



STATE OF WISCONSIN
Department of Employee Trust Funds
Robert J. Conlin
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CORRESPONDENCE / MEMORANDUM

DATE: February 9, 2015
TO: Wisconsin Deferred Compensation Board
FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
SUBJECT: 2014 Plan Enhancement Program (PEP) Results and
2015 Administrative Fee Change

The Wisconsin Deferred Compensation Board (Board) is asked to approve a 3.7% increase in the annual fee paid to Great-West Financial/Empower.

The 2014 Plan Enhancement Program (PEP) approved by the Deferred Compensation Board (Board) identified specific enhancements and initiatives on which Empower Retirement¹ staff was directed to focus and the metrics used to measure the results. As outlined in Section 7.3A of the Administrative Service Contract, if total Wisconsin Deferred Compensation (WDC) participant growth is greater than 3.0%, the annual administrative fee increases by 3.0%. Additionally, if Empower Retirement meets the Board's objectives as defined in the annual PEP, the administrative fee increases by an additional 0.7% in the following year, for a total maximum possible increase of 3.7%. Contract extension Exhibit 15 (attached) provides examples of projected administrative fees at various participant growth rate scenarios.

2014 PEP Results

In the 2014 PEP, the Board set goals of increasing the number of participants by 1.5% and adding eight new local public employers to the WDC. Empower Retirement was extremely successful in this area. The number of participating employees increased by 4.1%, which is well above the goal of increasing the number of participants by 1.5%. As of December 31, 2014, there were 55,740 participant accounts. This is an increase of 2,197 more participants with account balances than at the end of 2013. Empower Retirement had great success in adding new local employers as well. The goal was 8 new local employers and 18 new local employers adopted the WDC in 2014. In addition, 13 local employer level plan reviews were completed.

¹ Great-West changed its name to Empower Retirement in the fall of 2014.

Reviewed and approved by Matt Stohr, Administrator
Division of Retirement Services
 Electronically Signed 2/20/15

Board	Mtg Date	Item #
DC	3.12.15	10

As shown on the attached 2014 WDC Scorecard, Empower Retirement was also successful in reaching other PEP goals. In 2014 Empower Retirement:

- Conducted 938 group seminars (goal was 600 seminars) and 10,250 individual meetings (goal was 7,500 meetings);
- Developed and released a budgeting seminar for participants;
- Developed an annual employer-specific newsletter;
- Created a plan comparison flyer for employer use; and
- Successfully piloted two webinars, one for participants and one for employers.

U.S. Conference of Mayors Plan in Wisconsin

In 2013, the Board approved an amendment to the WDC's administrative services contract with Empower Retirement that permits Empower Retirement 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 their existing USCM plans to the Empower Retirement platform. Empower Retirement agreed to provide the Board with updates on its activities in Wisconsin regarding the USCM plan. As indicated on the attached letter from Empower Retirement dated February 6, 2015, as of the end of 2014, no plans with a balance of \$1 million or greater have moved their USCM accounts to the USCM plan administered by Empower Retirement. Two very small non-WDC local employers did move their plans to the USCM Empower retirement plan in 2013, but none have since then.

Recommendation

Based on the 2014 PEP results, staff recommends that the Board approve a 3.7% fee increase in 2015 for Empower Retirement, from \$2,861,417 to \$2,967,289.

Staff from Empower Retirement and the Department of Employee Trust Funds will be available at the March 12, 2015, meeting to discuss the 2014 PEP results with the Board.

Attachments: A) 2014 PEP Scorecard

B) 2014 Great-West/Empower US Council of Mayors plan activities in Wisconsin

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



Wisconsin Deferred Compensation Program

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February 2, 2015

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 Empower Retirement team, we are pleased to provide you with the 2014 PEP Scorecard.

Empower Retirement, the Wisconsin Deferred Compensation Board (Board) and Department jointly agreed that beginning each year we would develop an annual Plan Enhancement Program (PEP) to define the specific plan goals, incorporate WDC Board initiatives, and include metrics for measuring success. These goals and metrics form the PEP and become the focus for the year.

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 as well as the number of political subdivisions offering the WDC.
2. *Asset Allocation* – Encourage appropriate diversification of participant assets in WDC investment options. Last year included a focus on participants who had over \$100,000 in the FDIC insured bank option. A reminder letter was sent to this group of participants.
3. *Education and Learning* – Provide more financial literacy learning opportunities for all participants. We implemented a budgeting seminar, an electronic quarterly participant newsletter, and an employer-specific newsletter for distribution. We also piloted both a participant webinar on the Stable Value Fund and an employer webinar on their role as a Fiduciary.
4. *Retiree Outreach* – Provide additional education to retirees; retain retiree accounts/assets in the WDC. We piloted a custom newsletter for participants age 50 and older, and the pre-retirement webinar with Bob Schulz.

We are very pleased to report that we have exceeded all goals outlined in the 2014 PEP Scorecard (see attached).

