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## Correspondence Memorandum

**Date:** May 18, 2020  
**To:** Deferred Compensation Board  
**From:** Shelly Schueller, Director  
Emily Lockwood, State Director for Empower Retirement  
Wisconsin Deferred Compensation Program  
**Subject:** COVID-19 Pandemic Effects on ETF and the WDC

**This memo is for informational purposes only. No board action is required.**

The 2019 novel coronavirus is the cause of the coronavirus disease also known as COVID-19. Humans have no immunity to this coronavirus, and the impact to health and national economies worldwide has been staggering. As of May 18, 2020, Wisconsin has reported 12,687 confirmed cases of COVID-19; 144,502 people have tested negative; 2,068 have required hospitalizations; and 459 people have died from COVID-19.

As the virus has spread, different units of government have responded with measures designed to limit new infections, including numerous partial or total shutdowns of major portions of their economies. These shutdowns and the overall uncertainty caused by COVID-19 have created economic challenges and market volatility. Significant challenges must be surmounted before people across the globe can safely return to work and national economies are restarted. This memo describes how ETF, the WDC and Empower are responding to the impacts of COVID-19.

### ETF

ETF has been closely monitoring the impact of COVID-19. ETF's physical offices at the Hill Farms State Office Building closed to the public in March 2020, in compliance with the State of Wisconsin *Safer at Home* Emergency Order #28. All ETF staff made the transition to working remotely except about twenty staff that provide essential services like mail, imaging, scanning, and printing required onsite in the office. ETF daily operations have not been interrupted. ETF staff complete a Morning Report status daily to indicate their availability, illness or assistance to other agencies. ETF regularly shares information and ideas of ways to destress and cope with the COVID-19 situation. ETF's security team has regularly shared information with staff about IT security, with special emphasis on working securely from home.

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

Electronically Signed 5/21/20

Board	Mtg Date	Item #
DC	6.11.20	11

ETF has been drafting business resumption plans in anticipation of reopening after Wisconsin meets the criteria of the “Badger Bounce Back” testing plan. ETF plans to utilize technology to offer webinars and eLearning opportunities, and will discontinue all public in-person (internal and external) meetings until at least December 31, 2020 or until further notice.

ETF continues to receive questions from members and employers related to COVID-19 such as qualified leave and insurance continuation questions. These and other questions and answers are available on ETF’s website under a new COVID-19 guidance and resource page, <https://etf.wi.gov/etf-response-covid-19>.

### **WDC and Empower Retirement**

The attachment to this memo provides a summary of the trends Empower Retirement has observed regarding participant interactions, call topics and general account activity and how COVID-19 has impacted the WDC. Emily Lockwood from Empower Retirement will be at the Board meeting to discuss the data with the Board. The blue boxes on each page provide WDC-specific context to the data.

- Participants are still meeting with WDC representatives, but the virtual-only environment has made that challenging.
- Those participants who are transferring between investments are mainly moving from equity to fixed income, as would be expected during a market downturn.
- Less than 100 participants have requested CARES Act coronavirus-related distributions so far. This number is expected to rise throughout 2020.

Staff will be at the meeting to answer any questions.

Attachment: Empower COVID Update for WDC Board

# WDC COVID-19 Update

May 12, 2020

SURVEY: PLAN SPONSOR PERSPECTIVES

# Most participants have not reached out to their employer

## Questions received from participants about their retirement plan

**67%**

Haven't had any questions

**17%**

How do I access my money?

**16%**

How should I invest for the downturn/rebound?

**13%**

How can I get advice about my retirement plan?

**8%**

Are you making any changes to the retirement plan?

**3%**

Other

WDC meetings (individual, RRRs, group) were 52% higher before March 16, 2020.

# What participants are most concerned about

Since the downturn, **23%** of participants called or logged in to see their balance

