



ADVISED ASSETS  
GROUP

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# Wisconsin Deferred Compensation Program – Investment Design Comparison

*September, 2015*



# Data Summary

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The following slides were created from an extensive study of data collected from Empower Retirement's state-level recordkeeping clients. Although the study does not include every state in the U.S., it does leverage Empower Retirement's position as the largest record keeper for government entities in the country. This study encompasses data from 19 distinct state retirement programs, which comprise 30 separate retirement plans.\*

Plan Size	Number of Plans
Plans from \$100 million to \$500 Million	12
Plans from \$500 million to \$1 billion	7
Plans over \$ 1billion	11

\* Only plans with a minimum of \$100 million in assets were used for the survey.

# Expense & Return Summary

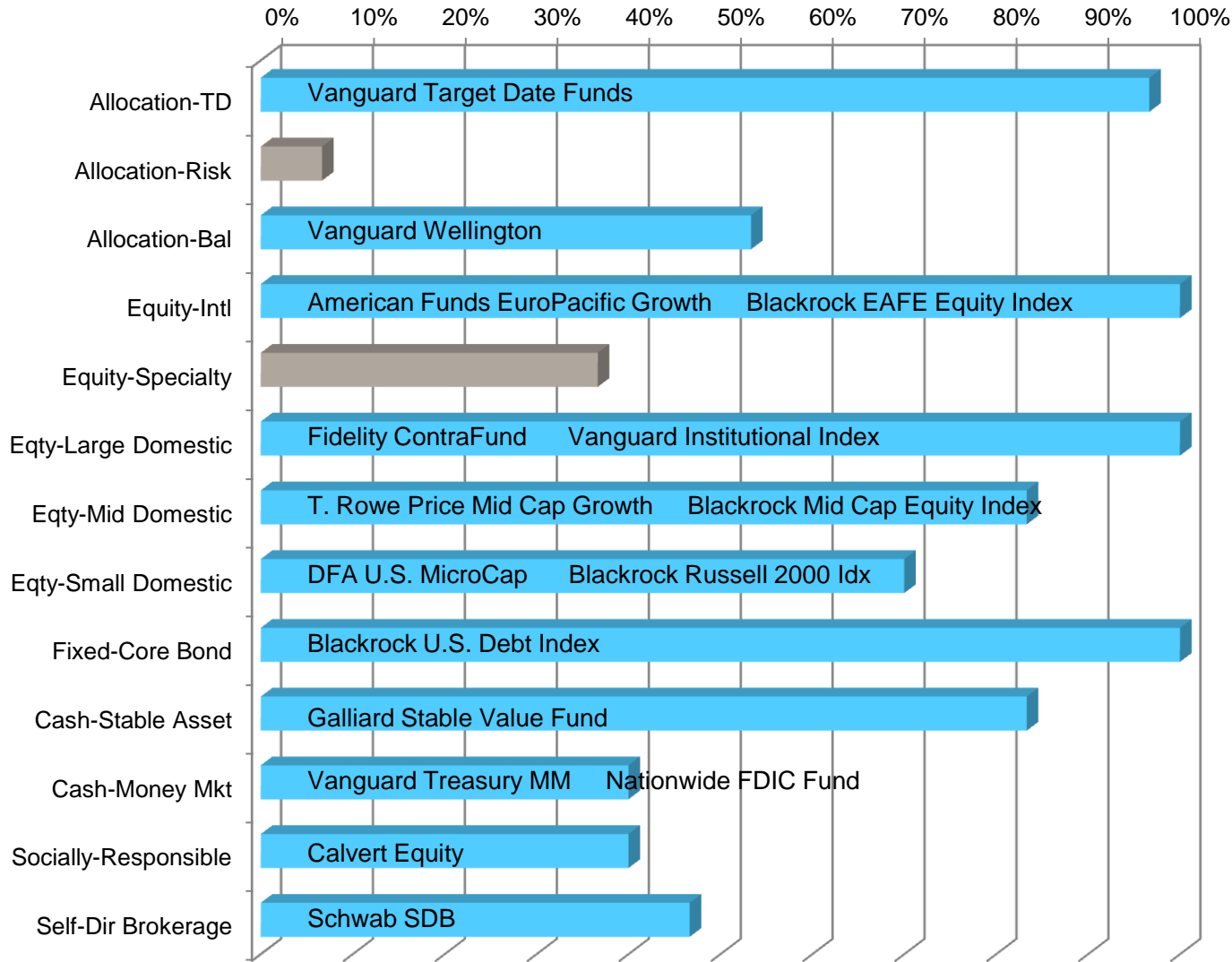
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<b>PLAN SIZE</b>	<b>WEIGHTED AVG EXPENSE RATIO</b>
All Plans (30)	0.40
Plans Between \$100 million & \$500 Million (12)	0.48
Plans Between \$500 Million & \$1 Billion (7)	0.42
Plans Over 1 Billion (11)	0.31
State of Wisconsin	0.33

