



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

801 W Badger Road
PO Box 7931
Madison WI 53707-7931
1-877-533-5020 (toll free)
Fax (608) 267-4549
<http://etf.wi.gov>

CORRESPONDENCE / MEMORANDUM

DATE: May 12, 2015
TO: Deferred Compensation Board
FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
SUBJECT: 2014 Financial Statements Audit Results

Staff requests the Deferred Compensation Board (Board) approve the State of Wisconsin Public Employees Deferred Compensation Plan and Trust Financial Statements as of December 31, 2014 and 2013.

As part of its overall program responsibilities, the Board requires audited annual financial statements reports on the health of the Wisconsin Deferred Compensation Program (WDC). The purpose of the audit reports is to have an independent public accounting firm express an opinion on whether the financial statements accurately reflect the financial position of the WDC. The audit reports should demonstrate that all participant accounts and contributions are properly balanced, records are being accurately kept and that all WDC assets are balanced. Financial statements audit reports may also reveal misstatements due to errors, fraud or other reasons that would cause the financial statements to inaccurately reflect the financial position of the WDC.

Pursuant to its contract with the Board, CliftonLarsonAllen has completed the WDC's comprehensive financial statements audit for the year ending December 31, 2014. As the attached report indicates, the financial statements present the net assets available for plan benefits as of December 31, 2014 and December 31, 2013. The financial highlights for the year ending December 31, 2014, include the following:

- WDC net assets at the close of 2014 were \$3.9 billion, a slight increase of approximately \$276 million over assets available at the close of 2013.
- Mutual fund investment income decreased to \$246 million in 2014, due primarily to less favorable market conditions during 2014.

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

Electronically Signed 5/26/15

Board	Mtg Date	Item #
DC	6.16.15	3

- In 2014, the overall rate of return for the WDC's mutual fund investments was 8.62%, as compared to 22.69% in 2013, 13.51% in 2012 and 0.07% in 2011.
- Employee contributions in 2014 were \$142.2 million. This is an increase from \$139.1 million in 2013 and \$136.7 million in 2012, but lower than the \$147.5 million contributed in 2011.
- Distributions to participants increased in 2014 to \$154.1 million. This is an increase from \$136.7 million in 2013 and \$122.6 million in 2012. This increase can mainly be attributed to the increasing number of WDC participants taking distributions. In 2014, 8,675 participants took distributions. In comparison, in 2013, 8,044 participants took distributions, 7,447 took them in 2012 and in 2011, 6,813 participants took distributions.

The financial statements audit report findings illustrate the WDC's overall good health. Participant deferrals, investment income and expenses are all properly accounted for according to the financial statements report.

Staff from CliftonLarsonAllen will be available at the meeting via conference call to discuss the audit results and draft report with the Board.

Attachment: *draft* WDC Financial Statements, December 31, 2014 and 2013

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN
AND TRUST
Madison, Wisconsin**

**FINANCIAL STATEMENTS
December 31, 2014 and 2013**

*Draft - Preliminary
Subject to Change
Not to be Reproduced
June 4, 2015*

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
REQUIRED SUPPLEMENTAL INFORMATION	
Management's Discussion and Analysis	3
FINANCIAL STATEMENTS	6
Statements of Net Position Available for Plan Benefits	7
Statements of Changes in Net Position Available for Plan Benefits	8
Notes to Financial Statements	9

Draft - Preliminary
Subject to Change
Not to be Reproduced
June 4, 2015

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014**

This section presents management's discussion and analysis of the Wisconsin Public Employees Deferred Compensation Plan and Trust (the Plan) financial performance, which provides an overview of the Plan's financial position and activities as of December 31, 2014, 2013 and 2012 and for the years then ended. It is presented as required supplemental information to the financial statements.