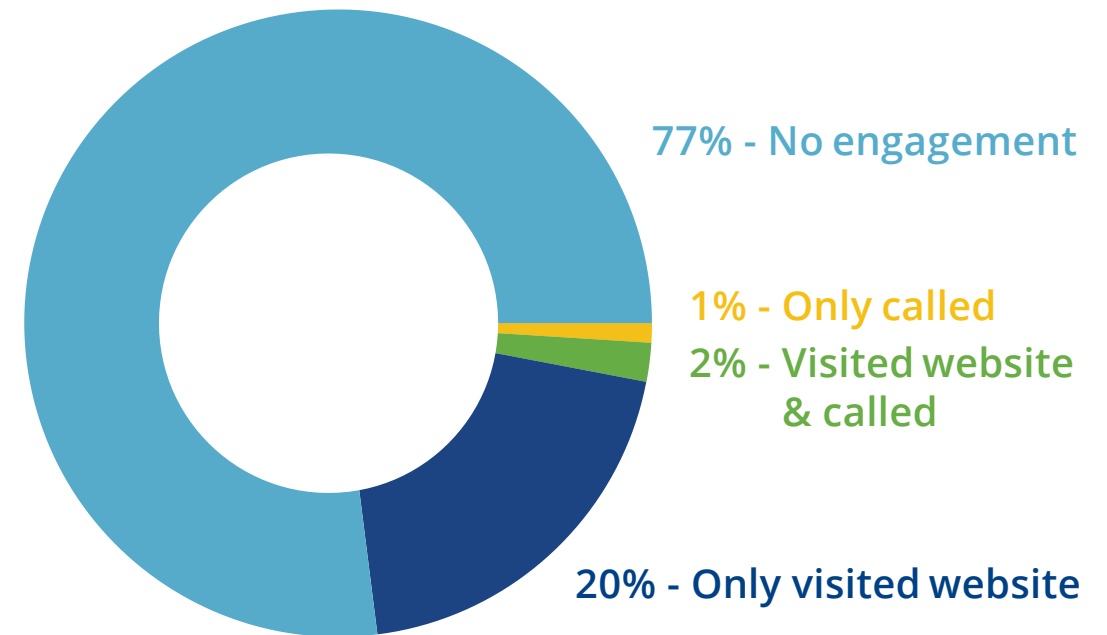


Our research indicates that most people don't want to look at their savings until the markets stabilize.

Majority of those who have checked only checked once.

Although some days saw high volumes, overall engagement was slightly below normal.

## Engagement post 2/24/20

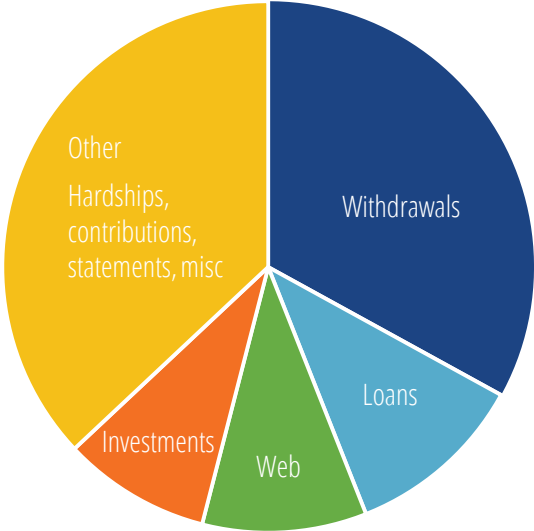


PARTICIPANT BEHAVIOR TRENDS: CALL CENTER AND WEB

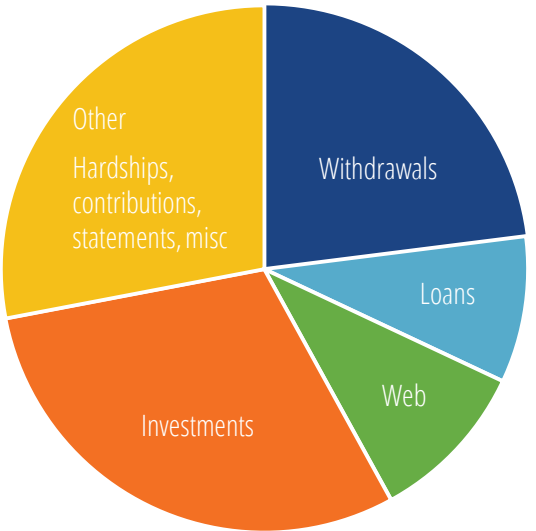
# Call topics have evolved during the crisis

Types of calls evolved over the weeks. Investment-related calls spiked in early and mid-March with market volatility. CARES Act-related calls have become 21-23% of our daily call volume since early April.

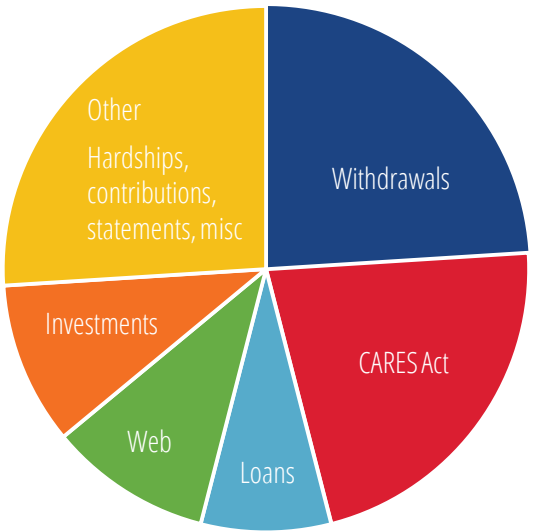
**Mid-January**



**Mid-March**



**Mid-April**



WDC enrollment meetings declined 82% while RRRs saw a 56% decrease.

