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Department of Employee Trust Funds
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SECRETARY

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Correspondence Memorandum

Date: February 6, 2019
To: Deferred Compensation Board
From: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
Subject: 2019 Administrative Fee Change

ETF requests the Deferred Compensation Board approve a 5.0% increase in the annual fee paid to Empower Retirement.

The annual Strategic Partnership Plan (SPP) approved by the Deferred Compensation Board identifies Wisconsin-specific enhancements and initiatives for Empower Retirement and the metrics used to measure the results. Both the results of the SPP and growth in the number of participants determine any increases in Empower Retirement's annual administrative fee. As outlined in the Administrative Service Contract:

- if total Wisconsin Deferred Compensation participant growth is under 1.0%, there is no change in administrative fee;
- if total WDC participant growth is greater than 1.0% but less than 3.0%, then the annual administrative fee will increase by 3.5%. In addition, if the SPP is met, an additional 0.5% increase is earned, for a total increase of 4.0%;
- if total WDC participant growth is equal or greater than 3.0%, then the annual administrative fee will increase by 4.0%. In addition, if the SPP is met, an additional 1.0% increase is earned, for a total increase of 5.0%.

2018 SPP Results

As shown on the attached WDC Scorecard, Empower Retirement was successful in completing its 2018 SPP goals. Highlights of Empower Retirement's 2018 activities in Wisconsin include:

- Increasing the number of WDC participants by 3.37%;
- Adding ten new local employers;
- Increasing the number of participants using managed accounts to 14,418;
- Presenting at more than 500 group informational meetings;
- Providing 4,617 individual meetings; and

Reviewed and approved by Matt Stohr, Administrator, Division of Retirement Services

Electronically Signed 2/14/19

Board	Mtg Date	Item #
DC	3.7.19	5B

- Completing the communications plans outlined in the 2018 Communications Calendar, including:
 - Informing participants of the new features in the redesigned website;
 - Encouraging participants without a beneficiary designation to file one;
 - Encouraging participants deferring less than \$10 to increase their contributions;
 - Reminding participants who are invested in more than one target date fund that these funds are meant to be a single use option; and
 - Encouraging participants to stay in the WDC after retirement.

U.S. Conference of Mayors Plan in Wisconsin

In 2013, the Board approved an amendment to the WDC's administrative services contract with Empower Retirement that permitted Empower Retirement to provide support in the State of Wisconsin to any United States Conference of Mayors (USCM) s. 457 deferred compensation plan sponsors with balances of \$1 million or greater interested in moving their existing USCM plans to the Empower Retirement platform. Empower also agreed to provide the Board with a report on its activities in Wisconsin regarding the USCM plan. Because the USCM selected a different retirement plan provider for its members effective January 1, 2017, the reporting requirement is no longer applicable.

Recommendation

Based on the WDC participant increase of 3.37% and the 2018 SPP results, ETF concurs with Empower Retirement's requested administrative fee increase amount. ETF recommends the Board approve a 5.0% administrative fee increase in 2019 for Empower Retirement, from \$3,280,318 to \$3,444,334.

Staff will be at the Board meeting to answer any questions.

Attachment: February 5, 2019 letter from Empower Retirement (Emily Lockwood) outlining 2018 SPP results



*Helping You Turn
Over a New
Retirement Leaf*

**Wisconsin Deferred
Compensation Program**

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February 5, 2019

Ms. Shelly Schueller
Department of Employee Trust Funds
4822 Madison Yards Way
P.O. Box 7931
Madison, WI 53707-7931

Dear Shelly:

On behalf of the entire Empower Retirement team, we are pleased to provide you with the 2018 WDC Scorecard results.

Empower Retirement, the Wisconsin Deferred Compensation Board (Board) and Department jointly agreed that beginning each year we would develop an annual Plan Enhancement Program (PEP), now called a Strategic Partnership Plan (SPP), to define the specific plan goals, incorporate WDC Board initiatives, and include metrics for measuring success. These goals and metrics form the PEP/SPP and become the focus for the year.

The Strategic Partnership Plan generally has goals and metrics developed around the Four Dimensions:

1. *Participation* – Increase the number of eligible employees contributing to the WDC as well as the number of political subdivisions offering the WDC.
2. *Asset Allocation* – Encourage appropriate diversification of participant assets in WDC investment options.
3. *Education and Learning* – Provide access to more financial literacy learning opportunities for all participants throughout the State.
4. *Retiree Outreach* – Provide a focus on education to retirees; retain retiree accounts/assets in the WDC.

As noted in the attached scorecard, we met or exceeded all goals.

2019 EMPOWER RETIREMENT ADMINISTRATIVE FEE

As outlined in Section 7.3A of the Board's Administrative Service Contract with Employer Retirement, if total participant growth is equal to or greater than 3%, the annual administrative fee due to Empower Retirement increases by 4%. Additionally, should plan objectives as defined in the annual Strategic Partnership Plan be accomplished, the annual administrative fee will increase by an additional 1% in the following year, for a total increase of 5.0%.

Because Empower increased WDC participant growth by 3.37%, Empower is requesting that the 2019 administrative fee increase by 5% from \$3,280,318 to \$3,444,334.

Please let me know if you have any questions or need additional information regarding the 2018 Scorecard.

Sincerely,

A handwritten signature in cursive script, appearing to read "E. Lockwood".

Emily S. Lockwood
State Director

cc: Rob Dwyer, Vice President, Empower Retirement

enclosure