

# MINUTES

June 27, 2018

Deferred Compensation Board  
Investment Committee  
State of Wisconsin



Location:

**Hill Farms State Office Building**  
**Conference Room N102**  
4822 Madison Yards Way, Madison WI 53705

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## COMMITTEE MEMBERS PRESENT:

Ed Main, Chair

Jason Rothenberg, Secretary

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## PARTICIPANTS:

Deferred Compensation Program:  
Shelly Schueller, Director

Great-West Financial: Bill Thornton  
Galliard: Mike Norman and Laura Sell  
(via teleconference)

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## OTHERS PRESENT:

Emily Lockwood, Empower Retirement  
Matt Stohr, ETF

Lisa Gurley, ETF

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Mr. Main, Chair, called the meeting of the Deferred Compensation Board Investment Committee (Committee) to order at 2:00 p.m.

## MINUTES

***MOTION: Mr. Rothenberg moved to accept the February 5, 2018 Open Session minutes, as submitted by the Board Liaison. Mr. Main seconded the motion, which passed unanimously on a voice vote.***

Board	Mtg Date	Item #
DCIC	8.30.18	1

## **INVESTMENT POLICY STATEMENT REVIEW**

The Investment Committee reviewed the Investment Policy Statement and recommended changes intended to update language (“fixed income” to “capital preservation”) to better reflect the intent of the options offered in this investment category; indicate that capital preservation investments are selected in a manner consistent with how other options are selected; add the American Beacon Bridgeway Large Cap option and appropriate benchmarks; and update the socially responsible offering to indicate the change to the Calvert U.S. Large Cap Core Responsible Index Fund and appropriate Large Cap blend benchmark. These changes will be recommended to the full Board at the next Board meeting.

## **STABLE VALUE FUND: PROPOSED CONTRACT REVISIONS**

Mike Norman of Galliard Capital Management shared information indicating that by the end of 2018, Galliard will be removing the Wells Fargo Stable Return Fund allocation in its clients’ separate account portfolios, including the portfolio Galliard manages for the WDC. The revisions proposed do not change how Galliard intends to manage the WDC’s Stable Value Fund. Rather, the changes update the contract to reflect the removal of the Wells Fargo Stable Return Fund and current Galliard contract language and format. The Investment Committee agreed with Galliard’s request to revise and replace Exhibit 3 of the contract via an amendment to the existing contract and will recommend these changes to the full Board at the next Board meeting.

## **INVESTMENT DESIGN REVIEW**

At the Board’s request, Bill Thornton, Investment Director at Great West Financial, evaluated the WDC’s overall lineup in comparison to other s. 457 plans administered by Empower. The review also included a review of the plan’s short-term bond funds and a general overview of how stable value funds are designed and function.

The investment design review confirmed that the WDC investment spectrum is over weighted with fixed income (capital preservation) options. Further, two of the fixed income options (FDIC option and Vanguard Money Market option) are very similar in investment objective and performance.

After review and discussion, the Investment Committee tentatively concluded that an overhaul of the fixed options is desirable, including the following possible changes:

- Termination of the Federated Fund
- Addition of an actively managed intermediate bond fund
- Termination of the FDIC fund

The Investment Committee will continue to discuss these changes at its next meeting and may recommend some variation of these changes to the full Board in the future.

## **FDIC OPTION RECOMMENDATION**

In May 2018, Nationwide Bank, the provider of the WDC's FDIC option, announced that it intends to exit the retail bank business. Approximately 9,500 WDC participants held more than \$113 million in the FDIC option as of May 31, 2018. After discussion and reviewing alternatives, the Investment Committee asked for participants to be surveyed regarding their interest and knowledge of capital preservation options such as the FDIC option. ETF and the record keeping firm will seek to include questions of this nature in the 2018 electronic participant survey and bring survey findings back to the Committee at the next meeting. The Committee also agreed to recommend that the Board discontinue the FDIC option because of the limited number of options in the market and it is a redundant offering in the WDC lineup.

## **FUTURE ITEMS FOR DISCUSSION**

The Investment Committee anticipates reconvening in August or September to continue discussing the WDC's investment design and offerings. The Committee asked Mr. Thornton to research actively managed intermediate bond funds that would be available and beneficial to participants of the WDC.

## **ADJOURNMENT**

***MOTION: Mr. Rothenberg moved to adjourn the meeting. Mr. Main seconded the motion, which passed unanimously on a voice vote.***

The Committee adjourned at 3:20 p.m.

Date Approved: \_\_\_\_\_

Signed: \_\_\_\_\_

Jason Rothenberg, Secretary  
Deferred Compensation Board Investment  
Committee