

Letter 4

From: [Inman, Scott T - DNR](#)
To: [Lockwood, Emily - ETF](#); [ETF SMB Board Feedback](#)
Cc: [Igl, Kristy - ETF](#)
Subject: RE: SCHWAB Deferred Compensation
Date: Monday, August 20, 2018 10:44:48 AM

Good Morning,

Thank you for getting back to me with the right contacts.

I will try to provide a case for including Schwab's Exchange Traded Funds in the PCRA trust succinctly.

Times have changed and mutual funds are no longer as popular as they used to be. ETFs are now the [preferred investment product](#), particularly for millennials, who will be one of the newest and largest users of the deferred compensation program. While popularity in itself is not a good reason to do most things, in this case, it is because all of the major fund companies (Schwab, Vanguard, Fidelity, etc.) are catering to this trend, creating staunch competition.

Competition is driving down costs, one of the main selling points that Schwab is making [on their website](#), and creating new products. Just recently, Fidelity came out with no-fee index fund ETF and Vanguard is letting you buy ETFs other than Vanguards without transaction fees. While costs are also coming down for mutual fund index funds, the fund companies are just not giving mutual funds as much attention because that isn't what most investors want right now. As such, the Schwab's ETFs would open up more options to employees, which is the purpose of doing the Schwab sweep. As for actual funds I am speaking about, Schwab's Dividend Fund (SCHD) is [highly regarded](#). Also, Schwab's emerging markets ETF SCHE has a lower expense (0.13%) versus what I am in now with SFENX (0.39).

As a state-sponsored retirement investment program, some of the goals should include low expenses, diverse options, and encouragement for employees to participate. Do get me wrong, you already do a pretty good job of this, but opening the program up to Schwab's Exchange Traded Funds would improve the program. Ideally, this would include ETFs outside of Schwab such as QQQ and stocks, but I would settle for the Schwab ETFs as that seems doable.

Thank you for your consideration.

-Scott

We are committed to service excellence.

Visit our survey at <http://dnr.wi.gov/customersurvey> to evaluate how I did.

Scott T. Inman

Office: (608) 273-5613

Cell: (608) 576-4912

Scott.Inman@Wisconsin.gov

From: Lockwood, Emily <Emily.Lockwood@empower-retirement.com>

Sent: Friday, August 17, 2018 9:35 AM

To: Inman, Scott T - DNR <Scott.Inman@wisconsin.gov>

Cc: Igl, Kristy - ETF <kristy.igl@empower-retirement.com>

Subject: FW: SCHWAB Deferred Compensation

Good morning, Scott – Thank you for your feedback, and apologies for the difficulty you’ve experienced with the Schwab PCRA. The WDC website contains information regarding the self-directed brokerage account [here](#). I’ve historically searched on Schwab’s website for their OneSource lists. I see there is a mutual fund list out there now.

You are correct that the Wisconsin Deferred Compensation (WDC) Board has chosen to offer exclusively mutual funds in the self-directed brokerage account. I have forwarded your email below to the Board. Might I also direct you to the WDC’s most recent *MoneyTalks* [newsletter](#) where you’ll find information regarding fund changes occurring today in the Plan. We are excited about reducing costs for participants even more.

If there is anything else you would like to share, please do always feel free to reach out directly. Additionally, we conduct participant surveys at least every other year, and the next one will be going out next month. Keep an eye out for it as this is another opportunity to provide feedback to the Board.

Thank you so much. If there is anything else we can do for you at this time, please do not hesitate to call.

Emily Lockwood | CRC® | State Director
Wisconsin Deferred Compensation (WDC) Program

5325 Wall Street, Suite 2755, Madison, WI 53718

Office: 608.241.6604 | Cell: 608.338.5624 | Fax: 608.241.6045 | Email: emily.lockwood@empower-retirement.com
www.wdc457.org

For important disclosures and product information, click <http://docs.empower-retirement.com/Disclosure-ER.pdf>

From: Igl, Kristy

Sent: Friday, August 17, 2018 7:31 AM

To: Inman, Scott T - DNR

Cc: Lockwood, Emily

Subject: RE: SCHWAB Deferred Compensation

Hello Scott,

Thank you for your email. I have forward this request to our State Director. As well, I encourage you to write a letter to the Wisconsin Deferred Compensation Board outlining your request and reasons. There is a process when they consider investment option changes. The WDC Board information can be found on the ETF website under Governing Boards. ([click here](#))

Regards,

Kristy Igl | CFP®, CRC® | Retirement Plan Advisor

WISCONSIN DEFERRED COMPENSATION PROGRAM

5325 Wall Street, Suite 2755, Madison, WI 53718

Office: 608.241.6604 | Direct: 608.322.5231 | Fax: 608.241.6045 | Email: kristy.igl@empower-retirement.com

www.wdc457.org

For important disclosures and product information, click <http://docs.empower-retirement.com/Disclosure-ER.pdf>

From: Inman, Scott T - DNR [<mailto:Scott.Inman@wisconsin.gov>]

Sent: Tuesday, August 14, 2018 9:57 AM

To: Igl, Kristy

Subject: SCHWAB Deferred Compensation

Hi Kristy,

I have been in the self-directed Deferred Compensation program for about 9-months and have been looking for a comprehensive list of options I have for investing in the Schwab sweep. I am already investing a portion through the Schwab sweep, but have been unable to find an actual list of what I can invest in. Through trial and error, I have found that I can invest only in Schwab's mutual funds and not other companies mutual funds. I have also found that I cannot invest in stocks or Exchange Traded Funds.

Is there a chance this could changed in the future so there are less restrictions?

If not stocks, I request that consideration is given to opening the program up to Schwab's ETF's. Schwab has focused on creating new low expense ETF's more than mutual funds. Schwab has several ETFs that do not have a mutual fund counterpart, such as their STRATEGI/US DIV EQUITY ETF (SCHD), which has generated more returns than the S&P 500 in the last 5-years, with less volatility.

-Scott

We are committed to service excellence.

Visit our survey at <http://dnr.wi.gov/customersurvey> to evaluate how I did.

Scott T. Inman, P.E.

Water Resources Engineer

Remediation and Redevelopment

Wisconsin Department of Natural Resources

3911 Fish Hatchery Road

Fitchburg, WI 53711

Phone: (608) 273-5613

Cell Phone: (608) 576-4912
Scott.Inman@Wisconsin.gov



dnr.wi.gov



The information contained in this message and any accompanying attachments may contain privileged, private and/or confidential information protected by state and federal law. Penalties may be assessed for unauthorized use and/or disclosure. This message and any attachments are intended for the designated recipient only. If you have received this information in error, please notify the sender immediately and return or destroy the information.

This e-mail transmission and any attachments are believed to have been sent free of any virus or other defect that might affect any computer system into which it is received and opened. It is, however, the recipient's responsibility to ensure that the e-mail transmission and any attachments are virus free, and the sender accepts no responsibility for any damage that may in any way arise from their use.