FINANCIAL HIGHLIGHTS

- Net position available for plan benefits increased by \$276 million during the year ended December 31, 2014 from \$3.6 billion at December 31, 2013 to \$3.9 billion at December 31, 2014. This increase was primarily due to employee contributions and investment income offset by distributions to participants. Net position available for plan benefits increased by \$625 million during the year ended December 31, 2013 from \$3.0 billion at December 31, 2012 to \$3.6 billion at December 31, 2013. This increase was primarily due to employee contributions and investment income offset by distributions to participants.
- Investment income earned on mutual funds decreased from \$587 million for the year ended December 31, 2013 to \$246 million for the year ended December 31, 2014 due to less favorable market conditions in 2014 as compared to 2013. Investment income earned on mutual funds increased from \$289 million for the year ended December 31, 2012 to \$587 million for the year ended December 31, 2013 due to more favorable market conditions during 2013 as compared to 2012. The Plan's rate of return on mutual fund investments was approximately 8.62%, 22.69% and 13.51% for the years ending December 31, 2014, 2013 and 2012, respectively.
- Interest income earned on fixed earning investments was \$10.7 million, \$12.8 million and \$15.6 million for the years ended December 31, 2014, 2013 and 2012, respectively. Changes in interest income relate directly to the balance of fixed earning investments during the year and changes in their respective interest rates. See Note 1 in the Notes to Financial Statements for information regarding interest rates.
- The gain in the value of the self-directed option (SDO) directly relates to participant contributions and income earned on participant SDO accounts. The value of the SDO increased from December 31, 2013 to December 31, 2014 by \$3.2 million, compared to an increase of \$6.8 million from December 31, 2012 to December 31, 2013.
- Employee contributions increased from \$139.1 million for the year ended December 31, 2013 to \$142.6 million for the year ended December 31, 2014. Employee contributions increased from \$136.7 million for the year ended December 31, 2012 to \$139.1 million for the year ended December 31, 2013. The change from 2012 to 2013 was primarily due to the fluctuations in the number of active plan participants from year to year. There were 47,063, 45,501 and 44,866 active plan participants as of December 31, 2014, 2013 and 2012, respectively.

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014**

FINANCIAL HIGHLIGHTS (CONTINUED)

- Distributions to participants increased from \$136.7 million for the year ended December 31, 2013 to \$154.1 million for the year ended December 31, 2014. Distributions to participants increased from \$122.6 million for the year ended December 31, 2012 to \$136.7 million for the year ended December 31, 2013. These changes were primarily due to changes in the number of individuals receiving distributions from year to year. There were 8,675, 8,044 and 7,447 individuals who received a distribution during the years ended December 31, 2014, 2013 and 2012, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of the Statements of Net Position Available for Plan Benefits and the Statements of Changes in Net Position Available for Plan Benefits. These statements provide information about the financial position and activities of the Plan as a whole. These amounts are included in the Statement of Fiduciary Net Position on the State of Wisconsin's financial statements.

The following Summary of Net Position Available for Plan Benefits and the Summary of Changes in Net Position Available for Plan Benefits provide information about the financial position and activities of the Plan as a whole.

**Table 1
Summary of Net Position Available for Plan Benefits**

	<u>December 31, 2014</u>	<u>December, 31, 2013</u>	<u>December 31, 2012</u>
Investments	\$ 3,928,908,742	\$ 3,652,435,137	\$ 3,026,946,167
Receivables - contributions	<u>422,654</u>	<u>318,847</u>	<u>375,416</u>
Total assets	3,929,331,396	3,652,753,984	3,027,321,583
Administrative expenses payable	<u>2,559,027</u>	<u>2,104,969</u>	<u>1,970,087</u>
Net position available for plan benefits	<u>\$ 3,926,772,365</u>	<u>\$ 3,650,649,015</u>	<u>\$ 3,025,351,496</u>

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014**

**Table 2
Summary of Changes in Net Position Available for Plan Benefits**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Additions			
Employee contributions	\$ 142,638,425	\$ 139,088,280	\$ 136,726,664
Transfers-in from other plans	31,013,064	19,176,105	13,130,224
Investment income:			
Interest income	10,713,871	12,796,976	15,558,042
Mutual fund investment income	245,781,207	586,959,202	289,397,148
Change in value of self-directed option	<u>3,223,203</u>	<u>6,800,480</u>	<u>3,929,276</u>
Total additions	<u>433,369,770</u>	<u>764,821,043</u>	<u>458,741,354</u>
Deductions			
Distributions to participants	154,076,743	136,747,146	122,588,572
Administrative expenses	2,889,650	2,484,410	2,159,835
Change in value of group annuity policy	<u>280,023</u>	<u>291,968</u>	<u>316,536</u>
Total deductions	<u>157,246,416</u>	<u>139,523,524</u>	<u>125,064,943</u>
Net increase	<u>\$ 276,123,354</u>	<u>\$ 625,297,519</u>	<u>\$ 333,676,411</u>

FINANCIAL CONTACT

The Plan's financial statements are designed to present users with a general overview of the Plan's finances and to demonstrate the trustees' accountability. If you have questions about the report or need additional financial information, contact the Deferred Compensation Director for the Department of Employee Trust Funds at P.O. Box 7931, Madison, Wisconsin 53707-7931.

