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Correspondence Memorandum

Date: May 18, 2016
To: Deferred Compensation Board
From: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
Subject: May 17, 2016 Investment Committee Meeting Notes

1. The Investment Committee discussed the investment performance results as of March 31, 2016, with Bill Thornton of Advised Assets Group. In general, 1Q16 was a good quarter for many of the funds in the WDC lineup. Mr. Thornton noted that the American Funds EuroPacific Growth Fund had a rough quarter, primarily because it has more emerging market exposure than the category average. He also pointed out that the Federated U.S. Government Securities Fund: 2-5 Years (Federated fund) had a better quarter than it has experienced in the recent past and that the T. Rowe Price Mid Cap Growth fund continues to have very strong performance.
2. The Investment Committee discussed the Federated U.S. Government Securities Fund: 2-5 Years ("Federated fund") with Bill Thornton of Advised Assets Group. As discussed previously by both the committee and the Board, the Federated fund continues to trail the performance of its peers and benchmark index. Because of its defensive positioning, the fund did have a better first quarter 2016. Mr. Thornton noted that the WDC is "heavy" in fixed/cash equivalent options. The Board offers several that are very similar: the Federated fund, the Stable Value Fund, the Vanguard Money Market Fund and the FDIC option and suggested that the WDC could eliminate the Federated fund from the lineup. The committee will recommend that the Board place the Federated fund on "watch" at the next full Board meeting. They also asked Mr. Thornton to review alternative fund options in the short-term gov't (2-5 year or perhaps 3-5 year range) as well as government short-term bond arenas. Mr. Thornton will analyze the options and develop a short list for discussion at a committee meeting later this summer. Shelly mentioned that the time frame to actually remove a fund from the WDC lineup is quite long. Per state law requirements for notifying participants, it takes a full 12 months to complete.
3. As he has pointed out previously, Mr. Thornton noted the WDC lineup lacks a large cap value option. He suggested that it would be prudent for the committee to consider

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

Matt Stohr

Electronically Signed 5/31/16

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reviewing options in this area. The committee agreed with this recommendation; Mr. Thornton will provide a short list of options for discussion at a committee meeting later this summer.

4. Mr. Thornton also mentioned that Great-West offers custom stable value funds, which for the WDC could be a less expensive option than Galliard's stable value fund. The committee indicated they would like to learn more about the Great-West approach to stable value funds. Mr. Thornton will prepare a comparison of the custom Great-West option vs. Galliard's option for discussion at a committee meeting later this summer.
5. Ms. Schueller shared information that Fidelity recently announced that it has opened its Contrafund Collective Investment Trust (CIT) to non-record kept clients like the WDC. If the WDC moved to the CITs, the existing 0.25 bps Contrafund reimbursements to participants would be eliminated, and there would be a lower expense ratio. This could mean lower overall costs for participants currently invested in Contrafund. The Department is working on obtaining additional information and reviewing the option, and expects to include this item on a future Board meeting agenda.