State of Wisconsin
Department of Employee Trust Funds
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SECRETARY

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Correspondence Memorandum

Date October 10, 2016

To Deferred Compensation Board

From Shelly Schueller, Director
Wisconsin Deferred Compensation Program

Sub ect 2015 Financial Statements Audit Results

Staff re uests the Deferred Compensation Board Board approve the State of Wisconsin Public Employees Deferred Compensation Plan and Trust Financial Statements as of December 31, 2015 and 2014

As part of its overall responsibilities, the Board requires audited annual financial statements reports on the health of the Wisconsin Deferred Compensation Program (WDC). The purpose of these audit reports is to have an independent public accounting firm express its opinion as to whether the financial statements accurately reflect the financial position of the WDC. The audit reports should demonstrate that all participant accounts and contributions are being properly balanced and records are being kept accurately, and that all WDC assets are balanced. Financial statements audit reports may also reveal any misstatements due to errors, fraud or other reasons that would cause the financial statements to inaccurately reflect the financial position of the WDC.

Pursuant to its contract with the Board, Coleman and Williams has completed the WDC's comprehensive financial statements audit for the year ending December 31, 2015. Coleman and Williams has expressed that "…the financial statements…present fairly, in all material respects, the financial status of the Plan as of December 31, 2015, and the changes in its financial status for the year then ended, in accordance with accounting principles generally accepted in the United States of America."

The financial highlights for the year ending December 31, 2015, include the following:

Reviewed and approved by Matt Stohr, Administrator
Division of Retirement Services
Electronically Signed 10/14/16

Board	Mtg Date	Item #
DC	11.1.16	4

- WDC net assets as of December 31, 2015 increased by $82.9 million to total $4.0 billion, as compared to $3.9 billion at the close of 2014.
- Mutual fund investment income decreased by $196 million to $49 million for the year ending December 31, 2015 due to less favorable market conditions during 2015.
- In 2015, the overall rate of return for the WDC's mutual fund investments was 1.50%, as compared to 8.62% in 2014, 22.69% in 2013, and 13.51% in 2012.
- Employee contributions increased in 2015 to $150.5 million, as compared to $142.6 million in 2014.
- Distributions to participants increased in 2015 to $171 million. In 2014 distributions totaled $154.1 million. As in previous years, this increase can mainly be attributed to the increasing number of WDC participants taking distributions. In 2015, 9,035 participants took distributions. In comparison, in 2014, 8,420 participants took distributions.

The financial statements audit report findings illustrate the WDC's overall good health. Participant deferrals, investment income and expenses are all properly accounted for, according to the financial statements audit report.

Staff from Coleman and Williams and ETF will be available at the meeting to discuss the audit results and draft report with the Board.

Attachments: Coleman & Williams Cover Letter, October 7, 2016
draft WDC Financial Statements, December 31, 2015 and 2014

COLEMAN & WILLIAMS, LTD.
A Professional Services Firm

October 7, 2016

Mr. Edward Main, Board Chair
State of Wisconsin Public Employees Deferred Compensation Plan and Trust Board
c/o Board Liaison
Department of Employee Trust Funds
PO Box 7931
Madison WI 53707-7931

We have audited the financial statements of State of Wisconsin Public Employees Deferred Compensation Plan and Trust (the "Plan") for the year ended December 31, 2015, and have issued our report thereon dated October 7, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 14, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Plan are described in Note 2 to the financial statements.

We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was the valuations of the Plan's investments.

> Management's estimate of the investment valuation is based on trust statements received from Great-West Life & Annuity Insurance Company (Empower Retirement) and reflects the estimated fair market value of the investments held in trust. We evaluated the key factors and assumptions used to develop the investment valuation in determining that it is reasonable in relation to the financial statements taken as a whole.

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Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

We did not identify any misstatements during the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the Plans financial statements or the auditors' reports.

We are pleased to report that no such disagreements arose during the course of the audit.

Management Representations

We have requested certain representations from management that are included in the updated management representation letter dated October 7, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Plan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

COLEMAN & WILLIAMS, LTD.
A Professional Services Firm

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with standards and regulations, the method of preparing it has changed from the prior period to comply with GASB Statement No. 67, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or the financial statements themselves.

This information is intended solely for use of the State of Wisconsin Public Employees Deferred Compensation Plan and Trust Board and management of the Plan and is not intended to be and should not be used by anyone other than these specified parties.

