*Money*Talks

Wisconsin Deferred Compensation (WDC) Program

The results are in: WDC gets high marks in participant survey

A big thank you to those who participated in the WDC satisfaction survey! Conducted in August and September, more than 1,400 participants took part in the survey, and their responses are helping us chart the way forward.

The good news is we're on the right track. The overall satisfaction level with the WDC, administered by Empower Retirement, reached 94%. The highest marks were given for service provided at the WDC office in Madison (90% satisfied), the accuracy of our quarterly account statements (87%) and overall satisfaction with the WDC website (96%).

The survey also asked participants to rate their satisfaction with the WDC call center, the local WDC Retirement Representatives, WDC website and the automated phone system. Opinions about WDC fliers and brochures, ease of PIN assignment and finding account balances were also solicited.

Respondents were given the opportunity to make suggestions and share ideas and indicated they were interested in learning about topics such as living in retirement, fees charged and nearing retirement. Based on survey feedback, the WDC will look to offer more online (webinar) training/seminars, opportunities to receive information via email and make distribution forms available online to further refine and strengthen your experience as a WDC participant.

Plan and Trust document update

The Deferred Compensation Board (Board) amended the WDC Plan and Trust Document in May 2016. The Board has determined that, in general, expenses from events exceeding 12 months prior to the date of a hardship application may not by themselves be considered appropriate for a hardship withdrawal because there is no unforeseeable emergency involved. These are situations where the individual 1) had significant control or 2) could have reasonably and prudently anticipated, avoided or budgeted for the event. Participants with situations created by events extending 12 months prior to the date of an emergency withdrawal application must be prepared to submit additional documentation explaining how their situation may qualify as a financial emergency. To review the current Plan and Trust Document, access it in the *Program Information* section of the WDC website.

In This Issue:

*FDIC Insured Bank Option: Nationwide Bank has declared an annualized interest rate of 0.42% for the fourth quarter of 2016.**

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* Certificates of deposit are insured by the FDIC for up to $250,000 per depositor and offer a fixed rate of return, whereas both the principal and yield of bonds and stocks will fluctuate with market conditions.

Diagnosing your retirement readiness with a personal review

How prepared are you for retirement? The answer will be different for everyone, but with a Retirement Readiness Review[1] offered by the WDC, it may be easier to see the road ahead.

What is retirement readiness? It is simply your ability to retire with enough sustainable income for the rest of your life, given your personal financial situation and personal retirement goals. Factors that determine readiness include how your assets are allocated, your savings rate, planned retirement age and the amount or percentage of your pre-retirement income you will need to replace.

Offered at no cost, Retirement Readiness Reviews assess where you stand today and the current path you are taking toward retirement. A review includes an individual meeting with a local WDC Retirement Representative, who will analyze a variety of factors and diagnose your situation — identifying areas for improvement and making specific recommendations to help strengthen your savings rate and investment strategies.

During the review, you and your local WDC Retirement Representative will review your personal data and establish goals. Together, you will discuss outside investments, pension and social security estimates, spouse and partner retirement benefits and other potential sources of retirement income. After factoring in expenses like healthcare and college tuition, an analysis will be conducted that may help you decide if you may be on track to reach your desired level of retirement income. The analysis provided will give you a detailed look at your projected income and cash flow throughout your retirement years. You will receive a detailed spend-down plan that offers suggestions for which retirement income sources to draw from each year of your retirement, depending on your tax situation and other variables.

If a review reveals that you're not quite on the right track, you will be given suggestions that might get you back on track, such as increasing your savings rate or changing your investment allocation.

Already retired? A Retirement Readiness Review can help you, too. The review is particularly helpful with spend-down strategies — which can be one of the most neglected parts of retirement planning. For those nearing or in retirement, a review helps you realize what your sustainable retirement income level may be throughout retirement and where your income may come from. It can also help you determine appropriate investment strategies and analyze the value of keeping your assets in the WDC. An analysis of your spend-down strategies, including illustrations of how long your money might last, is included for participants within 10 years of retirement.

To schedule a Retirement Readiness Review with a WDC Retirement Representative in your area, go to the WDC website, **www.wdc457.org**, and click on the *Schedule a Meeting* link in the top right corner of the screen. You may also call the WDC at **(877) 457-WDCP (9327)**, press 0 and say "representative."

In the meantime, check your retirement readiness by logging into your WDC account online at **www.wdc457.org** and clicking the *Advisory Services* tile. Taking the time to review your retirement readiness could be one of the most important decisions you make toward reaching your retirement goals. Don't miss out on this amazing opportunity![1]

Department of Labor changes definition of investment advice

What the new rules mean for you

In April 2016, the U.S. Department of Labor (DOL) took an important step toward protecting retirement plan participants and other investors by issuing a final rule that expands the meaning of fiduciary responsibility.

Fiduciary responsibility refers to the obligation of financial advisors to act in the best interests of their customers. It is a responsibility maintained by the Deferred Compensation Board with the Department of Employee Trust Funds, and extends to those outside the WDC who advise participants as well.

As such, financial professionals you may speak with outside of the WDC will be required to compare costs, investments and your needs when advising you. Your local WDC Retirement Representatives are also being held to this standard.

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Department of Labor changes definition of investment advice *(continued)*

While the DOL rule provides greater clarity around what it means to act with fiduciary responsibility, WDC participants should experience very few changes because the new rules are focused more on plan advisors than on retirement savers themselves.