FINANCIAL STATEMENTS

Draft - Preliminary
Subject to Change
Not to be Reproduced
June 4, 2015

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
STATEMENTS OF NET POSITION AVAILABLE FOR PLAN BENEFITS
December 31, 2014 and 2013**

	2014	2013
ASSETS		
Investments:		
Fixed earnings investments	\$ 695,221,741	\$ 705,125,007
Variable earnings investments	3,166,696,123	2,881,758,642
Self-directed option	65,726,884	64,007,471
Annuity investments	1,263,994	1,544,017
Total investments	3,928,908,742	3,652,435,137
Receivable - contributions	422,654	318,847
Total assets	3,929,331,396	3,652,753,984
LIABILITIES		
Administrative expenses payable	2,559,027	2,104,969
NET POSITION AVAILABLE FOR PLAN BENEFITS	\$ 3,926,772,369	\$ 3,650,649,015

Draft - Preliminary
 Subject to Change
 Not to be Reproduced
 June 4, 2015

The accompanying notes are an integral part of the financial statements.

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
STATEMENTS OF CHANGES IN NET POSITION AVAILABLE FOR PLAN BENEFITS
Years Ended December 31, 2014 and 2013**

	2014	2013
ADDITIONS		
Employee contributions	\$ 142,638,425	\$ 139,088,280
Transfers-in from other plans	31,013,064	19,176,105
Investment income:		
Interest income	10,713,871	12,796,976
Investment income from variable earnings investments	245,781,207	586,959,202
Gain in value of self-directed option	3,223,203	6,800,480
Total additions	433,369,770	764,821,043
DEDUCTIONS		
Distributions to participants	154,076,743	136,747,146
Administrative expenses	2,889,650	2,484,410
Change in value of group annuity policy	280,023	291,968
Total deductions	157,246,416	139,523,524
NET INCREASE	276,123,354	625,297,519
NET POSITION AVAILABLE FOR PLAN BENEFITS, BEGINNING OF PERIOD	3,650,649,015	3,025,351,496
NET POSITION AVAILABLE FOR PLAN BENEFITS, END OF PERIOD	\$ 3,926,772,369	\$ 3,650,649,015

The accompanying notes are an integral part of the financial statements.

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The State of Wisconsin Public Employees Deferred Compensation Plan and Trust (the Plan) was established in 1981 pursuant to Wisconsin State Statute Section 40.80.

In accordance with Section 457 of the Internal Revenue Code (IRC), the Plan limits the amount of an employee's annual contributions to an amount not to exceed the lesser of \$17,500 or 100% of the employee's includable compensation for years 2014 and 2013, respectively. In 2010, the federal government passed the Small Business Jobs Act of 2010, which allows 457 plans such as the Wisconsin Deferred Compensation (WDC) Program to offer a Roth contribution option effective January 1, 2011. Roth contributions are made with after-tax dollars. Participants may withdraw WDC Roth contributions and earnings income tax and penalty free once they have held the account for at least five years and severed employment. The WDC opened the WDC Roth contribution option to participants on July 1, 2011. The Plan also provides certain catch-up contribution provisions for participants age 50 or older and for participants within three years of their normal retirement age. Amounts contributed by employees are deferred for federal and state income tax purposes until benefits are paid to the employees. The Plan allows the employer to make contributions to the Plan on behalf of employees. No such contributions were made in 2014 or 2013.

Under the Plan provisions, employees of the State of Wisconsin and public employers in Wisconsin that elect to participate are eligible to contribute to the Plan through payroll deductions. As of December 31, 2014 and 2013, approximately 61% of the Plan assets were applicable to State employees and the remaining 39% represent the assets of other Wisconsin public employers participating in the Plan.

