

From: [Dennis Dombrowicki](#)
To: [ETF SMB Board Feedback](#)
Subject: Empower Retirement
Date: Thursday, February 28, 2019 3:59:05 PM

Ms Lockwood is recommending a 5% fee increase for Empower. Who is paying for this? How is this being paid for? One would think it is in the interest of Empower to increase membership and retention as they are receiving a fee one each dollar invested? This contract seems strange. It may help before sending out this notice if I as a member received the background prior so that I am not reacting to something without the full knowledge for the policy/contact language.

Thanks

Sent from [Mail](#) for Windows 10

From: [ETF SMB Board Feedback](#)
To: ["Dennis Dombrowicki"](#)
Bcc: [Schueller, Shelly - ETF](#)
Subject: RE: Empower Retirement
Date: Tuesday, March 5, 2019 11:33:00 AM
Attachments: [image001.png](#)
[image002.png](#)
[image003.png](#)
[image004.png](#)

Hello Mr. Dombrowicki –

Thank you for sharing your question regarding the Deferred Compensation Board's contract with Empower Retirement. The memo outlining this item for the Board (<http://etf.wi.gov/bards/agenda-items-2019/dc0307/item5b.pdf>) includes background on how the administrative services contract is structured. Essentially, the Board develops annual Wisconsin-specific requirements for Empower in the Strategic Partnership Plan (SPP) and the contract provides financial incentives for Empower if they meet the SPP.

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%.

As you can see from [the 2018 SPP results](#), both growth in number of participants and employers offering the Wisconsin Deferred Compensation Program (WDC) to their staff were included in the 2018 SPP. Because participants increased 3.7%, ten new employers adopted the WDC and Empower met the 2018 SPP goals, Empower earned the maximum 5.0% increase in the fee they are paid to administer the WDC.

The WDC Board's goal is to provide participants with a valuable supplemental retirement savings plan that offers quality services and a broad range of investment choices with varying degrees of investment risk at a low cost. The Board regularly reviews all aspects of the plan, including expenses paid for investments and administrative services, and the WDC remains a low-cost option when compared to similar supplemental plans available elsewhere. The Board's contract with Empower has been structured to provide incentives to Empower for good service to participants and employers. Empower's fees are paid by the Board via an administrative account they maintain to pay the administrative expenses for the WDC. These expenses consist primarily of the administrative services contract with Empower Retirement, but also include the costs for the Department of Employee Trust Funds (ETF) staff, audits and other plan expenses. Participant administrative fees provide the primary source of funding. By state law, state funds may not be used for the administration of the WDC. Participant fees are reviewed annually to determine if any changes are advised. Here is a link to the 2018 participant fee review, which occurred in the fall of 2018: <http://etf.wi.gov/boards/agenda-items-2018/dc1115/item5.pdf>

Please let me know if you have any ideas for how to improve the WDC, or have

further questions regarding the plan.

Sincerely,



Shelly Schueller | Director

Deferred Compensation

Wisconsin Department of Employee Trust Funds | etf.wi.gov

608 266-6611 | 877 533-5020



This email message and any attachments may contain information that is confidential, privileged, proprietary, or otherwise protected by law. This information is intended solely for the named addressee (or a person responsible for delivering it to the addressee). If you have received this message in error, please notify the sender immediately and delete it from your computer. Unauthorized disclosure, copying, printing, or distribution of this message is prohibited.