But it's important to understand that these changes were made for you! Here's a brief summary of the new federal government rules that take effect in April 2017:

- **Communication.** The rule expands the types of communications that can trigger fiduciary status to include a mere recommendation. A recommendation is defined very broadly to include even a suggestion that someone take or refrain from taking a particular action. Even one-time communications, such as a call between a participant and call center representatives, can trigger fiduciary status.
- **Rollovers and distributions.** The rule impacts anyone speaking to a participant about whether to take a distribution or do a rollover into or out of the WDC. Fiduciary advice includes recommendations about the form and amount of a distribution, and the destination of a distribution such as a particular IRA provider or type of savings or investment account.
- **Participants' interests come first.** All advisor recommendations must meet fiduciary standards of prudence and loyalty – the "best interest" standard of care. In other words, when giving advice, your advisor must consider expenses and costs for a range of services in the WDC, including administrative expenses.

When it comes to the WDC, fiduciary responsibility for the plan as a whole is maintained by the five-member Board. The Board meets regularly and makes decisions about the plan design, investment options and participant communications as well as the administrator and services offered to you by the WDC.

The WDC and its administrator, Empower Retirement, are committed to providing best-in-class service to WDC participants, and we expect only positive changes arising from this recent clarification of fiduciary responsibility. As April 2017 approaches, we will continue to receive information from our administrators and will pass along any updates to help you continue on a path toward retirement readiness.

New plan administrative fees take effect in 2017

At its November 2016 meeting, the Board approved proposed revisions to participant administrative fees that help fund the WDC, effective January 1, 2017.

Participant administrative fees help pay for the WDC. No state funds are used for the administration of the WDC; all plan expenses must be paid by the WDC. Like many deferred compensation plans, the Board maintains an account to fund expenses associated with the WDC. Plan administrative fees are deducted from participant accounts monthly, based on the account balance. Participants also pay an internal expense charge to each investment option in which they invest.

Why are administrative fees changing?

The Board's policy is to maintain an account balance equal to 50-75% of projected annual plan expenses — a fiscally responsible approach that ensures there will be enough to pay for recordkeeping, audits and other plan expenses.
The new fee structure will allow the Board to maintain this reserve balance over the next five years. The good news: If the account balance rises above 75% due to positive long-term equity returns, the Board could reduce fees in the future.

In addition, part of the Board's fiduciary responsibility is to keep fees as low as possible, and keep fees flat, simple and transparent. The WDC works with fund managers to keep investment option fees as low as possible while providing quality investment options. Most fees fall into three categories: administrative, investment and individual service fees.

- **Annual administrative fees** are prorated and charged monthly to participant accounts. Participants can see their annual administrative fees on each quarterly statement and when they log into their account online. Participants' statements also include a list of all investment option fees; these fees will continue to vary, depending on the investment option chosen.

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New plan administrative fees *(continued)*

- **Individual service fees** are charged only for using Charles Schwab Personal Choice Retirement Account (PCRA) and the Managed Account service offered through Advised Assets Group (AAG). There is no extra fee to participate in the Charles Schwab PCRA; however, additional transaction fees may apply, depending on the funds you select. If you choose to use the Managed Account service, the annual fee will be based on your account balance (see table below) and charged to your account quarterly.

Participant account balance	Managed Account annual fee
Less than $100,000	0.45%
Next $150,000	0.35%
Next $150,000	0.25%
Greater than $400,000	0.15%

Under the administrative fee adjustment beginning in January 2017: Participants with balances under $5,000 will continue to pay no fees until their account balance exceeds $5,000. There is no change in the fee for accounts with balances between $5,001 and $25,000. For participants with larger account balances, fee increases range from $0.50 to $1.50 per month, depending on the balance (see chart below):

Participant account balance	Current monthly fee	New monthly fee	Current annual fee	January 1, 2017 annual fees
$1 - $5,000	$0	$0	$0	$0
$5,001 - $25,000	$1	$1	$12	$12
$25,001 - $50,000	$2.50	$3	$30	$36
$50,001 - $100,000	$5	$6	$60	$72
100,001 - $150,000	$7	$8	$84	$96
$150,001 - $250,000	$10	$11	$120	$132
More than $250,000	$15	$16.50	$180	$198

For more information, please refer to the *Administrative Fee Analysis Memo* from the November 1, 2016, Board Agendas and Materials found under *Governing Boards* on the Wisconsin Department of Employee Trust Fund's website at **etf.wi.gov**.

1 Retirement Readiness Review and Advisory services are provided by Advised Assets Group, LLC (AAG), a registered investment adviser.

IRS announces 2017 contribution limits

Increasing your WDC contribution amount can help you build retirement readiness. You are able to contribute up to the limits the IRS declares each year. For 2017, the limits are as follows:

- **Elective deferrals**, including pre-tax and Roth contributions, into governmental 457(b) plans: **$18,000.**
- **Age 50 Catch-up** amount for participants in governmental 457(b) plans: **$6,000.**

Visit the IRS website at **http://1.usa.gov/1NGedYh** for more information on the 2017 retirement plan contribution limits (including 401(k) and IRA limits).

WDC Program Contact Information

Phone Number:
(877) 457-WDCP (9327)

Call Center Hours:
7:00 a.m. – 7:00 p.m.
Monday-Friday

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WDC Program Office Hours:
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