Coleman & Williams, Ltd.

Very truly yours,

STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN
AND TRUST
Madison, Wisconsin

FINANCIAL STATEMENTS
December 31, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

State of Wisconsin Public Employees Deferred Compensation Plan and Trust Board
State of Wisconsin Public Employees Deferred Compensation Plan and Trust

Report on the Financial Statements

We have audited the accompanying financial statements of the State of Wisconsin Public Employees Deferred Compensation Plan and Trust (the ñPlanò), which comprise the statements of net position as of December 31, 2015, and the related statements of changes in net position available for plan benefits for the year then ended, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United Statements of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditorsô judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the Planôs preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Planôs internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Plan as of December 31, 2015, and the changes in its financial status for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Prior Year Financial Statements

The financial statements of the Plan as of December 31, 2014, were audited by other auditors whose report dated June 17, 2015, expressed an unmodified opinion on those statements.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion, or provide any assurance, on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Milwaukee, Wisconsin
October 7, 2016

STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

This section presents management's discussion and analysis of the Wisconsin Public Employees Deferred Compensation Plan and Trust (the Plan) financial performance, which provides an overview of the Plan's financial position and activities as of December 31, 2015, and 2014 and for the years then ended. It is presented as required supplemental information to the financial statements.

FINANCIAL HIGHLIGHTS

- Net position available for plan benefits increased by $82.9 million during the year ended December 31, 2015 from $3.9 billion at December 31, 2014 to $4.0 billion at December 31, 2015. This increase was primarily due to employee contributions and investment income offset by distributions to participants. Net position available for plan benefits increased by $274 million during the year ended December 31, 2014. This increase was primarily due to employee contributions and investment income offset by distributions to participants.

- Investment income earned on mutual funds decreased by $196 million from $245 million for the year ended December 31, 2014 to $49 million for the year ended December 31, 2015 due to less favorable market conditions in 2015 as compared to 2014. The Plan's rate of return on mutual fund investments was approximately 1.50% and 8.62% for the years ending December 31, 2015 and 2014, respectively.

- Interest income earned on fixed earning investments was $11.2 million and $10.7 million for the years ended December 31, 2015 and 2014, respectively. Changes in interest income relate directly to the balance of fixed earning investments during the year and changes in their respective interest rates. See Note 1 in the Notes to Financial Statements for information regarding interest rates.

- The loss in the value of the self-directed option (SDO) directly relates to participant contributions and reduced value on participant SDO accounts. The value of the SDO decreased from December 31, 2014 to December 31, 2015 by $5 million.

- Employee contributions increased from $142.6 million for the year ended December 31, 2014 to $150.5 million for the year ended December 31, 2015. The change from 2014 to 2015 was primarily due to the fluctuations in the number of plan participants with a balance from year to year. There were 58,115 and 57,530 plan participants with a balance as of December 31, 2015 and 2014, respectively.

- Distributions to participants increased from $154.1 million for the year ended December 31, 2014 to $171 million for the year ended December 31, 2015. These changes were primarily due to changes in the number of individuals receiving distributions from year to year. There were 9,035, and 8,420 individuals who received a distribution during the years ended December 31, 2015 and 2014, respectively.

STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

- In 2015 it was determined that the group annuity agreement with Great West met the definition of an allocated contract and this annuity should no longer be reflected on these financial statements as an asset. The group annuity was removed and 2014 restated for comparison purposes.

- In the third quarter of 2015 the Target Retirement accounts were changed to Institutional Target Retirement accounts. Both names are included for the funds that changed.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of the Statements of Net Position Available for Plan Benefits and the Statements of Changes in Net Position Available for Plan Benefits. These statements provide information about the financial position and activities of the Plan as a whole. These amounts are included in the Statement of Fiduciary Net Position on the State of Wisconsin's financial statements.

The following Summary of Net Position Available for Plan Benefits and the Summary of Changes in Net Position Available for Plan Benefits provide information about the financial position and activities of the Plan as a whole.