As one might expect, plans with larger asset bases tend to have lower overall investment expenses. Several of the larger Empower state plans use commingled investment trusts (CITs), which typically provide lower expense ratios than their mutual fund counterparts.

*\* Note: The chart excludes funds that typically do not have explicit expense ratios. Assets held in self-directed brokerage, FDIC-insured cash savings funds, and general account products were not included.*

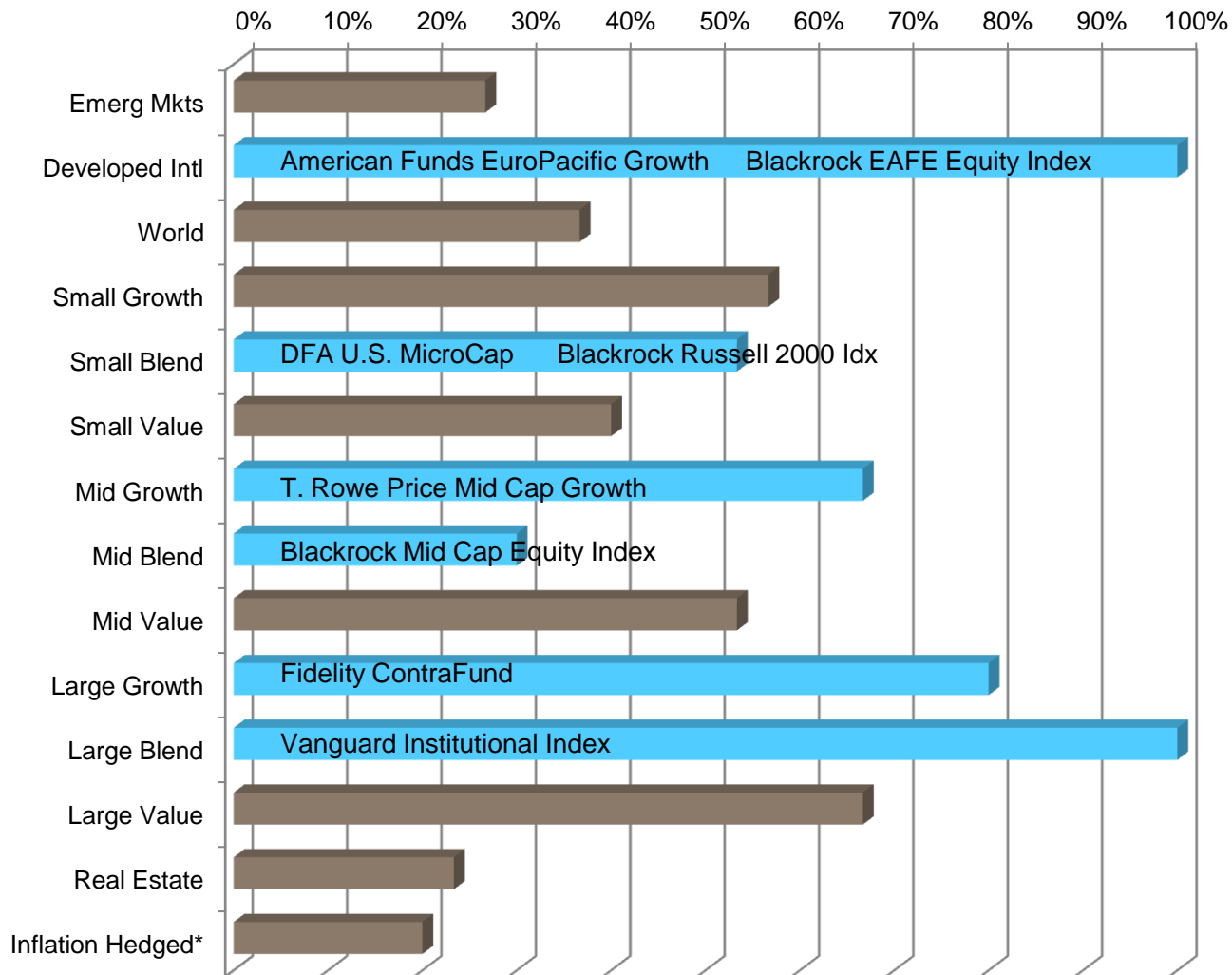
# Broad Asset Class Usage



From a broad asset class standpoint, the Wisconsin plan has almost all of the major categories available to participants.

■ Indicates fund type available in Wisconsin Deferred Compensation Program

# Equity Style Usage

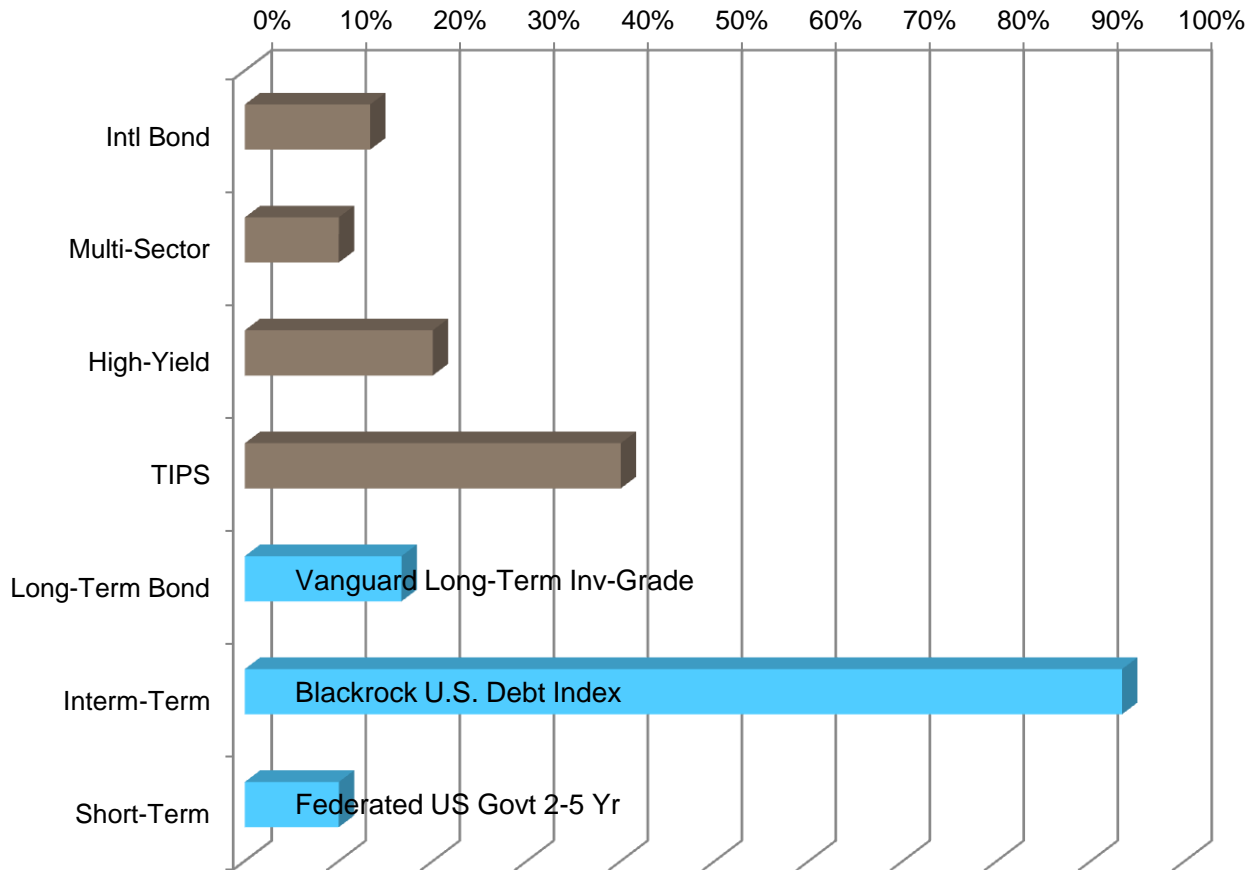


Investments in the different equity styles are classified according to their Morningstar category.

