

**DRAFT**

# MINUTES

January 19, 2016

Deferred Compensation Board  
State of Wisconsin



**Location:**

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

**BOARD MEMBERS PRESENT:**

Ed Main, Chair  
John Nelson, Vice-Chair

Gail Hanson, Secretary (via  
teleconference)  
Art Zimmerman

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**BOARD MEMBERS ABSENT:**

None

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**PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:**

Bob Conlin, Secretary  
John Voelker, Deputy Secretary  
Division of Retirement Services:  
Matt Stohr, Administrator

Deferred Compensation Program:  
Shelly Schueller, Director  
Office of the Secretary:  
Sara Brockman, Board Liaison  
Sharon Walk, Board Liaison

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**OTHERS PRESENT:**

Department of Justice:  
Assistant Attorney General Charlotte Gibson  
Paralegal Matt Kennedy  
Calvert Investments:  
Alexandra Ergon (via teleconference)  
Lynne Ford (via teleconference)

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

Board	Mtg Date	Item #
DC	3.8.16	3G

## **ANNOUNCEMENTS**

Ms. Schueller made the following announcements:

- Ms. Hanson will be joining today's meeting via teleconference.
- Great-West Life & Annuity Insurance Company, now known as Empower, has been served with a class action lawsuit alleging that Empower charges and collects excessive fees for its 401(k) plan record keeping services. The company believes that the suit is without merit and will defend itself vigorously. The Board will be provided with preliminary information as it becomes available, with a formal update at the next Board meeting on March 8, 2016.

## **CALVERT UPDATE RE: FIRM CHANGES**

Ms. Ford provided an overview of Calvert's leadership and corporate structure. Several longstanding associates retired over the past two years, including the Chief Operating Officer (COO) and Chief Executive Officer (CEO). In the first quarter of 2015, Hope Brown assumed the role of COO, and John Stroyer assumed the role of CEO.

Mr. Stroyer took a new approach to the organization and sought to ensure that Calvert was organized and structured around investment management, done in a deep and significant way. The state of the organization was assessed, and areas that were on the road for growth or needed to be primed were identified. For example, management functions were deemed to be inefficient and have subsequently been streamlined.

Data access and analysis capabilities have also been significantly improved, according to Ms. Ford. In order to perform deeper analyses and additional screenings, Calvert required technology enhancements in order to accept and systematically process large amounts of data from various sources. Calvert now utilizes a custom research platform to analyze entire peer groups in a disciplined way to build specific models. Enriching their data capabilities allowed Calvert to expand many of their indexes, with the goal of creating additional indexes in the future.

Ms. Ford stated that Calvert's new funds and indexes do not indicate a move away from asset management. Calvert believes that the ability to cover a variety of segments will support broader investment strategies. The long-standing cadre of fixed income management products and numerous in-house equity products will remain and be managed internally by Calvert.

Several announcements were made in 2015 regarding Calvert's goals to be more efficient and decrease fees to shareowners. After performing an internal alignment analysis, a focus on client engagement was established. Subsequently, Calvert outsourced fund administration, client services, and technology. Two rounds of a reduction in force also took place.

Ms. Ford stated that while Calvert did lose long-tenured associates, the efficiency of the business increased.

## **OPERATIONAL UPDATES**

Ms. Schueller referred Board members to the operational updates in their binders (Ref. DC | 1.19.16 | 3).

She made special note of the *Newsweek* article by David Cay Johnston regarding ongoing tax whistleblower litigation between Vanguard and a former Vanguard tax lawyer (Ref. DC | 1.19.16 | 2d), as well as a statement from Bob Lawler, Relationship Executive for Vanguard, which states that the article is highly speculative and does not mention that the New York Supreme Court dismissed an associated lawsuit in November 2015 (Ref. DC | 1.19.16 | 2c). WDC participant response to the article has been minimal.

The Board requested an annual report from Vanguard and/or written information on its corporate structure as it may pertain to shareholder voting and board member elections. A representative from Vanguard will attend the Deferred Compensation Board Investment Committee (DCIC) meeting on February 8, 2016 to elaborate upon the requested information and answer additional questions.

Mr. Main and Ms. Schueller recused themselves and left the meeting.

Mr. Nelson indicated the Board would convene in closed session for the purpose of quasi-judicial deliberations. Ms. Brockman, Ms. Gibson, Mr. Kennedy and Ms. Walk were invited to stay for closed session.

***MOTION: Mr. Zimmerman moved to convene in closed session, pursuant to the exemptions contained in Wis. Stats. § 19.85 (1) (a) for quasi-judicial deliberations. Ms. Hanson seconded the motion, which passed on the following roll call vote:***

***Members Voting Aye: Hanson, Nelson, Zimmerman***

***Members Absent: Main***

The Board convened in closed session at 1:32 p.m. and reconvened in open session at 2:01 p.m.

**ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING  
CLOSED SESSION**

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

**APPEAL 2015-006-DC**

With respect to Appeal No. 2015-006-DC, the Board approved the appeal relating to the funeral expenses of the appellant's husband based on the facts presented.

**ADJOURNMENT**

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

The Board adjourned at 2:06 p.m.

Date Approved: \_\_\_\_\_

Signed: \_\_\_\_\_

Gail Hanson, Secretary  
Deferred Compensation Board