

DRAFT

MINUTES

June 16, 2015

Deferred Compensation Board

State of Wisconsin



Location:

Department of Employee Trust Funds
801 West Badger Road (Mendota Room)
Madison, WI

BOARD MEMBERS PRESENT:

Ed Main, Chair
John Nelson, Vice-Chair

Gail Hanson, Secretary (via teleconference)
Art Zimmerman

BOARD MEMBERS ABSENT:

Michael Gracz

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Bob Conlin, Secretary
John Voelker, Deputy Secretary
Pam Henning, Assistant Deputy
Secretary
Division of Retirement Services:
Matt Stohr, Administrator
Deferred Compensation Program:
Shelly Schueller, Director

Legal Services: David Nispel, General
Counsel; Angel Johnson, Legal Intern
Office of the Secretary: Sharon Walk,
Board Liaison
Office of Trust Finance: Bob Willett,
Chief Trust Financial Officer

OTHERS PRESENT:

Advised Assets Group (AAG):
Bill Thornton
CliftonLarsonAllen:
Brian Kiernan, TR Rey
(via teleconference)
Galliard Capital Management, Inc.:
Mike Norman

Empower Retirement:
Rob Dwyer, Emily Lockwood
Nationwide:
Michael Studebaker
Sue Oelke

Board	Mtg Date	Item #
DC	11.3.15	2

Mr. Main, Chair, called the meeting of the Deferred Compensation Board (Board) to order at 1:00 p.m.

ANNOUNCEMENTS

Ms. Schueller made the following announcements:

- Michael Gracz is resigning from his seat on the Board.
- Sue Oelke has stepped down from her position with Empower Retirement. Mr. Main read a resolution on behalf of the board. Mr. Main thanked her for her service to the Board and expressed his best wishes in her future endeavors.
- Ms. Schueller introduced Rob Dwyer, Regional Vice President with Empower Retirement. Mr. Dwyer noted that Emily Lockwood has been appointed as the new regional director, replacing Ms. Oelke.

MINUTES

MOTION: Mr. Nelson moved acceptance of the minutes of the March 12, 2015, meeting as submitted by the Board Liaison. Mr. Zimmerman seconded the motion, which passed unanimously on a voice vote.

2014 FINANCIAL STATEMENTS AUDIT REPORT

Mr. Rey and Mr. Kiernan of CliftonLarsonAllen presented the 2014 Financial Statements Audit Report for the year ending December 31, 2014, to the Board (Ref. DC | 6.16.15 | 3). There were no noted issues and no journal entries.

MOTION: Ms. Hanson moved to accept the 2014 Financial Statements Audit Report. Mr. Nelson seconded the motion, which passed unanimously on a voice vote.

INVESTMENT PERFORMANCE REVIEW AS OF MARCH 31, 2015

Mr. Thornton reviewed the Investment Performance Report for the first quarter of 2015 and summarized the performance of the funds. (Ref. DC | 6.16.15| 4). The growth of the plan was 9% over the past year. The Board asked Ms. Schueller to include a goal and targets for Empower developing and sharing information regarding the benefits of international equity diversification with plan participants as part of the draft 2016 Plan Enhancement Program that the Board will discuss at the next meeting.

PARTICIPANT FEE ANALYSIS

Mr. Willett referred the Board to the memo in their packets (REF. DC | 6.16.15 | 5A) regarding the allocation of investment provider reimbursements and participant fees. He discussed the impact on participant fees as a result of the proposed reallocation of investment provider reimbursements. Application of the policy would change annual

participant administrative fees due to the forecasted decrease of the reserve in the Board's administrative account. He shared three different tiered fee scenarios and the impact on the participants' fees of each scenario. Mr. Willett responded to questions from the Board.

Motion: Ms. Hanson moved to approve the proposed changes to participant fees, which will:

- 1) Cause investment provider reimbursements to be directly allocated to participants in the fund offering the reimbursement as of January 1, 2016;***
- 2) Increase the number of participant fee tiers and the annual administrative fees for participants in these tiers per the schedule shown in table 3; and***
- 3) Update the administrative expense account target balance policy to reflect a target goal for the reserve balance of 50-75% of anticipated annual expenses.***

Mr. Nelson seconded the motion, which passed unanimously on a voice vote.

Ms. Schueller will work with Empower Retirement to communicate these changes to participants. She will share the communications with the Board for their information. The policy will be updated and placed in the Board's Governance Manual. A summary of comments made by participants will be provided to the Board by Ms. Lockwood.