Under provisions of the Small Business Job Protection Act of 1996 (SBJPA), which became effective for plan years beginning after December 31, 1996, assets of IRC Section 457 plans must be held in a trust, custodial account, or annuity contract for the exclusive benefit of employees and beneficiaries. In March 2006, Wisconsin Act 150 was signed into law, creating Code Section s.40.80 (2)(g) of the Wisconsin Statutes. Section s.40.80 (2)(g) incorporates requirements of the federal tax code by establishing the Wisconsin Deferred Compensation (WDC) Program as a trust. Furthermore, it established the Deferred Compensation Board members as trustees with fiduciary responsibilities.

The Plan is governed by the Wisconsin Deferred Compensation Board (the Board) and is administered by a third party. The Board is also the trustee of the Plan.

Employees electing to participate in the Plan may contribute to or exchange within any of the following investment options:

- Fixed earnings investment of the Stable Value option managed by Galliard Capital Management, Inc.;

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Fixed earnings investment in a FDIC option managed by Nationwide Bank (the FDIC option was provided by BMO Harris Bank until November 16, 2013 and was transferred to Nationwide Bank on November 17, 2013);
- Group annuity option managed and underwritten by Great-West Life & Annuity Insurance Company;
- Variable earnings investments options consisting of select mutual funds;
- Self-directed option – Personal Choice Retirement Accounts (PCRA) offered by Charles Schwab & Co., Inc. Participants may exchange funds accumulated in the core options of the Plan to a PCRA account, which provides approximately 3,000 additional investment offerings other than the Plan's core options

Employees may withdraw the value of the funds contributed to the Plan upon termination of employment with the employer, retirement, death, or financial hardship. Employees, or their beneficiaries, may select various payout options which include lump sum or periodic payments.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and present the net position available for plan benefits and the net changes in position.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

Contributions and Contributions Receivable

Employee contributions are recognized when such amounts are withheld. Contributions receivable represent amounts withheld from employees but not yet received or remitted to the investment carriers at fiscal year-end and these receivables approximate fair value.

Investment Valuation

Fixed earnings investments are valued as reported by Galliard Capital Management and Nationwide Bank at fair value, which represents contributions received plus interest income earned to date less applicable charges and amounts withdrawn.

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Valuation (Continued)

Variable earnings investments (mutual funds) and personal choice retirement accounts are presented at fair value based on published quotations. All purchases and sales are recorded on a trade-date basis.

Assets held for annuity payout reserves and allocated insurance contracts are actuarially valued as reported by Great-West Life and approximate fair value.

Distributions

Distributions are recorded at the time withdrawals are made from participant accounts.

Mutual Fund Investment Income

Mutual fund investment income consists of dividend income and realized and unrealized gains and losses attributed to the mutual funds and personal choice retirement accounts.

Interest Income

The Stable Value option paid interest ranging from 1.73% to 1.94% and 2.10% to 2.52% during the years ended December 31, 2014 and 2013, respectively. At December 31, 2014 and 2013, the actual crediting rate was 1.73% and 2.10%, respectively.

The FDIC option, managed by BMO Harris, paid interest of 0.30% during both of the years ended December 31, 2014 and 2013. At December 31, 2014 and 2013, the actual crediting rate was 0.30%.

Interest income is recorded as earned on the accrual basis.

Participants' Accounts

Earnings are credited to individual participants' accounts based upon the investment performance of each specific option selected.

Transfers-In from Other Plans

Transfers-in represent the balances of assets transferred by employees from other eligible plans.

Related Party Transactions

Certain members of the Deferred Compensation Board, Wisconsin Retirement Board, Teachers Retirement Board, Group Insurance Board and Employee Trust Funds Board are participating or retired members of the Plan.

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 2 – INVESTMENTS

Investments held in the name of the Plan at December 31, 2014 and 2013 were as follows. Investments marked with an asterisk (*) represent individual investment options, which exceed 5% of the net position available for plan benefits as of December 31, 2014 and 2013. Investments marked with two asterisks (**) represent international mutual funds.