Table 1
Summary of Net Position Available for Plan Benefits

		December 31, 2015		December 31, 2014
Investments	$	4,010,185,444	$	3,927,644,748
Receivables - contributions		708,867		422,654
Total assets		4,010,894,311		3,928,067,402
Administrative expenses payable		2,482,799		2,559,027
Net position available for plan benefits	$	4,008,411,512	$	3,925,508,375

Table 2
Summary of Changes in Net Position Available for Plan Benefits

		2015		2014
Additions				
Employee Contributions	$	150,520,137	$	142,638,425
Transfers-in from other plans		48,475,480		31,013,064
Investment Income:				
Interest income		11,228,634		10,713,871
Mutual fund investment income		48,662,972		245,781,207
Change in value of self-directed option		(1,829,264)		3,223,203
Total additions		257,057,960		433,369,770
Deductions				
Distributions to participants		171,029,123		154,076,743
Administrative expenses		3,125,699		2,889,650
Change in value of group annuity policy		-		1,544,017
Total Deductions		174,154,822		158,510,410
Net increase	$	82,903,137	$	274,859,360

FINANCIAL CONTACT

The Planôs financial statements are designed to present users with a general overview of the Planôs finances and to demonstrate the trusteesô accountability. If you have questions about the report or need additional financial information, contact the Deferred Compensation Director for the Department of Employee Trust Funds at P.O. Box 7931, Madison, Wisconsin, 53707-7931.

FINANCIAL STATEMENTS

STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
STATEMENTS OF NET POSITION AVAILABLE FOR PLAN BENEFITS
Years Ended December 31,

		2015		2014
ASSETS				
Investments:				
Fixed earnings investments	$	697,061,276	$	695,221,741
Variable earnings investments		3,250,795,891		3,166,696,123
Self-directed option		62,328,277		65,726,884
Total investments		4,010,185,444		3,927,644,748
Receivable - contributions		708,867		422,654
Total assets		4,010,894,311		3,928,067,402
LIABILITIES				
Administrative expenses payable		2,482,799		2,559,027
NET POSITION AVAILABLE FOR PLAN BENEFITS	$	4,008,411,512	$	3,925,508,375

The accompanying notes are an integral part of the financial statements.

STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
STATEMENTS OF CHANGES IN NET POSITION AVAILABLE FOR PLAN BENEFITS
Years Ended December 31,

	2015	2014
ADDITIONS		
Employee Contributions	$ 150,520,137	$ 142,638,425
Transfers-in from other plans	48,475,480	31,013,064
Investment income:		
Interest income	11,228,634	10,713,871
Investment income from variable earnings investments	48,662,972	245,781,207
Gain/loss in value of self-directed option	(1,829,264)	3,223,203
Total additions	257,057,959	433,369,770
DEDUCTIONS		
Distributions to participants	171,029,123	154,076,743
Administrative expenses	3,125,699	2,889,650
Change in value of group annuity policy (see Note 2)		1,544,017
Total Deductions	174,154,822	158,510,410
NET INCREASE	82,903,137	274,859,360
NET POSITION AVAILABLE FOR PLAN BENEFITS, BEGINNING OF PERIOD	3,925,508,375	3,650,649,015
NET POSITION AVAILABLE FOR PLAN BENEFITS, END OF PERIOD	$ 4,008,411,512	$ 3,925,508,375

The accompanying notes are an integral part of the financial statements.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The State of Wisconsin Public Employees Deferred Compensation Plan and Trust (the Plan) was established in 1981 pursuant to Wisconsin State Statute Section 40.80.

In accordance with Section 457 of the Internal Revenue Code (IRC), the Plan limits the amount of an employee's annual contributions to an amount not to exceed the lesser of $18,000 or 100% of the employee's includable compensation and $17,500 or 100% of the employee's includable compensation for years 2015 and 2014, respectively. In 2010, the federal government passed the Small Business Jobs Act of 2010, which allows 457 plans such as the Wisconsin Deferred Compensation (WDC) Program to offer a Roth contribution option effective January 1, 2011. Roth contributions are made with after-tax dollars. Participants may withdraw WDC Roth contributions and earnings income tax and penalty free once they have held the account for at least five years and severed employment. The WDC opened the WDC Roth contribution option to participants on July 1, 2011. The Plan also provides certain catch-up contribution provisions for participants age 50 or older and for participants within three years of their normal retirement age. Amounts contributed by employees are deferred for federal and state income tax purposes until benefits are paid to the employees. The Plan allows the employer to make contributions to the Plan on behalf of employees. No such contributions were made in 2015 or 2014.

