

DRAFT

MINUTES

February 21, 2019

Deferred Compensation Board Investment Committee

State of Wisconsin



Location:

Hill Farms State Office Building
Conference Room N102
4822 Madison Yards Way, Madison WI 53705

Committee Members Present:

Ed Main, Chair

Jason Rothenberg, Secretary

Participants:

Shelly Schueller, Director, Wisconsin
Deferred Compensation Program

Bill Thornton, Great-West Financial

Others Present:

Deferred Compensation Board Members:

John Scherer, Art Zimmerman

Empower Retirement:

Emily Lockwood

ETF:

John Voelker, Deputy Secretary

Matt Stohr, Administrator, Division of
Retirement Services

Lisa Gurley, Board Liaison

Mr. Main, Chair, called the meeting of the Deferred Compensation Board Investment Committee (Committee) to order at 1:02 p.m.

MINUTES

MOTION: Mr. Rothenberg moved to accept the August 30, 2018 Open Session minutes, as submitted by the Board Liaison. Mr. Main seconded the motion, which passed unanimously on a voice vote.

INVESTMENT PERFORMANCE REVIEW AS OF DECEMBER 31, 2018

The Committee reviewed the performance of the investment options as of December 31, 2018, as presented in the “Investment Performance and Expense Ratio Review” report by Mr. Thornton of Great-West Investments (Ref. DCIC | 2.21.19 | 2).

Mr. Thornton stated that like the overall markets, the Wisconsin Deferred Compensation Program (WDC) funds had a rough fourth quarter 2018. He reviewed the overall performance of the WDC’s investment options as compared to their respective benchmarks and provided insights regarding the performance of certain funds:

- The T. Rowe Price MidCap Growth fund had a better fourth quarter in 2018 compared to the fund’s performance during the other three quarters of 2018.
- The American Beacon Bridgeway Large Cap Value I CIT fund’s fourth quarter 2018 pulled down the fund’s one year performance, likely due to poor stock picks and an overweighting in both the financial and health care sectors. Mr. Thornton also said that so far in the first quarter of 2019, this fund is performing 150 basis points better than its peers.
- The Vanguard Long-Term Investment Grade fund held up well despite the overall negative market performance during fourth quarter 2018.

CUSTOM STABLE VALUE FUND PROPOSAL

Ms. Schueller referred the Committee to the Stable Value Funds: Request for Independent Consultant Review memo (Ref. DCIC | 2.21.19 | 3). She provided information on the current stable value fund including the current fund manager (Galliard Capital Management), the number of WDC participants participating in the fund and the total amount of assets held in the fund.

Ms. Schueller informed the Committee of an offer from Empower Retirement (Empower), WDC’s administrative services provider, to provide a custom stable value fund (CSVF) for the WDC. She stated that Empower believes it can provide a CSVF at a very competitive expense rate and would also offer a reduction in the overall fee currently paid to Empower for plan administration and record keeping. ETF believes that an independent outside review of all stable value fund options is appropriate and suggested the Committee recommend the Board authorize ETF to hire an independent consulting firm to perform an analysis of the stable value fund marketplace.

MOTION: Mr. Rothenberg moved to authorize ETF to identify independent investment consulting firms capable of providing a review of stable value fund options and provide an update to the Deferred Compensation Board with recommendations on viable consulting firms, including cost. Mr. Main seconded the motion, which passed unanimously on a voice vote.

FUTURE ITEMS FOR DISCUSSION

Ms. Schueller informed the Board that ETF's Bureau of Budget, Contract Administration and Procurement (BCAP) is looking for a Board member to volunteer for the evaluation committee that will review the responses to the RFP for a Financial Statements Auditor (RFP # ETI0035). Mr. Zimmerman volunteered for this evaluation committee.

Ms. Schueller also stated that she was part of a conference call with Johnson Bank, Ms. Lockwood and Mr. Thornton on the morning of February 21, 2019. They discussed the FDIC rate setting process and initial proposals for revising the rate setting methodology, as requested by Johnson Bank. She expects to provide more information to the Deferred Compensation Board at an upcoming meeting.

ADJOURNMENT

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

The Committee adjourned at 1:44 p.m.

Date Approved: _____

Signed: _____
Jason Rothenberg, Secretary
Deferred Compensation Board Investment
Committee