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Department of Employee Trust Funds  
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## CORRESPONDENCE MEMORANDUM

**DATE:** February 8, 2016

**TO:** Wisconsin Deferred Compensation Board

**FROM:** Shelly Schueller, Director  
Wisconsin Deferred Compensation Program

**SUBJECT:** 2015 Plan Enhancement Program (PEP) Results and  
2016 Administrative Fee Change

**The Wisconsin Deferred Compensation Board (Board) is asked to approve a 3.7% increase in the annual fee paid to Empower Retirement.**

The 2015 Plan Enhancement Program (PEP) approved by the Board identified specific enhancements and initiatives on which Empower Retirement 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.

### 2015 PEP Results

In the 2015 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 very successful in this area. The number of participating employees increased by 4.27%, well above the 1.5% target. There are 58,122 participant accounts with a balance as of December 31, 2015.

Empower Retirement added 12 new local employers in 2015 – exceeding its goal of 8 employers. In addition, 12 local employer level plan reviews were completed as planned.

As shown on the attached 2015 WDC Scorecard, Empower Retirement was also successful in reaching other PEP goals. In 2015, Empower Retirement:

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

Electronically Signed 2/16/16

Board	Mtg Date	Item #
DC	3.8.16	8

- Conducted 668 group seminars (goal was 600 seminars) and 9,367 individual meetings (goal was 7,500 meetings);
- Sent a letter on the importance of diversification to 4,709 participants with more than 70% of their WDC assets in a fixed fund;
- Developed and released the online meeting scheduler;
- Supported ETF's EMPOWER campaign with presentations, workshops, and newsletter articles;
- Successfully offered webinars for participants (by Vanguard and Bob Schulz) and one for employers; and
- Developed a communications strategy to announce the participant administrative fee changes effective January 1, 2016.

#### 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 and 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, as of the end of 2015, 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 moved since then.

#### Recommendation

Based on the 2015 PEP results, staff recommends the Board approve a 3.7% fee increase in 2016 for Empower Retirement, from \$2,967,289 to \$3,077,078.

Staff from Empower Retirement and the Department of Employee Trust Funds will be available at the March 8, 2016 meeting to discuss the 2015 PEP results with the Board.

Attachment A: February 2, 2016 letter from Empower (Emily Lockwood) outlining PEP results for 2015

Attachment B: 2015 PEP Scorecard

Attachment C: 2015 Empower US Council of Mayors plan activities in Wisconsin

Attachment D: Exhibit 15 of ETE0005 (Example WDC Administrative Fee)



**Wisconsin Deferred  
Compensation Program**

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February 2, 2016

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 2015 PEP Scorecard results.

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), or Strategic Partnership Plan, to define the specific plan goals, incorporate WDC Board initiatives, and include metrics for measuring success. These goals and metrics form the PEP/Strategic plan and become the focus for the year.

The PEP generally has goals and metrics developed around the 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.
3. *Education and Learning* – Provide access to more financial literacy learning opportunities for all participants throughout the State.
4. *Retiree Outreach* – Provide a focus on education to retirees; retain retiree accounts/assets in the WDC.

We are very pleased to report that we have met or exceeded all goals outlined in the 2015 PEP Scorecard (see attached). As a result, the following is proposed:

**2016 EMPOWER RETIREMENT ADMINISTRATIVE FEE**

As outlined in Section 7.3A of the Board's Administrative Service Contract with Employer 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%.

Because Empower met all of the 2015 PEP objectives, and increased WDC participant growth by 4.27%, Empower is requesting that the 2016 administrative fee increase by 3.7% (3% for the participant growth and .7% for the 2015 PEP) from to \$2,967,289 to \$3,077,078.

Please let me know if you have any questions or need additional information regarding the 2015 PEP Scorecard.