Under the Plan provisions, employees of the State of Wisconsin and public employers in Wisconsin that elect to participate are eligible to contribute to the Plan through payroll deductions. As of December 31, 2015 and 2014, approximately 69% of the Plan assets were applicable to State employees and the remaining 31% represent the assets of other Wisconsin public employers participating in the Plan.

Under provisions of the Small Business Job Protection Act of 1996 (SBJPA), which became effective for plan years beginning after December 31, 1996, assets of IRC Section 457 plans must be held in a trust, custodial account, or annuity contract for the exclusive benefit of employees and beneficiaries. In March 2006, Wisconsin Act 150 was signed into law, creating Code Section s.40.80 (2)(g) of the Wisconsin Statutes. Section s.40.80 (2)(g) incorporates requirements of the federal tax code by establishing the Wisconsin Deferred Compensation (WDC) Program as a trust. Furthermore, it established the Deferred Compensation Board members as trustees with fiduciary responsibilities.

The Plan is governed by the Wisconsin Deferred Compensation Board (the Board) and is administered by a third party. The Board is also the trustee of the Plan.

Employees electing to participate in the Plan may contribute to or exchange within any of the following investment options:

- Fixed earnings investment of the Stable Value option managed by Galliard Capital Management, Inc.;
- Fixed earnings investment in a FDIC option managed by Nationwide Bank;
- Variable earnings investments options consisting of select mutual funds;
- Self-directed option - Personal Choice Retirement Accounts (PCRA) offered by Charles Schwab & Co., Inc. Participants may exchange funds accumulated in the core options of the Plan to a PCRA account, which provides approximately 3,000 additional investment offerings other than the Plan's core options

Employees may withdraw the value of the funds contributed to the Plan upon termination of employment with the employer, retirement, death, or financial hardship. Employees, or their beneficiaries, may select various payout options which include lump sum or periodic payments.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and present the net position available for plan benefits and the net changes in position.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

Contributions and Contributions Receivable

Employee contributions are recognized when such amounts are withheld. Contributions receivable represent amounts withheld from employees but not yet received or remitted to the investment carriers at fiscal year-end and these receivables approximate fair value.

Investment Valuation

Fixed earnings investments are valued as reported by Galliard Capital Management and Nationwide Bank at fair value, which represents contributions received plus interest income earned to date less applicable charges and amounts withdrawn.

Variable earnings investments (mutual funds) and personal choice retirement accounts are presented at fair value based on published quotations. All purchases and sales are recorded on a trade-date basis.

Distributions

Distributions are recorded at the time withdrawals are made from participant accounts.

Mutual Fund Investment Income

Mutual fund investment income consists of dividend income and realized and unrealized gains and losses attributed to the mutual funds and personal choice retirement accounts.

Interest Income

The Stable Value option paid interest ranging from 1.74% to 1.85% and 1.73% to 1.94% during the years ended December 31, 2015 and 2014, respectively. At December 31, 2015 and 2014, the actual crediting rate was 1.85% and 1.73%, respectively.

The FDIC option, managed by Nationwide Bank, paid interest of .038% and 0.30% during the years ended December 31, 2015 and 2014, respectively. At December 31, 2015 and 2014, the actual crediting rate was .038% and 0.30%, respectively.

Interest income is recorded as earned on the accrual basis.

Participants' Accounts

Earnings are credited to individual participants' accounts based upon the investment performance of each specific option selected.

Transfers-In from Other Plans

Transfers-in represent the balances of assets transferred by employees from other eligible plans.

Related Party Transactions

Certain members of the Deferred Compensation Board, Wisconsin Retirement Board, Teachers Retirement Board, Group Insurance Board and Employee Trust Funds Board are participating or retired members of the Plan.

NOTE 2 – INVESTMENTS

Investments held in the name of the Plan at December 31, 2015 and 2014 were as follows. Investments marked with an asterisk (*) represent individual investment options, which exceed 5% of the net position available for plan benefits as of December 31, 2015 and 2014. Investments marked with two asterisks (**) represent international mutual funds.