While most major equity styles are represented, the plan does not include a pure value-oriented fund.

■ Indicates style used by the Wisconsin Deferred Compensation Program

# Fixed Income Style Usage

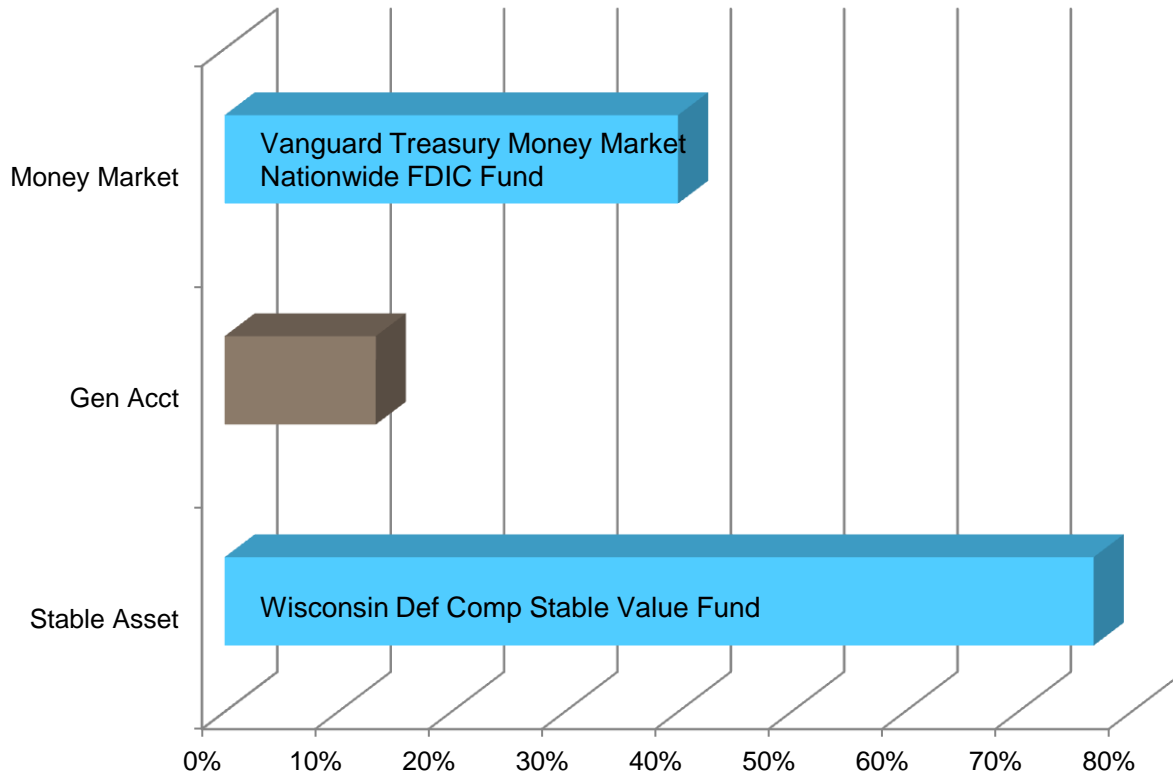


On average, the Empower state plans offer 3 bond funds to participants. (not including stable asset or general account funds)

From a credit quality standpoint, nearly 40% of the Empower state plans offer at least one fund geared specifically toward corporate bonds. (high yield, multi-sector, or long-term corporate funds)

■ Indicates style or asset class used by the Wisconsin Deferred Compensation Program