2015 EMPOWER RETIREMENT ADMINISTRATIVE FEE

As outlined in Section 7.3A of the Board's Administrative Service Contract with Empower Retirement, if total participant growth is greater than 1% but less than 3%, the annual administrative fee due to

Empower Retirement increases by 2.7%. Additionally, if Empower Retirement 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%. If total participant growth is greater than 3%, and Empower Retirement meets the Board's objectives as defined in the annual PEP, the administrative fee increases by a total of 3.7%

Because Empower Retirement met all of the 2014 PEP objectives, and increased WDC participant growth by 4.1%, Empower Retirement is requesting that the 2015 administrative fee increase by 3.7% (3% for the participant growth and .7% for the 2014 PEP) from \$2,861,417 to \$2,967,289.

Please let me know if you have any questions or need additional information regarding the 2014 PEP Scorecard.

Sincerely,



Sue A. Oelke
Client Relationship Director

cc: Darryl Collier

enclosure

2014 WDC Scorecard



	Four Dimensions	Metric/Goals	2014 Goals	Year-end Update (12/31/14)
1.	Participation a) Employees b) Employers	<ul style="list-style-type: none"> a. Increase 12/31/2014 in-force account population by 1.5% b. Add 8 new employers by 12/31/14 	<ul style="list-style-type: none"> a. As of 12/31/13, there were 53,543 in-force accounts b. As of 12/31/13, there were 884* local employers offering the WDC <ul style="list-style-type: none"> i. Attend 2-3 conventions ii. Attend >40 benefits fairs iii. Conduct 12 plan review meetings iv. Contact all school districts to encourage them to provide onsite service to their employees c. Release a direct mail enrollment piece to State of Wisconsin employees identified by central payroll as not participating. 	<ul style="list-style-type: none"> a. 55,740 in-force accounts, or 4.1% growth b. 18 new employers added <ul style="list-style-type: none"> i. 3 conventions attended ii. 58 benefits fairs attended during It's Your Choice period iii. 13 plan review meetings conducted iv. All school districts have been contacted c. Mailing was released to all non-participating State employees (as per Central Payroll)
2.	Asset Allocation	<ul style="list-style-type: none"> a. Notice to participants of \$250,000 FDIC coverage. b. Default less than 95% participants should an investment option be removed. 	<ul style="list-style-type: none"> a. On 12/31/2013, the WDC had 3,426 participants with a balance in the FDIC insured bank option. A reminder letter will be sent to participants with over \$100,000 in the FDIC account. b. Conduct education and outreach so participants can make informed decisions regarding investment options, including exploring ability to provide webinars on specific WDC investments. 	<ul style="list-style-type: none"> a. FDIC letter was released in late 2013. b. An investment option was not removed or added.
3.	Education and Learning	<ul style="list-style-type: none"> a. Maintain high visibility in number of group and individual meetings. 	<ul style="list-style-type: none"> a. 600 group seminars and 7,500 individual meetings b. Develop a budgeting seminar for presentation to participants c. Develop an electronic quarterly participant newsletter d. Develop an annual employer-specific newsletter for distribution e. Create a plan comparison flyer for employer use f. Pilot employer/participant webinar 	<ul style="list-style-type: none"> a. 938 group seminars and 10,250 individual appointments have been conducted. b. Budgeting seminar is in use c. Electronic newsletter available Q3 d. Employer newsletter released e. Plan comparison flyer is in development f. Galliard webinar had 128 attendees;

				Fiduciary webinar had 41 employers attend.
4.	Retention/Retiree Outreach	a.. Pilot pre-retirement webinar	<ul style="list-style-type: none"> a. Pilot custom newsletter for participants age 50 and older b. Conduct pilot webinar on distribution options and factors those nearing retirement need to consider. 	<ul style="list-style-type: none"> a. 50+ newsletter released b. 680 employees connected to the webinar via web and/or phone

*20 new employers were added in 2013; 9 employers were removed from list as dissolved and/or merged.



February 6, 2015

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 Empower Retirement (formerly 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 are providing you and the WDC Board an annual 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 Empower Retirement Plan as of December 31, 2014.

In 2013, we reported the transition of 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, which elected to move to USCM Empower Retirement. Neither of these employers offered the WDC Plan.

Empower Retirement is committed to honoring our service to the WDC Board and Department.

Please do not hesitate to contact me with any questions or concerns at (303) 737-3291.

Sincerely,

A handwritten signature in black ink that reads "Darryl A. Collier".

Darryl A. Collier
National Accounts Director, Government Markets
Empower Retirement

cc: Brent Neese, Vice President, Government Markets, Empower Retirement
Sue Oelke, Client Relationship Manager, Empower Retirement

Empower Retirement refers to the products and services offered in the retirement markets by Great-West Life & Annuity Insurance Company (GWL&A), Corporate Headquarters: Greenwood Village, CO; Great-West Life & Annuity Insurance Company of New York (GWL&A of NY), Home Office: White Plains, NY; and their subsidiaries. The trademarks, logos, service marks, and design elements used are owned by GWL&A.

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