Sincerely,



Emily S. Lockwood  
State Director

cc: Rob Dwyer, Vice President, Empower Retirement

enclosure

# 2015 WDC Scorecard



Four				
Dimensions	Metric/Goals	2015 Goals	Update as of 12/31/15	
1. Participation a) Employees b) Employers	<p>a. Increase 12/31/2015 in-force account population by 1.5% (≥ 56,576)</p> <p>b. Add 8 new employers by 12/31/15</p>	<p>a1. As of 12/31/14, there were 55,740 in-force accounts</p> <p>a2. As of 12/31/14, there were 902 local employers offering the WDC</p> <ul style="list-style-type: none"> <li>i. Attend 2-3 conventions</li> <li>ii. Attend &gt;40 benefits fairs</li> <li>iii. Develop and release a non-participating employer flier</li> </ul> <p>b1. Release targeted direct mail enrollment piece to female State of Wisconsin employees identified by the Department of Administration's central payroll.</p> <p>b2. Conduct 12 plan review meetings for employers</p>	<p>a1. 58,122 in-force accounts, or 4.27% growth</p> <p>a2. 12 new employers added</p> <ul style="list-style-type: none"> <li>i. 4 conventions attended</li> <li>ii. 54 Benefit Fairs attended</li> <li>iii. New one-page flyer mailed to 1,423 non-participating employers</li> </ul> <p>b1. Mailed to 13,924 female state employees who did not have a balance in the WDC 12/16/15</p> <p>b2. 12 Plan Reviews conducted</p>	
2. Asset Allocation	<p>a. Default less than 95% participants should an investment option be removed</p> <p>b. Consolidation of assets – rollovers into the plan – \$17M</p> <p>c. Target employees with 70% or more in a fixed fund or funds</p>	<p>a. Conduct education and outreach so participants can make informed decisions regarding investment options, including exploring ability to provide webinars on specific WDC investments</p> <p>b. Work with participants to consolidate assets from other retirement plans to improve their retirement picture and total asset allocation model</p> <p>c. Send a letter to those participants who have 70% or more of their balance in a fixed fund/funds to explain the importance of diversification</p>	<p>a. 3 Vanguard webinars; 150 attendees at each (4/30, 5/19 and 9/15)</p> <p>b. \$48 M rolled in; Retirement Education Service Center (RESC) pilot Q2-Q3 a success with a 56% increase over 2014 in rolled in assets</p> <p>c. Mailed new flyer to 4,709 participants with 70% or more in fixed investments</p>	
3. Education and Learning	<p>a. Maintain high visibility in number of group seminars (600) and individual meetings (7,500)</p> <p>b. Conduct an employer webinar and a participant webinar</p> <p>c. Provide content and presentations in support of the "Empower" campaign</p>	<p>a. Develop a "What's Your Excuse" campaign</p> <ul style="list-style-type: none"> <li>a. Fliers</li> <li>b. Newsletters</li> </ul> <p>b. Offer two webinars: 1 each for employers (Fiduciary) and participants (Vanguard)</p> <p>c. Develop articles for eNewsletters, provide presentations and other support for ETF's AAC "Empower" campaign as requested.</p> <p>d. Release employer newsletter</p>	<p>a. 668 group and 9,367 individual meetings</p> <ul style="list-style-type: none"> <li>i. Online scheduler went live 4<sup>th</sup> Quarter</li> </ul> <p>b. 25 attended fiduciary webinar on 5/6; 450 attended three Vanguard webinars (4/30, 5/19 and 9/15)</p> <p>c. Participated in 12 workshops, conducted 135 individual appointments, enrolled 61 employees and increased 35, helped promote events in newsletter, online, by word of mouth, and provided giveaways</p> <p>d. Released to all participating employers 4/20/15</p>	
4. Retention/Retiree Outreach	<p>a. Pre-retirement webinar</p> <p>b. Fee change communications</p>	<p>a. Bob Schulz webinar</p> <p>b. Develop communication strategy to announce fee changes coming 1/1/16</p>	<p>a. 53 attended in person with 184+ participating online</p> <p>b. Published fee articles in newsletter Q2 and Q3; additional articles to come Q4 and Q1, along with presentation slides, website updates and individual letter to participants released 12/18/15</p>	



February 4, 2016

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 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, 2015.

To date, 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, have been the only USCM transitions. Both elected to move to the USCM plan, and neither of these employers offers 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) 737-2408.

Sincerely,

A handwritten signature in brown ink, appearing to read "Rob Dwyer".

Rob Dwyer  
Vice President, Empower Retirement

cc: Brent Neese, Senior Vice President, Government Markets, Empower Retirement  
Emily Lockwood, State Director, Empower Retirement

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Securities offered through GWFS Equities, Inc. and/or other broker dealers.

Insurance products offered by Great-West Life & Annuity Insurance Company, Corporate Office: Greenwood Village, CO; or in New York, by Great-West Life & Annuity Insurance Company of New York, Home Office: White Plains, NY.

**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
<b>Annual Fee - Fixed</b>	\$2,621,148.00	\$2,621,148.00	\$2,621,148.00	\$2,621,148.00	\$2,621,148.00
<b>Expected # of ppt (end of yr)</b>	51,251	51,635	52,023	52,413	52,806
<b>Average price per ppt</b>	\$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
<b>Annual Fee - Fixed</b>	\$2,621,148.00	\$2,691,919.00	\$2,764,600.81	\$2,839,245.03	\$2,915,904.65
<b>Expected # of ppt (end of yr)</b>	51,251	52,532	53,846	55,192	56,572
<b>Average price per ppt</b>	\$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
<b>Annual Fee - Fixed</b>	\$2,621,148.00	\$2,699,782.44	\$2,780,775.91	\$2,864,199.19	\$2,950,125.17
<b>Expected # of ppt (end of yr)</b>	51,251	52,532	53,846	55,192	56,572
<b>Average price per ppt</b>	\$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
<b>Annual Fee - Fixed</b>	\$2,621,148.00	\$2,699,782.44	\$2,780,775.91	\$2,864,199.19	\$2,950,125.17
<b>Expected # of ppt (end of yr)</b>	51,251	52,789	54,372	56,003	57,683
<b>Average price per ppt</b>	\$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
<b>Annual Fee - Fixed</b>	\$2,621,148.00	\$2,718,130.48	\$2,818,701.30	\$2,922,993.25	\$3,031,144.00
<b>Expected # of ppt (end of yr)</b>	51,251	52,789	54,372	56,003	57,683
<b>Average price per ppt</b>	\$51.14	\$51.49	\$51.84	\$52.19	\$52.55