	Fair and Carrying Value			
	2015		**2014**	
Fixed earning investments:				
Stable Value	$ 600,687,638	*	$ 605,313,080	*
Nationwide Bank	96,373,638		89,908,661	
Total fixed earnings investments	697,061,276		695,221,741	
Variable earnings investments:				
Fidelity Contrafund	578,167,726	*	549,718,901	*
T. Rowe Price Instl Mid Cap Equity Growth	417,862,274	*	390,647,814	*
Vanguard Wellington Fund Admiral Shares	411,056,402	*	432,546,049	*
Vanguard Institutional Index Fund Plus Shares - Institutional Plus Shares	387,824,445	*	374,436,946	*
DFA US Micro Cap Fund	215,339,914	*	235,766,936	*
American Funds Europacific Fund - Class R6	156,762,538	**	168,270,906	**
BlackRock Mid Cap Equity Index Fund - Collective F	157,058,113		157,783,076	
Vanguard Instl Trgt Retire 2025 Instl/ Vanguard Target Retirement 2025 Fund	154,862,856		130,929,953	
Vanguard Long-Term Investment Grade Fund Admiral Shares	115,276,728		120,087,351	
Vanguard Instl Trgt Retire 2015 Instl/ Vanguard Target Retirement 2015 Fund	104,136,156		102,932,249	
Vanguard Target Retirement 2035 Istl/ Vanguard Target Retirement 2035 Fund	95,703,478		83,331,980	
BlackRock U.S. Debt Index Fund - Class W	99,903,598		81,643,448	
BlackRock EAFE Equity Index Fund - Class T	89,908,324	**	76,501,190	**
BlackRock Russell 2000 Index Collective T	57,082,551		56,219,857	
Vanguard Instl Trgt Retire 2045 Instl/ Vanguard Target Retirement 2045 Fund	51,728,975		45,113,990	
Calvert Social Investment Fund - Equity Portfolio - Class I	47,960,992		46,046,075	
Vanguard Instl Trgt Retire Inc Instl/Vanguard Target Retirement Income Fund	39,969,875		40,185,823	
Federated U.S. Government Securities Fund - 2-5 Institutional Shares	32,576,771		36,198,589	
Vanguard Admiral Treasury Money Market Fund - Admiral Shares	28,253,933		30,987,243	
Vanguard Instl Trgt Retire 2055 Instl/Vanguard Target Retirement 2055 Fund	9,360,242		7,347,747	
Total variable earnings investments	3,250,795,891		3,166,696,123	
Self-directed option:				
Personal Choice Retire Accounts - Charles Schwab	62,328,277		65,726,884	
Total investments	$ 4,010,185,444		$ 3,927,644,748	

STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

In the third quarter of 2015 the Vanguard Target Retirement accounts were changed to Vanguard Institutional Retirement Accounts. Both names are listed in the schedule.

At December 31, 2015 and 2014, the Stable Value option fixed earnings investment totaling $2,482,799 and $2,559,027, respectively, which is payable in future years to the Board for Plan administration costs.

The fixed earning investments with Nationwide Bank are insured by the Federal Deposit Insurance Corporation up to $250,000 per participant. At December 31, 2015 and 2014, 38 and 31 accounts of individual participants held more than $250,000, respectively.

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Plan would not be able to recover the value of its deposits, investments, or collateral securities that were in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the Plan and are held by either the counterparty or the counterparty's trust department or agent, but not in the Plan's name.

The Stable Value option and the mutual funds do not have securities that are used as evidence of the investments and therefore are not exposed to custodial credit risk.

Interest rate risk is the risk that changes in interest rates that will adversely affect the value of an investment.

Credit risk is the risk that the Plan will lose money because of the default of the security of the issuer or investment counterparty. The stable value option and the variable earnings mutual funds are unrated.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investments are managed by several fund managers. The concentrations of investments are determined by the participants' elections to invest in the available investment options as selected by the Board. The investments that exceed 5% are identified on page 12 with a single ñ*ò.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the investment. The Plan allows the option of investments in mutual funds of countries outside the U.S. that invest in securities not required to disclose the individual assets within the fund. The fair value of these investments was $246,670,862 and $244,772,096 as of December 31, 2015 and 2014, respectively. The individual funds are identified on page 12 with ñ**ò.