	<u>Fair and Carrying Value</u>	
	<u>2014</u>	<u>2013</u>
Fixed earnings investments:		
Stable Value	\$ 605,313,080 *	\$ 611,237,413 *
Nationwide Bank	89,908,661	93,887,594
Total fixed earnings investments	<u>695,221,741</u>	<u>705,125,007</u>
Variable earnings investments:		
Fidelity Contrafund	549,718,901 *	520,846,774 *
Vanguard Wellington Fund Admiral Shares	432,546,049 *	393,618,475 *
T. Rowe Price Instl Mid Cap Equity Growth	390,647,814 *	-
Vanguard Institutional Index Fund Plus Shares - Institutional Plus Shares	374,436,946 *	326,038,143 *
DFA US Micro Cap Fund	235,766,936 *	240,172,690 *
American Funds Europacific Fund - Class R6	168,270,906 **	155,335,892 **
BlackRock Mid Cap Equity Index Fund - Collective W	157,783,076	143,849,257
Vanguard Target Retirement 2025 Fund	130,929,953	102,771,915
Vanguard Long-Term Investment Grade Fund Admiral Shares	120,087,351	100,616,335
Vanguard Target Retirement 2015 Fund	102,932,249	90,697,504
Vanguard Target Retirement 2035 Fund	83,331,980	67,299,955
BlackRock U.S. Debt Index Fund - Class W	81,643,448	67,707,436
BlackRock EAFE Equity Index Fund - Class W	76,501,190 **	85,532,472 **
BlackRock Russell 2000 Index Collective T	56,219,857	54,286,531
Calvert Social Investment Fund - Equity Portfolio - Class I	46,046,075	40,018,327
Vanguard Target Retirement 2045 Fund	45,113,990	36,632,680
Vanguard Target Retirement Income Fund	40,185,823	33,535,532
Federated U.S. Government Securities Fund - 2-5 Institutional Shares	36,198,589	32,026,113
Vanguard Admiral Treasury Money Market Fund - Admiral Shares	30,987,243	33,830,166
Vanguard Target Retirement 2055 Fund	7,347,747	4,142,347
T. Rowe Price Mid-Cap Growth Fund	-	352,800,098 *
Total variable earnings investments	<u>3,166,696,123</u>	<u>2,881,758,642</u>
Self-directed option:		
Personal Choice Retirement Accounts - Charles Schwab	65,726,884	64,007,471
Group Annuity Policy:		
Great West Life	<u>1,263,994</u>	<u>1,544,017</u>
Total investments	<u>\$ 3,928,908,742</u>	<u>\$ 3,652,435,137</u>

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 2 – INVESTMENTS (CONTINUED)

At December 31, 2014 and 2013, the Stable Value option fixed earnings investment totaling \$2,559,027 and \$2,104,969, respectively, which is payable in future years to the Board for Plan administration costs.

The fixed earning investments with Nationwide Bank are insured by the Federal Deposit Insurance Corporation up to \$250,000 per participant. At December 31, 2014 and 2013, 325 and 308 accounts of individual participants held more than \$250,000, respectively.

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Plan would not be able to recover the value of its deposits, investments, or collateral securities that were in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the Plan and are held by either the counterparty or the counterparty's trust department or agent, but not in the Plan's name.

The Stable Value option and the mutual funds do not have securities that are used as evidence of the investments and therefore are not exposed to custodial credit risk.

Interest rate risk is the risk that changes in interest rates that will adversely affect the value of an investment.

Credit risk is the risk that the Plan will lose money because of the default of the security of the issuer or investment counterparty. The stable value option and the variable earnings mutual funds are unrated.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investments are managed by several fund managers. The concentrations of investments are determined by the participants' elections to invest in the available investment options as selected by the Board. The investments that exceed 5% are identified on page 12.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the investment. The Plan allows the option of investments in mutual funds of countries outside the U.S. that invest in securities not required to disclose the individual assets within the fund. The fair value of these investments was \$244,772,096 and \$240,868,364 as of December 31, 2014 and 2013, respectively. The individual funds are identified on page 12.

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 2 – INVESTMENTS (CONTINUED)

As of December 31, 2014 and 2013, the Plan had the following investments and maturities in its fixed earnings and mutual fund investments, which included investments in bonds.