# Cash Equivalent Usage

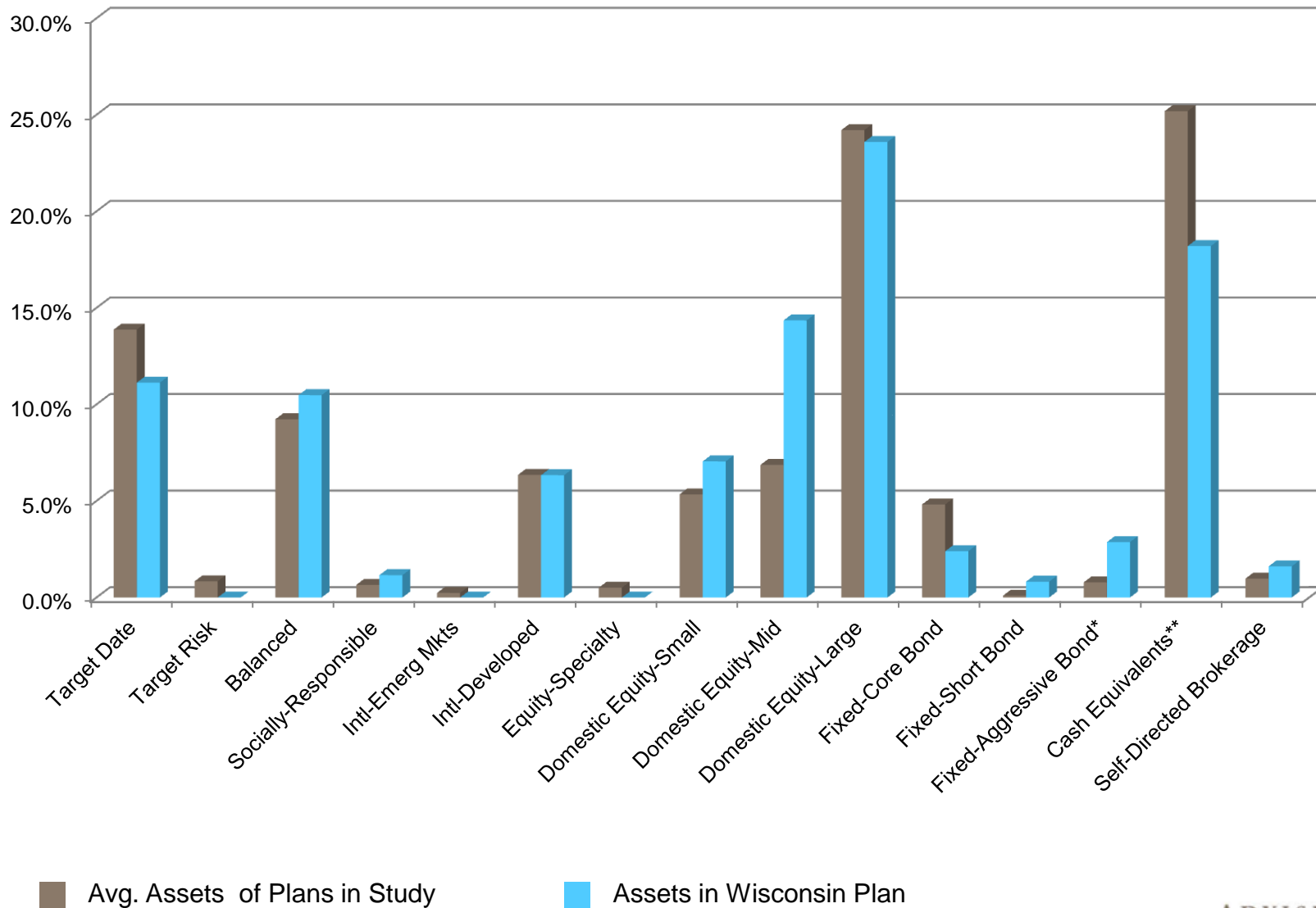


Stable Value funds have the largest presence in the Empower state retirement plans by nearly a 2 to 1 margin over Money Market funds.

The largest difference between the Wisconsin plan and the rest of the Empower state plans is in the number of cash equivalent funds offered. The average of all of the Empower plans is 1.4, while the Wisconsin plan offers 3 options to participants. (Not including the short-term bond fund)

