

DRAFT

MINUTES

August 29, 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

Mike Norman, Galliard Capital Mgmt.
Bill Thornton, Great-West Financial

Others Present:

Deferred Compensation Board Member

Art Zimmerman

Empower Retirement

Emily Lockwood

ETF

John Voelker, Deputy Secretary

Lisa Gurley, Matt Stohr

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 May 16, 2019, Open Session minutes, as submitted by the Board Liaison. Mr. Main seconded the motion, which passed unanimously on a voice vote.

GALLIARD: DEPARTURES AND FIRM UPDATE

Mr. Norman stated Galliard Capital Management (Galliard) has been with the Wisconsin Deferred Compensation Program (WDC) since 1998. He also provided background information on Galliard, which included:

- Statistics on stable value funds that they manage;
- Organization statistics, including the number of clients and employees on staff; and
- Galliard’s organizational chart.

Board	Mtg Date	Item #
DCIC	5.6.20	1

Mr. Norman stated there will be no change to process or oversight of Galliard's stable value fund due to the change in leadership at the firm. This includes the WDC's stable value fund. Mr. Norman will continue with oversight and one individual will be added to assist in the transition. He confirmed there will not be changes to client service or investment teams. Mr. Norman stated Galliard was placed on the North Carolina s. 457 plan watch list for six months to one year as a matter of protocol at North Carolina. North Carolina does this routinely when there are management changes, to ensure that changeover of leadership does not affect the funds offered to s. 457 plan participants in North Carolina.

Mr. Main requested that Galliard return to provide an update to the Board at its March 2020 meeting.

INVESTMENT PERFORMANCE REVIEW AS OF JUNE 30, 2019

The Committee reviewed the performance of the investment options as of June 30, 2019, as presented in the "Investment Performance and Expense Ratio Review" report by Mr. Thornton of Great-West Investments (Ref. DCIC | 8.29.19 | 3).

Mr. Thornton 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 good second quarter in 2019, the fund is up 23% in the third quarter of 2019 as of August 28.
- The American Beacon Bridgeway Large Cap Value I CIT fund's second quarter 2019 is holding up well compared to the fund's performance during the last quarter 2018 and first quarter 2019.
- The Vanguard Long-Term Investment Grade fund rebounded nicely despite the fund's overall negative market performance during the fourth quarter 2018 and first quarter 2019. The fund is ahead of its peers and up 24% as of August 28.

INVESTMENT POLICY STATEMENT UPDATE

Ms. Schueller referred the Committee to the Investment Policy Statement (IPS) Update memo dated August 1, 2019 (REF. DCIC | 8.29.19 | 4) and provided an overview of the non-substantive changes to the IPS, which included:

- Deleting the word "mutual" from the list of categories to broaden the section on page 1;
- Revising the description of options in the selection process to include investment trusts on page 2;
- Correcting a reference typo to the correct citation on page 2;
- Updating the evaluation statement to say "at least annually" on page 2;
- Including reference to Wisconsin Administrative Code ETF 70.08(3), which governs the process for removing underperforming investment options on page 3;

- Clarifying in “2” that it is the Board’s review that determines what happens with an investment option on page 3;
- Deleting the references in “3” and “4” to a year, as the Board’s review and determination to put an option on watch or remove it may happen at any time;
- Updating the effective date of Attachment 2 Benchmark options on page 4; and
- Adding the Dodge and Cox Income option and appropriate benchmarks to page 6, attachment 2.

MOTION: Mr. Rothenberg moved to accept the changes as recommended by ETF and recommend the Board revise the Investment Policy Statement as shown in the attached draft. Mr. Main seconded the motion, which passed unanimously on a voice vote.

FUTURE ITEMS FOR DISCUSSION

Ms. Schueller informed the Committee that ETF expects to provide an update to the Board at its October 31 meeting regarding the Stable Value fund independent consultant search. She also stated ETF is working with the Bureau of Budget, Contract Administration and Procurement to determine whether ETF can piggyback on an existing contract with the Department of Financial Institutions for an independent consultant firm.

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 3:06 p.m.

Date Approved: _____

Signed: _____

Jason Rothenberg, Secretary
Deferred Compensation Board Investment Committee