

DRAFT

MINUTES

May 16, 2019

Deferred Compensation Board Investment Committee

State of Wisconsin



Location:

Hill Farms State Office Building – CR N102
4822 Madison Yards Way, Madison WI 53705

COMMITTEE MEMBERS PRESENT:

Ed Main, Chair

Jason Rothenberg, Secretary

PARTICIPANTS:

Deferred Compensation Program:
Shelly Schueller, Director

BlackRock: Lisa Tyley, Ryan Campbell
(teleconference)
Great-West Financial: Bill Thornton

OTHERS PRESENT:

Emily Lockwood, Empower Retirement
John Voelker, Deputy Secretary ETF
Matt Stohr, ETF

Lisa Gurley, ETF
Art Zimmerman, DC Board Member

Mr. Main, Chair, called the meeting of the Deferred Compensation Board Investment Committee (Committee) to order at 2:00 p.m.

MINUTES

MOTION: Mr. Rothenberg moved to accept the February 21, 2019 Open Session minutes, as submitted by the Board Liaison. Mr. Main seconded the motion, which passed unanimously on a voice vote.

Board	Mtg Date	Item #
DC	6.13.19	2D

BLACKROCK INVESTMENT OPTIONS: PROPOSED AGREEMENT REVISIONS AND FUND/FEE CHOICES

Ms. Schueller referred the Committee to the April 16, 2019 BlackRock Investment Options memo (Ref. DCIC | 5.16.19 | 2) and provided an overview of the BlackRock collective investment trust (CIT) index funds that are currently part of the Wisconsin Deferred Compensation Program's investment lineup, along with the BlackRock CIT fee type and investment management fees. She also suggested that the committee recommend that the Board's agreement with BlackRock be revised to include updated contract language and to take advantage of lower investment management fees recently made available by BlackRock.

Ms. Tyley provided an overview of the WDC's BlackRock CITs and outlined the differences in how management fees are paid in the BlackRock CITs, to which the WDC could move. If the WDC moved to the lower expense CITs, more of participants' savings would remain in the CITs instead of being used to pay management fees.

MOTION: Mr. Rothenberg moved to recommend the Board amend the investment option agreement held by BlackRock to reflect updated language and move to options with lower investment management fees. Mr. Main seconded the motion, which passed unanimously on a voice vote.

INVESTMENT PERFORMANCE REVIEW AS OF MARCH 31, 2019

The Committee reviewed the performance of the investment options as of March 31, 2019, as presented in the "Investment Performance and Expense Ratio Review" report by Mr. Thornton of Great-West Investments (Ref. DCIC | 5.16.19 | 3).

Mr. Thornton stated the WDC investment options had good performance during the first quarter of 2019. 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 rough first quarter. However, its overall performance in 2018 was pretty good versus its peers. This fund was underweighted in both the financial and technology sectors, which had the best growth during the first quarter of 2019. In addition, it appears the six percent this fund held in cash in early 2019 cost this fund about 1.1 basis points in relative performance.
- The American Beacon Bridgeway Large Cap Value I CIT was overweighted in financials and consumer cyclicals, which contributed to the fund's underperformance in 2018. The fund is back in line and on track with their peers as of the first quarter of 2019.
- The Vanguard Long Term Investment Grade fund did well in the first quarter.

ACTIVELY MANAGED INTERMEDIATE BOND FUND FINALISTS DISCUSSION

Ms. Schueller referred the Committee to the April 29, 2019 Actively Managed Intermediate Bond Fund Finalists discussion memo (Ref. DCIC | 5.16.19 | 4). She provided a high-level overview of the efforts that have been taken thus far to select an actively managed intermediate bond fund for potential inclusion in the WDC. Ms. Schueller and Mr. Thornton stated that all three finalist funds are quality options that would be complementary additions to the WDC investment option lineup.

The committee discussed the three finalist funds that presented at the April 18, 2019, Deferred Compensation Board meeting: Dodge and Cox Income, Fidelity Advisor Total Bond Fund Z and Western Asset Core Bond Fund.

The committee requested further discussion take place at the June Board meeting, when the entire Deferred Compensation Board will be present.

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 2:48 p.m.

Date Approved: _____

Signed: _____

Jason Rothenberg, Secretary
Deferred Compensation Board Investment Committee