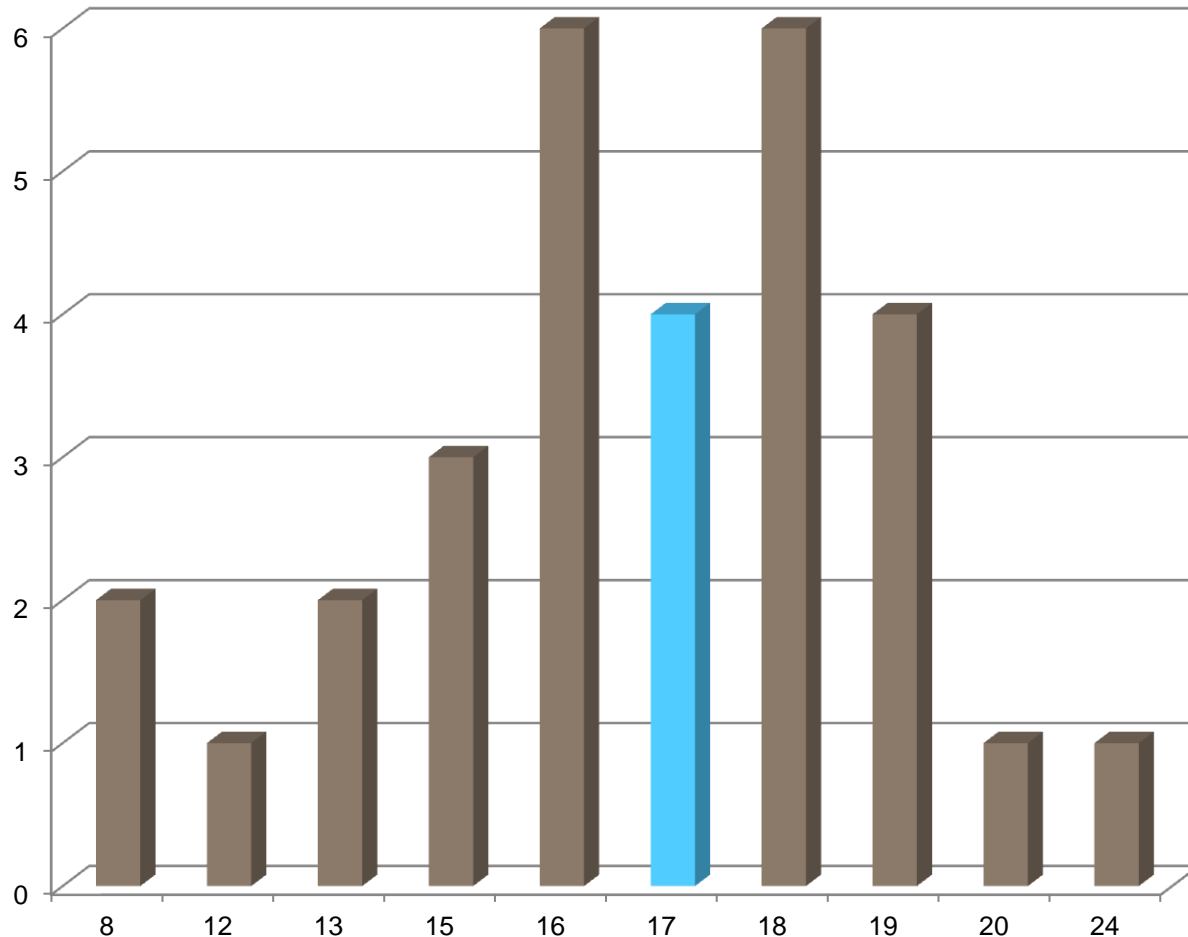
■ Indicates style or asset class used by the Wisconsin Deferred Compensation Program

# Participant Asset Class Utilization





# Distribution of Investment Options



Within our study, the average number of core investment options offered per plan was 16 when the asset allocation funds are considered as one option. The median for the study was 16.5, while the minimum and maximum number of funds offered were 8 and 24, respectively.

