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## Correspondence Memorandum

**Date:** January 3, 2017  
**To:** Deferred Compensation Board  
**From:** Shelly Schueller, Director  
Wisconsin Deferred Compensation Program  
**Subject:** Peer Plans' Administrative/Participant Fees

**This memo is for informational purposes only. No Board action is required.**

At the November 1, 2016, Board meeting, the Board directed staff to provide information comparing Wisconsin Deferred Compensation (WDC) administrative and participant fees paid by WDC participants compared to those charged by peer plans in the U.S. This memo summarizes the results of a recent survey released by the State of Florida s. 457 plan.

The *most common* mechanisms for funding public deferred compensation plan expenses (including administrative and record keeping fees, audit costs, etc.) are either revenue sharing or charging participants a fixed percentage. Other approaches for funding include a combination of flat fees and fixed percentage, which may or may not include revenue sharing from investment options.

Revenue sharing occurs when a mutual fund or other investment option pays some of its revenue to others who provide services for a plan, such as record keeping. These payments are intended to compensate a plan or its administrators for providing plan accounting and participant servicing functions that the investment options would normally provide. According to the 2016 State of Florida survey results, there are six state-level s. 457 plans that operate using only revenue sharing to cover their expenses: Alabama, Arkansas, Delaware, Iowa, Rhode Island and Vermont.

Many state-level s. 457 plans cover the cost of their expenses by assessing participant fees that are a fixed percentage of the participant's account. These fees are commonly expressed as basis points (bps). Basis points are a common unit of measure in the financial world. One bps is equal to 1/100th of 1%, or 0.01% (0.0001). There are 22 state-level s. 457 plans that charge their participants a fixed percentage to cover plan expenses, ranging from 4.6 bps in Connecticut to 25 bps in Idaho.

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

Electronically Signed 1/24/17

Board	Mtg Date	Item #
DC	2.9.17	5a

Fourteen state-level s. 457 plans assess participants a mix of flat fees and percentage of assets to pay for plan administration. Examples include:

State	Annual Flat Fee	% of Assets	Notes
Colorado	\$12	11 bps	---
Georgia	\$48	5 bps	
Maine	\$60	10 bps	Plus investment option mgmt. fees
Nebraska	\$15.60	30 bps	Plus fees for distributions
New York	\$20	4 bps	Capped for accounts at \$200,000 or more
Pennsylvania	\$24	7 bps	---
South Carolina	\$4	10 bps	---

Of the state-level plans, only Wisconsin and Texas currently use a tiered flat fee schedule for participants. Montana uses a graduated percentage of assets fee for participants.

In the late 1980s, all WDC participants paid a \$12 annual administrative fee and a fixed percentage asset fee of 91.429 bps (0.91429%) to cover the WDC administrative costs. The fixed percentage portion of the fee was gradually decreased during the 1990s and eventually eliminated entirely. Since the late 1990s, the Board has charged all participants a flat fee. This fee is scaled based on participant account balances and includes a waiver of the fee until an account balance is greater than \$5,000.

As approved at the November 1, 2016 Board meeting, as of January 1, 2017, the participant administrative expenses will be as follows:

<b>WDC Participant Fees as of January 1, 2017</b>			
<b>Participant Account Balance</b>	<b>Approx. # Participants</b>	<b>Monthly Fee</b>	<b>Annual Fee</b>
\$1 – 5,000	13,881	\$0.00	\$0.00
\$5,001 – 25,000	15,444	\$1.00	\$12.00
\$25,001 – 50,000	8,857	\$3.00	\$36.00
\$50,001 – 100,000	8,514	\$6.00	\$72.00
\$100,000 – 150,000	4,238	\$8.00	\$96.00
\$150,001 – 250,000	4,036	\$11.00	\$132.00
Over \$250,000	4,043	\$16.50	\$198.00

ETF staff will be available at the meeting to discuss this memo with the Board.

Attachment: All States 2016 Comparison

State s. 457 Plan Participant Fees  
Estimated Annual Fee on \$50,000 Account Balance  
Source: State of Florida 2016 Survey