	2015		2014	
	Fair Value	Weighted Average Maturity	Fair Value	Weighted Average Maturity
Fixed earnings investment:				
Stable Value	$ 598,204,839	3.39	$ 605,313,080	3.36
Variable earnings investments:				
Vanguard Wellington Fund Admiral Shares	411,056,402	9.8	432,546,049	9.2
Vanguard Long-Term Investment Grade Fund Admiral Shares	115,276,728	22.6	120,087,351	23.2
BlackRock U.S. Debt Index Fund-Class W	99,903,598	7.41	81,643,448	7.28
Federated U.S. Government Securities Fund 2-5 Institutional Shares	32,576,771	3.6	36,198,589	3.7
Vanguard Instl Trgt Retire Inc Instl From Vanguard Target Retirement Income Fund	39,969,875	7.12	40,185,823	6.66
Vanguard Instl Trgt Retire 2025 Instl From Vanguard Target Retirement 2025 Fund	154,862,856	8.35	130,929,953	7.76
Vanguard Instl Trgt Retire 2015 Instl From Vanguard Target Retirement 2015 Fund	104,136,156	7.46	102,932,249	7.08
Vanguard Target Retirement 2035 Istl From Vanguard Target Retirement 2035 Fund	95,703,478	8.35	83,331,980	7.76
Vanguard Instl Trgt Retire 2045 Instl From Vanguard Target Retirement 2045 Fund	51,728,975	8.36	45,113,990	7.76
Vanguard Instl Trgt Retire 2055 Instl From Vanguard Target Retirement 2055 Fund	9,360,242	8.36	7,347,747	7.76

An agreement was reached between the Board and Great-West Life on April 27, 1994, whereby the Plan purchased a single premium group annuity policy on May 1, 1994 for $12,946,917 (the balance in the annuity payout reserve at the time of purchase). Under the terms of the policy, Great-West Life assumed the contractual liability for the remaining annuity terms and amounts and assumed all risk related to market fluctuation. The actuarial value of the group annuity contracts, as determined by Great-West Life was $1,477,767 and $1,508,947 at December 31, 2015 and 2014, respectively. In previous years, this group annuity was recorded on the financial statements. In 2015, it was determined that since this contract meets the definition of an Allocated Contract referenced in GASB Standard 27, the group annuity asset should be excluded from the financial statements going forward. 2014 was restated to reflect this change for comparison purposes.

NOTE 3 - PLAN ADMINISTRATION

The Plan receives periodic recordkeeping fee payments from certain investment companies, which is paid out of the Boardǒs Stable Value option fixed earnings account. Such fees are paid to the Board to support Board costs, which include the contractual fee paid to the third-party administrator, Great-West Life.

Each participant in the Plan is charged a fee based upon their account balance and a tiered dollar charge.

Participant Account Balance	Monthly/Annual Participant Fee
$1 - $5,000	$0/$0
$5001 - $25,000	$1/$12
$25,001 - $50,000	$2/$24
$50,001 - $100,000	$4/$48
$100,001 +	$5.50/$66

Fees assessed in excess of the Plan administrative expenses as of December 31, 2015 and 2014, were $2,482,799 and $2,559,027, respectively. At the Board's discretion, these excess fees are invested and available to defray future administrative expenses and participant fee increases.

NOTE 4 - TAX STATUS

The Plan is reviewed by legal counsel to ensure conformity with Section 457 of the IRC. Accordingly, any amount of compensation deferred under the Plan and any income attributable to the amounts so deferred shall be included in the gross income of the participant only for the taxable year in which such compensation or other income is paid or otherwise made available to the participant or other beneficiary.

NOTE 5 - CONTINGENCIES

The Plan is subject to various threatened and pending claims. It is the opinion of management that the ultimate liability arising from such threatened and pending claims will not have a material effect on the financial position of the Plan. The Plan is exposed to various other liabilities and risks related to the fiduciary responsibility of directors and officers.

NOTE 6 - RISK AND UNCERTAINTIES

The Plan, as directed by participants, may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks.

Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities may occur in the near term and that such changes could materially affect the amounts reported in the Statements of Net Position Available for Plan Benefits.

NOTE 7 - PLAN TERMINATION

The State may terminate the Plan at any time, although no intent to terminate the Plan has been expressed. In the event of termination, all participants will remain fully vested.

NOTE 8 - SUBSEQUENT EVENTS

The Plan evaluated subsequent events through October 7, 2016, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2015, but prior to October 7, 2016, that provided additional evidence about conditions that existed at December 31, 2015, have been recognized in the financial statements for the year ended December 31, 2015. Events or transactions that provided evidence about conditions that did not exist at December 31, 2015, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2015.