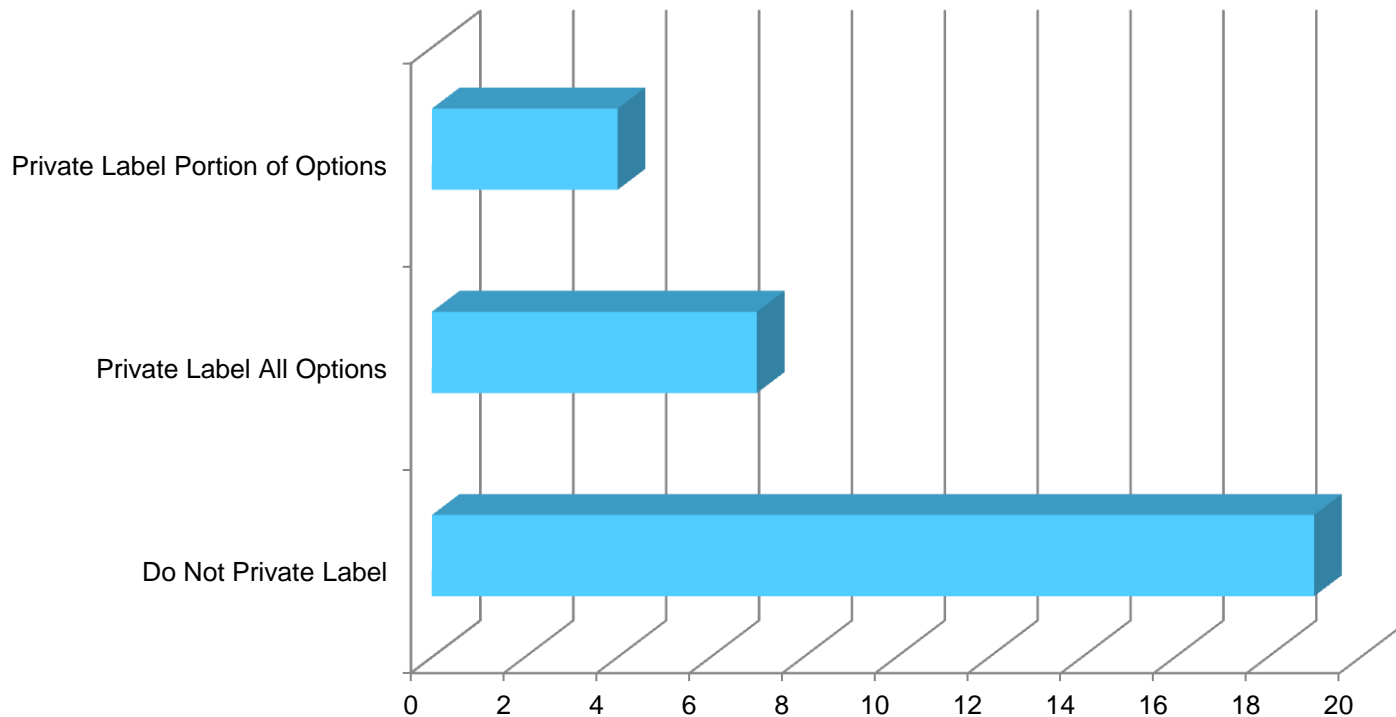
This distribution includes only the core options in each plan. Options such as self-directed brokerage, life insurance, or annuities were not included.

The Wisconsin plan currently offers 17 options, which is highlighted in blue.

# Additional Information

## White/Private Labeling:

Overall there are 11 out of 30 plans in the study that are offering private label funds. Of those 11, 7 plans are private labeling their entire lineup. The remaining 4 plans private label their target date funds and, in some instances, a portion of their core fund options.



The Wisconsin plan is currently not using any White/Private label funds.

# White/Private Labeling Detail

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Taking a more detailed look at the various state retirement plans shows several variations in how Private Labeling is used. Of the 19 states considered in this study:

Plans That Do Not Private Label	13
Plans That Do Private Label	6

## Plans That Private Label Investment Options

	<u>What Funds Are Labeled?</u>	<u>Allocation Funds Structure</u>	<u>Core Funds Structure</u>
Alaska	All Options	Single	Multiple
Indiana	Target Dates Only	Multiple	-
Massachusetts	All Options	Multiple	Combination (14 single, 2 multi)
Pennsylvania	All Options	Multiple	Single
Washington	All Options	Multiple	Single
Minnesota	Target Dates Only	Single	-

# Additional Information

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## Active vs. Passive

Overall there is only one plan that is using a completely passive line-up. Seventeen plans are using an index based approach to target date funds (assuming Vanguard is passive even though they have an allocation to an active TIPs fund). There is only 1 plan that uses all passive equities and only 6 plans using all passive fixed income.

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## Investment Structure:

There are 22 plans that are offering some type of '40 Act mutual fund to participants, 21 plans that offer some type of collective trust fund with the majority being individual index funds or target date funds that are index based. There are 6 plans that are using collective trust funds with active management.



Thank You

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