	2014		2013	
	Fair Value	Weighted Average Maturity	Fair Value	Weighted Average Maturity
Fixed earnings investment:				
Stable Value	\$ 605,313,080	3.36	\$ 611,237,413	2.78
Variable earnings investments:				
Vanguard Wellington Fund Admiral Shares	432,546,049	9.20	393,618,475	8.40
Vanguard Target Retirement 2025 Fund	130,929,953	7.76	102,771,915	7.56
Vanguard Long-Term Investment Grade Fund Admiral Shares	120,087,351	23.20	100,616,335	23.10
Vanguard Target Retirement 2015 Fund	102,932,249	7.08	90,697,504	7.02
Vanguard Target Retirement 2035 Fund	83,331,980	7.76	67,299,955	7.56
BlackRock U.S. Debt Index Fund- Class W	81,643,448	7.28	67,707,436	6.87
Vanguard Target Retirement 2045 Fund	45,113,990	7.76	36,632,680	7.56
Vanguard Target Retirement Income Fund	40,185,823	6.66	33,535,532	6.49
Federated U.S. Government Securities Fund - 2-5 Institutional Shares	36,198,589	3.70	32,026,113	3.50
Vanguard Target Retirement 2055 Fund	7,347,747	7.76	4,142,347	7.56

An agreement was reached between the Board and Great-West Life on April 27, 1994, whereby the Plan purchased a single premium group annuity policy on May 1, 1994 for \$12,946,917 (the balance in the annuity payout reserve at the time of purchase). Under the terms of the policy, Great-West Life assumed the contractual liability for the remaining annuity terms and amounts and assumed all risk related to market fluctuation. The actuarial value of the group annuity contracts, as determined by Great-West Life, was \$1,263,994 and \$1,544,017 at December 31, 2014 and 2013, respectively.

NOTE 3 – PLAN ADMINISTRATION

The Plan receives periodic recordkeeping fee payments from certain investment companies, which is paid out of the Stable Value option fixed earnings account. Such fees are paid to the Board to support Board costs, which include the contractual fee paid to the third-party administrator, Great-West Life.

Each participant in the Plan is charged a fee based upon their account balance and a tiered dollar charge.

Participant Account Balance	Monthly/Annual Participant Fee
\$1 - \$5,000	\$0/\$0
\$5,001 - \$25,000	\$1/\$12
\$25,001 - \$50,000	\$2/\$24
\$50,001 - \$100,000	\$4/\$48
\$100,001+	\$5.50/\$66

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 3 – PLAN ADMINISTRATION (CONTINUED)

Fees assessed in excess of the Plan administrative expenses as of December 31, 2014 and 2013, were \$2,559,027 and \$2,104,969, respectively. At the Board's discretion, these excess fees are invested and available to defray future administrative expenses and participant fee increases.

NOTE 4 – TAX STATUS

The Plan is reviewed by legal counsel to ensure conformity with Section 457 of the IRC. Accordingly, any amount of compensation deferred under the Plan and any income attributable to the amounts so deferred shall be included in the gross income of the participant only for the taxable year in which such compensation or other income is paid or otherwise made available to the participant or other beneficiary.

NOTE 5 – CONTINGENCIES

The Plan is subject to various threatened and pending claims. It is the opinion of management that the ultimate liability arising from such threatened and pending claims will not have a material effect on the financial position of the Plan. The Plan is exposed to various other liabilities and risks related to the fiduciary responsibility of directors and officers.

NOTE 6 – RISK AND UNCERTAINTIES

The Plan, as directed by participants, may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities may occur in the near term and that such changes could materially affect the amounts reported in the Statements of Net Position Available for Plan Benefits.

NOTE 7 – PLAN TERMINATION

The State may terminate the Plan at any time, although no intent to terminate the Plan has been expressed. In the event of termination, all participants will remain fully vested.

NOTE 8 – SUBSEQUENT EVENTS

The Plan evaluated subsequent events through **DATE**, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2014, but prior to **DATE**, that provided additional evidence about conditions that existed at December 31, 2014, have been recognized in the financial statements for the year ended December 31, 2014. Events or transactions that provided evidence about conditions that did not exist at December 31, 2014, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2014.

This information is an integral part of the accompanying financial statements.