LOCAL PUBLIC PLANS WITH LOANS ADOPTING THE WISCONSIN DEFERRED COMPENSATION PROGRAM

Ms. Johnson and Mr. Nispel referred the Board to the memo in their packets (REF | 6.16.15 | 6A). This memo provides a response to questions asked by the Board at the March 12, 2015, meeting concerning local public employers who wish to convert their existing s. 457 plans to the Wisconsin Deferred Compensation (WDC) and who currently offer loans. The Board discussed a possible revision to the WDC Plan and Trust document that would permit these local public employers to join the WDC. Ms. Lockwood indicated that there are approximately seven loans currently outstanding with the local government entities who have expressed interest in converting their plans to the WDC.

Motion: Ms. Hanson moved to approve the proposed changes to the Plan and Trust document as presented, which will document how the WDC may administer s. 457 plans converted from other programs to the WDC by public employers that offer loans. Mr. Zimmerman seconded the motion, which passed unanimously on a voice vote.

Ms. Hanson stated that she had another commitment and left the meeting.

EMPOWER: GUIDING WOMEN OF ALL CULTURES TOWARD A STRONG FINANCIAL FUTURE

Ms. Hunter shared a presentation on the EMPOWER campaign, which began in April 2015 and will continue through the rest of 2015. EMPOWER is a pilot program to target women and help them save for retirement. She shared statistics regarding women and retirement. On average, women have fewer years in the workforce, earn less and live longer than men. Women are the largest category of elderly in the U.S. and the demographic most likely to be living in poverty in their old age. The EMPOWER campaign became a part of the mission of ETF's Affirmative Action Committee. This initiative will provide greater awareness among public employees of their Wisconsin Retirement System benefits, improve basic financial literacy and build understanding of the advantages of supplementing retirement savings through the WDC. The intent is to provide tools and tips for saving now to help prevent old age poverty among WRS participants.

YEAR IN REVIEW – 2014 STATISTICS

Ms. Schueller shared the 2014 WDC Annual Statistical Report and highlighted activities within the program. (REF | 6.16.15 | 8).

OPERATIONAL UPDATES

Ms. Schueller referred Board members to the materials under the "Operational Updates" section (Ref. DC | 6.16.15| 10). She noted that the contract with the new financial statements auditor, Coleman Williams, has been signed.

ADMINISTRATIVE SERVICES AGREEMENT: CONTRACT EXTENSION DISCUSSION

Mr. Main indicated the Board would convene in closed session for the purpose of discussing the administrative services agreement contract extension.

MOTION: Mr. Nelson moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (e) to deliberate or negotiate the investing of public funds. Mr. Zimmerman seconded the motion, which passed on the following roll call vote:

Members Voting Aye: Main, Nelson, Zimmerman

Members Absent: Gracz, Hanson

The Board convened in closed session at 2:53 p.m. and reconvened in open session at 3:00 p.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

Mr. Main announced the Board took the following action during closed session:

1. The Board agreed to permit the remaining two 1-year renewals in the existing administrative agreement with Empower Retirement to proceed; and
2. The Board directed the Department to open contract negotiations with Empower Retirement regarding possible program enhancements and costs for an additional 3 to 5 year contract extension.

ITEMS FOR FUTURE DISCUSSION

The Board asked Ms. Schueller to query investment providers regarding currency manipulation. She will share her findings at a future Board meeting.

Mr. Nelson asked that staff prepare a presentation for a future Board meeting on cybersecurity including details from ETF, Empower Retirement, and fund providers.

The Board took a break at 3:10 p.m. to 3:15 pm

STABLE VALUE FUND ADVISORY AGREEMENT WITH GALLIARD CAPITAL MANAGEMENT

Mr. Norman presented the updated Stable Value Fund Advisory Agreement (REF | 6.16.15 | 10). The schedule reduces Galliard's overall fee and decouples the different pieces of the portfolio. This will provide consistency across the board and transparency regarding how and why fees are assessed in the Stable Value Fund. He noted that the revised agreement had been reviewed by both Galliard and ETF's legal counsel.

Motion: Mr. Zimmerman moved to approve the revised and restated Stable Value Fund Advisory Agreement, as presented. Mr. Nelson seconded the motion, which passed unanimously on a voice vote.

ADJOURNMENT

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

The Board adjourned at 3:20 p.m.

Date Approved: _____

Signed: _____

Gail Hanson, Secretary
Deferred Compensation Board