*Money*Talks

Wisconsin Deferred Compensation Program

A Closer Look at Fees

An important part of being an informed investor is understanding the fees you pay. All investment options and services come with fees. One of the goals of the Deferred Compensation Board is to ensure that Wisconsin Deferred Compensation Program (WDC) participants know exactly what they pay in fees and what those fees provide. Following is a brief overview of the different types of fees WDC participants may see.

Administrative Fees

These fees cover the costs of recordkeeping for your account, running the WDC website, providing education and planning resources, call center support and a host of other services. WDC participants pay a monthly fee for these services based on their account balances. You'll see these fees clearly listed on your quarterly statement.

Account Balance	Monthly Fee
$0 to $5,000	$0
$5,001 to $25,000	$1
$25,001 to $50,000	$3
$50,001 to $100,000	$6
$100,001 to $150,000	$8
$150,001 to $250,000	$11
Over $250,000	$16.50

Fund Expense Ratios

Expense ratios are sometimes called investment management fees. These fees vary by investment option. Expense ratios cover the costs of securities trading in an investment option's underlying funds and other expenses related to managing the fund. The management company for the investment option deducts these fees before the daily price or performance is calculated. You will not see the amount you pay in expense ratios listed with your administrative fees on your statement. Expense ratios are factored into the return from your investment option selections. The most current expense ratios for WDC options are listed in the performance section of your statement and on the **WDC Fund Performance sheet** located on the website.

How Changing from Mutual Funds to CITs Affects Fees/Expense Ratios

One of the reasons for the WDC's recent switch from mutual funds to collective investment trusts (CITs) for certain options is to keep fees low for participants. CITs typically have simpler fee structures and generally lower operating costs than many mutual funds. As a result, the fees you pay with a CIT may be lower than a comparable mutual fund – so more of each dollar you invest could potentially stay in your account. To see how the switch to CITs lowered the expense ratios that WDC participants pay, see the **July 2018 newsletter**.

The Deferred Compensation Board works hard to provide WDC participants with a wide choice of quality investment options and valuable services and support. The Board is able to use the negotiating leverage that comes from having tens of thousands of participants to keep fees low. As a result, more of every dollar you contribute stays in your account, helping you build the retirement income you need for the future you want. For more information on fees related to your WDC account, click **here** to review the Program Highlights or click *Program resources* from the *Learning center* drop down menu on the website.

In This Issue:

*FDIC Insured Bank Option: Nationwide Bank has declared an annualized interest rate of 2.08% for the third quarter of 2018.**

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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

Reminder: Recent Changes to the WDC Investment Lineup

On August 17, 2018, several WDC investment options were converted to different editions following a regular review of the WDC's investment lineup by the Deferred Compensation Board. The change was made to help reduce the costs for participants and no action is required on your part. However, you can always transfer existing assets and/or redirect future contributions to any of the WDC's investment options. For a full explanation of the changes, please visit the WDC website and review the Wisconsin Deferred Compensation Program investment option change pre-login bulletin linking to the July 2018 newsletter.

Thank You Survey Responders!

A big thank you to WDC participants who completed our online survey this year. We value your views and opinions of our service, performance and solutions. Watch for publication of the full survey results in a future newsletter.

IRS to Announce 2019 Plan Contribution Limitations

Be on the lookout! The Internal Revenue Service will soon announce cost of living adjustments affecting dollar limitations for group retirement plans, pension plans and other retirement-related items for tax year 2019. For more information, visit **www.irs.gov**.

How Staying Put with the WDC Can Help Your Retirement Move Forward

Just because your employment with your WDC-sponsoring employer has ended, it doesn't mean that your days as a WDC participant have come to a close. The same program that helped you build your retirement nest egg can continue to help you work toward your financial goals, even after you retire or leave public-sector employment. In fact, keeping your WDC account may offer certain advantages, including:

- **Low cost** – With more than 62,000 participants, the WDC has negotiating leverage with service and investment providers to keep costs low.
- **Flexible withdrawal options** – When it's time to access the money you've saved, you can choose from a range of options, including periodic payments, partial withdrawals and a lump-sum withdrawal.
- **A wide range of investment choices** – You can continue to use the money you have in your WDC account to invest in any of the WDC's investment options.
- **Online account management, planning tools and education** – All of the WDC's online tools and resources you've relied on can continue to help you plan and prepare for the retirement you want.
- **Dedicated local Retirement Plan Advisors (RPAs)** – Because the WDC's local RPAs are not commissioned salespeople, you can get the answers you need from people who are guided by your best interests, not their own – even after you've retired or left employment.

Goodbyes are always difficult, and there's no need to say it to the WDC if you're happy with your account and the service you receive.

