

DRAFT

MINUTES

August 31, 2020

Deferred Compensation Board Investment Committee

State of Wisconsin



Location:

IMPORTANT NOTICE

The Committee meeting was held via teleconference.

Committee Members Present:

Ed Main, Chair

Jason Rothenberg, Secretary

Participants:

Shelly Schueller, Director, Wisconsin
Deferred Compensation Program

Great-West Financial:

Bill Thornton

American Beacon Bridgeway:

Tammira Phillipe, Paul Slakter

Others Present:

Deferred Compensation Board

Terry Craney, Art Zimmerman

ETF

John Voelker, Deputy Secretary

Lisa Gurley, Patrick Hughes,

Kadi Mbanefo, Matt Stohr,

Cheryllynn Wilkins, Kathryn Young

Empower Retirement

Emily Lockwood

Others (unidentified)

2 individuals connected via telephone

Public

Richard Renner, Rose Stephenson

Mr. Main, Chair, called the meeting of the Deferred Compensation Board Investment Committee (Committee) to order at 2:02 p.m.

CONSIDERATION OF OPEN MINUTES OF MAY 6, 2020

MOTION: *Mr. Rothenberg moved to approve the May 6, 2020, 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	11.19.20	2B

INVESTMENT PERFORMANCE AND EXPENSE RATIO REVIEW AS OF JUNE 30, 2020

The Committee reviewed the performance of the investment options as of June 20, 2020, as presented in the “Investment Performance and Expense Ratio Review” report by Mr. Thornton of Great-West Investments (Ref. DCIC | 8.31.20 | 2).

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:

- American Funds EuroPacific is trailing its benchmarks due to holding more emerging market exposure; however, its performance has improved from 1Q20.
- DFA US Micro CAP I fund trailed its benchmarks by 2.6% in 2Q20. This can partially be attributed to the fund’s holdings. This fund holds more value-oriented stocks than its benchmark peer funds, which are more blend funds.
- T Rowe Price Institutional Mid-Cap Equity fund consistently trails its peer group’s benchmarks due primarily to its valuation approach to stock selection and firm philosophy to not overpay for stocks.
- American Beacon Bridgeway Large Cap Value I CIT had a 3% improvement from 1Q20 in 2Q20.

Mr. Thornton shared that the WDC’s overall asset-weighted average expense ratio is 0.18% and stated that all returns for all equities were 15% better than first quarter 2020. Mr. Thornton noted that despite the ongoing coronavirus pandemic, the markets seem to be improving. He further noted there is a continued disparity in the markets between growth and value funds with a 32% gap.

AMERICAN BEACON BRIDGEWAY LARGE CAP VALUE FUND UPDATE

Mr. Slakter introduced himself and Ms. Phillipe to the Committee.

Ms. Phillipe stated she has been the President and CEO of Bridgeway for the last four years and has been with the company for 15 years. Nothing has changed at Bridgeway as far as ownership, investment management team, or philosophy. She highlighted the 1-, 3-, 5-, and 10-year fund performance total returns as well as quarterly and calendar years value metrics, company financial health, and price momentum statistics.

Ms. Phillipe told the Committee that Bridgeway’s investment philosophy is evidence based and driven by long-term data. She stated from 2010 through 2019, value stocks lagged growth stocks by an average of 2.61% a year, which is in contrast to history, where value has outperformed growth 92% of the time over all rolling 10-year periods since 1926.

Ms. Phillipe stated the economy is officially in a recession and during a recession, as investors seek out quality companies with good financial health, profitability and conservative investment factors typically do well. She stated after a recession,

cautiously optimistic investors with increased risk appetite typically propel small and value factors.

INVESTMENT POLICY STATEMENT REVISIONS

Ms. Schueller referred the Committee to the Investment Policy Statement Revisions memo dated August 5, 2020 (Ref. DCIC | 8.31.20 | 4) and stated ETF is recommending two changes to Attachment 2 “Benchmarks for Evaluating Investment Options” of the Investment Policy Statement, as follows:

- 1) Updating the bank listed in the FDIC Option to Johnson Bank, the current provider; and
- 2) Removing the Federated U.S. Government Securities Fund 2-5 Years Institutional option and benchmarks. This investment option was removed from the Wisconsin Deferred Compensation lineup in May 2020.

MOTION: Mr. Rothenberg moved to recommend the Board revise the Investment Policy Statement (IPS). Mr. Main seconded the motion, which passed unanimously on a voice vote.

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 2:52 p.m.

Date Approved: _____

Signed: _____

Jason Rothenberg, Secretary
Deferred Compensation Board Investment Committee