"> Attend 3-4 conventions; attend >40 benefits fairs; conduct 12 plan review meetings; contact all school districts to offer to attend in-service <p>c. Confirm WDC employers and remove any that have dissolved or merged</p>	<p>a. 53,543 in-force accounts (2.3% increase)</p> <p>b. 20 new employers YTD</p> <ul style="list-style-type: none"> 5 conventions attended Attended 53 benefits fairs 15 plan reviews conducted School districts contacted by phone <p>c. Removed employers found to be dissolved.</p>
2.	Asset Allocation	<p>a. Decrease number of participants in more than one target date fund or a target date fund and other investment options by 3%.</p> <p>b. Default less than 95% participants should an investment option be removed.</p>	<p>a. On 12/31/2012, the WDC had 8,141 participants investing in multiple target date funds or a target date fund and other investments.</p> <p>b. Conduct education and outreach so participants can make informed decisions regarding investment options</p>	<p>a. 7,440 (8.6% decrease) (defined as Roth and before-tax contribution dollars and 1% of account balance or higher)</p> <p>b. N/A</p>
3.	Education and Learning	a. Maintain high visibility in number of group and individual meetings.	a. 800 group seminars and 6,500 individual meetings	888 group meetings and 8,773 individual appointments have been conducted
		b. Going Green – Online File Cabinet®	b. Increase Online File Cabinet usage by 5% (3,071 users as of 3/31/2013)	4,686 Online File Cabinet® users (52.5% increase since 3/31/2013)
		c. New website	c. Implement new WDC website	New website went live 8/21/13 and has been well-received by participants
4.	Retention	a. Beneficiary outreach	<p>a. Reduce the number of participants without a beneficiary designation by 2%.</p> <p>(As of 12/31/12, the WDC had 9,660 participants without a beneficiary designation on file.)</p>	8,875 (8.1% decrease) in number of participants without a beneficiary designation
		b. Pilot evening WDC workshop	b. Conduct pilot evening WDC workshop; if attendance is good, offer quarterly	Pilot conducted; turnout low Not to repeat quarterly
		c. Steppingstones to Retirement	c. Offer four Steppingstones to Retirement workshops	Due to Social Security's inability to participate and ETF's focus on field service, we are discontinuing Steppingstones until Social Security can participate again.



January 30, 2014

Shelly Schueller, Director
Wisconsin Deferred Compensation Program
Department of Employee Trust Funds
801 W. Badger Road
P.O. Box 7931
Madison, WI 53707-7931

Subject: United States Conference of Mayors (USCM)
Deferred Compensation Program

Dear Shelly:

As outlined in the Ninth Amendment to the Administrative Services Contract the WDC Board granted Great-West the ability to assist the United States Conference of Mayors (USCM), in transitioning and maintaining Wisconsin cities with balances of \$1 million or greater.

This initiative began in 2013 and as a result of our agreement we wanted to provide you and the WDC Board with an update on the activities of the Great-West USCM team. Since the agreement was approved there have been zero plans with a balance of \$1 million or greater that have transitioned to the new USCM Great-West Plan.

There have been two small plans, the Town of Lowville with less than \$18,000 in assets (\$34,000 in an OBRA Plan) and the Town of Monico with less than \$14,200 in assets, have elected to move to USCM Great-West. Neither of these employers are currently offering the WDC.

Great-West is committed to honoring our service commitment to the WDC Board and Department.

Please do not hesitate to contact me with any questions or concerns at (303) 737-7701.

Sincerely,

A handwritten signature in dark ink that reads "Theresa Myers". The signature is written in a cursive, flowing style.

Theresa Cruz Myers
Vice President, Client Services, Central Region

Copy: Brent Neese, Vice President, Government Markets, Great-West
Sue Oelke, Client Relationship Manager, Great-West

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