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**CORRESPONDENCE MEMORANDUM**

**DATE:** September 1, 2016  
**TO:** Deferred Compensation Board Members  
**FROM:** Shelly Schueller, Director  
Wisconsin Deferred Compensation (WDC) Program  
**SUBJECT:** August 23, 2016 Investment Committee Meeting Notes

1. The Investment Committee discussed the investment performance results as of June 30, 2016, with Bill Thornton of Advised Assets Group. In general, 2Q16 was a good quarter for many of the funds in the WDC lineup. Mr. Thornton noted the Federated U.S. Government Securities Fund: 2-5 Years ("Federated fund") has experienced two consecutive solid quarters. This fund was placed on watch by the Board at its June 2016 meeting. The American Fund EuroPacific fund continued to lag behind the average for its peer group, but this could be because it is more of a blend fund than its peer group of large cap growth funds. The timing of the Brexit announcement resulted in an inflated result for the Vanguard Long-Term Investment Grade fund, but the fund is a solid performer. The T. Rowe Price MidCap Growth fund continues to shine; Mr. Thornton also pointed out that the Vanguard Target Date funds continue to do very well.
2. Mr. Thornton reviewed the results of his short government fund option search. This request was made prior to the recent performance improvements by the existing short government fund, the Federated U.S. Government Securities Fund: 2-5 Years ("Federated fund"). After reviewing the criteria and the results, which yielded 8 funds with 13 share classes (including the Federated fund), and considering the recent improvement in performance by the Federated fund, the Investment Committee decided to take no action -- other than to remind staff to continue monitoring the performance of this fund.
3. The Investment Committee reviewed Mr. Thornton's large cap value fund search, which yielded 10 funds comprising 42 share classes. The Board has been considering adding an actively-managed large cap value fund, which would complement the existing large cap index and actively managed large cap growth funds currently in the lineup, and the Investment Committee supports this idea. In reviewing the options listed, Mr. Thornton noted that some are more "pure value," while others in the list are a blend of equity

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income. After some discussion, the Investment Committee requested that Mr. Thornton provide a list of the top 3 options and how he arrived at this recommendation. The options should include one fund on the pure value side, one on the equity income side and one in the middle. Mr. Thornton agreed to provide this to the Committee prior to the next full Board meeting. If the Committee believes a meeting is necessary after reviewing the materials, one will be scheduled. Otherwise, the information on the top three funds will be presented at the next Board meeting and the Board can determine if it would want finalist presentations in 2017.

4. Shelly shared two pieces of information:
  - a. BlackRock is set to lower the expense ratio for the EAFE fund, effective December 1, 2016. The cost for the EAFE fund will decrease by 4 basis points (bps) to 6 bps.
  - b. ETF's legal staff are reviewing the Fidelity documents related to a possible collective investment trust ("CIT") to determine if it is permissible from a legal standpoint. ETF will share the results of this review when it is available, as it will help determine whether the Board should continue to examine the CIT option.