Set the Table for a More Satisfying Future During National Retirement Security Week

Are you hungering for a comfortable retirement? National Retirement Security Week (NRSW) is the ideal time to cook up a well-balanced approach to your future finances. Each year, the U.S. Congress designates a week in October to highlight the importance of saving through the WDC to help you build the income you'll need to retire comfortably. According to one commonly used rule of thumb, most people will need to replace at least 70% of their working income in retirement to maintain a similar lifestyle. Contributing to the WDC can help you work toward that goal.

This year, NRSW is scheduled for October 21-27, 2018 – and here's a quick preview of what's on the menu:

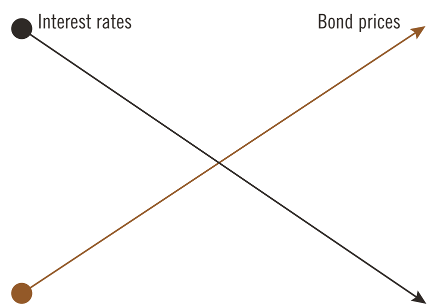
- **FIRST COURSE: Enroll** If you haven't yet enrolled in the WDC, there's no better way to whet your appetite for saving. You can enroll now **here** or visit the website and click on the *REGISTER* button.
- **SECOND COURSE: Increase your contribution** Regularly increasing the amount you contribute to your account with each paycheck can be a great recipe toward a more satisfying retirement income. **Log in to the website**, move the contribution sliders and raise your contribution amount today.
- **THIRD COURSE: Review/ adjust your asset allocation**[1] As people approach retirement age, their appetite for risk changes. They want to protect the assets they've accumulated so they can use them for retirement income. Be sure to regularly review your mix of investments and asset types to keep it in balance with your own appetite for risk. You can review your current asset allocation and make any needed changes by **logging in** and clicking *View/Manage my investments* under *My Accounts*.

You can feast on all the advantages the WDC offers – such as automatic paycheck contributions, the potential for compounded growth, competitive fees and a wide choice of investment options – without adding to your waistline. For more information on NRSW, visit **www.nagdca.org**.

Interest Rates Affect Fixed Income Funds[2]

For everyone invested in any of the bond funds within the WDC investment lineup (the Vanguard Long-Term Investment Grade Fund, the Blackrock US Debt Index Fund, or the Federated US Govt. Securities 2-5 Year Fund), you may have noticed a somewhat uncommon occurrence during the first half of 2018: negative returns. This is mainly due to the rising interest rate environment we have seen in the U.S. this year. As unemployment has continued to decrease and the economy has continued to strengthen, the Federal Reserve ("the Fed") has taken a more aggressive approach to raising interest rates. In March, the Fed announced that it anticipated raising interest rates three times in 2018, and projected more rate hikes in 2019 and 2020.[3] Unfortunately for bond investors, as interest rates *increase* the market value of bonds in the marketplace typically *decrease*. As a result, bond mutual funds normally show negative performance during these times, which is what we have seen during the first half of this year.

When interest rates rise, the degree to which a bond fund's performance suffers depends, in large part, upon whether the fund holds longer-term bonds or shorter-term bonds. When interest rates rise, short-term bonds usually perform better than long-term bonds, which is what we have seen so far this year.



Higher market interest rates ➤ lower fixed-rate bond prices
Lower market interest rates ➤ higher fixed-rate bond prices

Generally, investment decisions should not be based on a short-term time period and investors should base their decisions on many factors, including risk tolerance and time horizon. The direction of interest rates is something to keep in mind if you are investing in any of the bond funds in your lineup. If you believe that interest rates will continue to rise over the next several years, you should be aware of the potential effects that may have on your portfolio.

If you have questions about any of the funds in the WDC lineup, contact the WDC at **(877) 457-WDCP (9327)**, press 0 and say, "representative."

Carefully consider the investment option's objectives, risks, fees and expenses. Contact us for a prospectus, summary prospectus and disclosure document, as available, containing this information. Read them carefully before investing.

WDC Contact Information

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

NEW EXTENDED Call Center Hours:
7 a.m. – 9 p.m., Monday – Friday
8 a.m. – 4:30 p.m., Saturday

WDC Website:
www.wdc457.org

WDC Email:
wdcquestions@empower-retirement.com

WDC Office Address:
5325 Wall Street, Suite 2755
Madison, WI 53718

WDC Office Hours:
8 a.m. – 4:30 p.m., Monday – Friday

This material has been prepared for informational and educational purposes only and is not intended to provide investment, legal or tax advice.

1 Asset allocation and rebalancing do not ensure a profit and do not protect against loss in declining markets.

2 A bond fund's yield, share price and total return change daily and are based on changes in interest rates, market conditions, economic and political news and the quality and maturity of its investments. In general, bond prices fall when interest rates rise and vice versa.

3 Source: www.businessinsider.com. "Fed Raises Interest Rates, Signals 2 More Hikes in 2018." March 21, 2018 http://www.businessinsider.com/federal-reserve-statement-on-interest-rates-march-2018-2018-3