

DRAFT

# MINUTES

December 17, 2018

## Deferred Compensation Board

State of Wisconsin



### Location:

Hill Farms State Office Building – CR N802  
4822 Madison Yards Way, Madison, WI 53705  
1:30 p.m. – 2:30 p.m.

### BOARD MEMBERS PRESENT:

Ed Main, Chair	Art Zimmerman, Secretary
Gail Hanson, Vice-Chair (via teleconference)	Jason Rothenberg

### PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

<b>Office of the Secretary:</b> John Voelker, Deputy Secretary Lisa Gurley, Board Liaison	<b>Division of Retirement Services:</b> Matt Stohr, Administrator
<b>Deferred Compensation Program:</b> Shelly Schueller, Director	

### OTHERS PRESENT:

<b>Department of Employee Trust Funds:</b> Monica Anderson, Bonnie Cyganek, Diana Felsmann, Dan Hayes, Tarna Hunter, Joanne Klaas	<b>Empower Retirement:</b> Emily Lockwood (via teleconference) <b>Johnson Financial Group:</b> Dave Adam, Ben Pavlik
--	---

Mr. Main, Chair, called the meeting of the Deferred Compensation Board (Board) to order at 1:30 p.m.

### CONSIDERATION OF FDIC OPTION CONTRACT

Ms. Schueller referred the Board to the Consideration of FDIC Option Contract memo (Ref. DC | 12.17.18 | 2) and provided an overview of the situation regarding the WDC’s FDIC option contract with Nationwide Bank. She reminded the Board that on November 15, 2018, the Board learned that Nationwide Bank and Johnson Bank had an omnibus deposit purchase agreement for the WDC’s FDIC option that was awaiting federal review and approval. The Board subsequently approved an assumption agreement assigning the FDIC contract to Johnson Bank as permitted in the FDIC contract.

Board	Mtg Date	Item #
DC	3.7.19	2B

Ms. Schueller stated that since the Board's assignment agreement was completed on November 15, 2018, Nationwide shared information that the federal review and approval process of the Nationwide-Johnson Bank omnibus agreement could take as long as 45 days. In early December, ETF staff learned that Nationwide had requested that the omnibus agreement be withdrawn from federal review. Without the omnibus agreement, the Board's November 15, 2018 assignment agreement has no foundation; it cannot stand alone.

To ensure that the WDC is able to provide participants an investment option with FDIC insurance, ETF is recommending the Board approve a contract directly with Johnson Bank to be effective December 18, 2018. Johnson Bank was originally the successor bank and is willing to assume the FDIC contract under the existing terms and conditions. Ms. Schueller explained how the Board has authority to execute this contract, based on Wis. Stat. §§ 40.80(2)(a), (b) and (c), which states:

- (2) The deferred compensation board shall:
  - (a) Determine the requirements for and the qualifications of the deferred compensation plan providers.
  - (b) Approve the terms and conditions of the proposed contracts for administrative and investment services.
  - (c) Determine the procedure for the selection of the deferred compensation plan providers.

For the FDIC option, the Board has determined the requirements through its investment policy statement regarding cash preservation options. For a bank FDIC option, the requirements are:

- FDIC insured
- Capital ratio as required by US government to maintain FDIC coverage
- Minimum size - \$1 billion in assets

Johnson Bank meets these requirements. In order to preserve the FDIC option for participants, ETF recommended that the Board contract directly with Johnson Bank to provide the FDIC option.

Ms. Schueller introduced Mr. Adam, Senior Vice President and Treasurer, and Mr. Pavlik, Vice President Legal Counsel, for Johnson Financial Group to the Board.

Mr. Adam provided an overview of Johnson Financial Group and the services they provide. He also provided background information on the creation and development of the bank. Mr. Adam explained the different capital ratios that Johnson Financial Group provides and how Johnson Bank compares to peers in the industry. They also discussed the bank's expectations for future growth.

The Board reviewed the draft FDIC contract with staff. Ms. Schueller noted the revisions in the contract included updating the contract number, changing the effective date to December 18, 2018, and revising the time in C.3., the “termination for convenience” clause, from 360 days to 180 days.

***MOTION: Mr. Zimmerman motioned to approve terminating the FDIC contract with Nationwide as permitted under section C.4 of the contract (termination for cause) and approve a contract authorizing Johnson Bank as the Wisconsin Deferred Compensation program’s (WDC) FDIC option provider. Mr. Rothenberg seconded the motion, which passed unanimously on a voice vote.***

**ADJOURNMENT**

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

The Board adjourned at 1:57 p.m.

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

Signed: \_\_\_\_\_  
Arthur M. Zimmerman, Secretary  
Deferred Compensation Board