## PARTICIPANT BEHAVIOR TRENDS: INVESTMENTS

### Participants are staying the course with their investment strategy

Overall, 1.5% of participants actively reallocated investments, with most activity occurring in early March.

Participants with high balances were more likely to move assets.

#### Of the participants who reallocated investments:

**50%** WENT FROM EQUITY TO FIXED INCOME

**26%** WENT FROM FIXED INCOME TO EQUITY

**24%** MOVED BETWEEN TARGET DATES AND EQUITIES/FIXED INCOME

#### WDC participants:

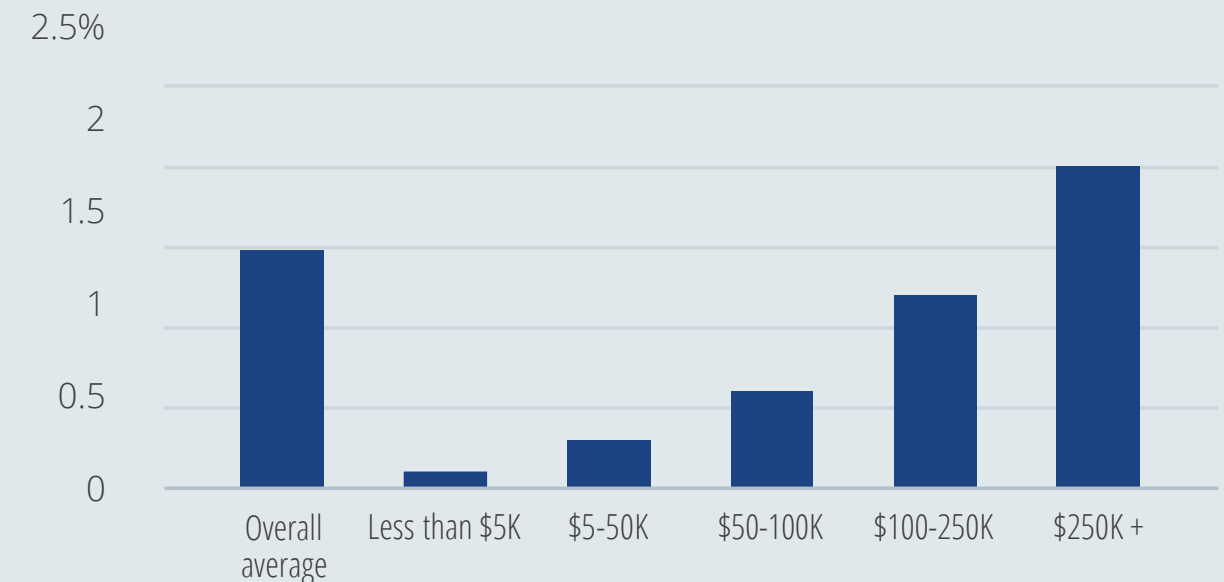
**53%** went from equity to fixed income

**34%** went from fixed income to equity

**13%** moved between target dates and equities/fixed income

**98.5%** ARE STAYING THE COURSE

#### Percent of participants moving investments



**1,392**, or 2.1%, participants have initiated **3,360** total fund to fund investment transactions since 2/16, with total money movement of **\$164,622,845** or **3.1%** of total assets.

Average of total funds moved by **1,392** participants is **\$118,264**.

# Early transaction volume is low



Only **23,000** CARES Act withdrawals completed through April 24, a fraction (0.4%) of eligible participants

Average disbursement is **\$22K**, with only **5%** taking the max of **\$100K**

Participants are taking on average **46%** of their balance, with **28%** of participants taking **100%**

**6,000 loan deferments** to date. Loan volume, as expected, is very low, with **370 taken so far**.

Airlines, entertainment and manufacturing show highest initial activity

WDC coronavirus-related distributions:

**72** CARES Act withdrawals

**74%** less than **\$25k**

**1** was **\$100k**

Average **\$14,331**

**The WDC does not offer loans.**



# Action taken to increase meetings

- Continue individual invitations by most at-risk (as defined by age, balance and % equity exposure)
  - Age 58+/90% equity have all been invited at least once
- RPAs to send emails and follow up with phone calls
- RPAs returning to group meeting focus offering education and promoting RRRs:
  - WDC overview
  - Market Volatility
  - Budgeting
  - Pre-retirement
- Follow up emails after group meetings
- Communications with employers from the WDC and from each RPA
- Pop-up bulletin on the website promoting virtual meetings

# Thank you



For additional information about sponsor and participant trends, visit [empower-institute.org](https://empower-institute.org).



Contact your Empower service team for additional or plan-specific details.

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GEN-FBK-WF-521156-0420 | RO1169613-0420

