

DRAFT

# MINUTES

September 08, 2021

## Deferred Compensation Board

State of Wisconsin



### Location:

This meeting was held via teleconference

### BOARD MEMBERS PRESENT:

Gail Hanson, Chair	Bill Stebbins
Jason Rothenberg, Vice-Chair	
Terry Craney, Secretary	

### BOARD MEMBERS ABSENT:

Connie Haberkorn

### PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

**Wisconsin Deferred Compensation Program:**  
Shelly Schueller, Director

**Division of Retirement Services:**  
Matt Stohr, Administrator  
**Office of the Secretary:**  
Tarna Hunter, Kimberly Schnurr

### OTHERS PRESENT:

**Empower Retirement:**  
Emily Lockwood  
**ETF Staff:**  
Shirley Eckes, Pam Henning, Monica Anderson, Patrick Hughes, Kadi Mbanefo, Cheryllynn Wilkins, Kathryn Young  
**Great-West Investments:**  
Bill Thornton

**JP Morgan:**  
John Angliss, Jaime Steinhardt  
**MFS:**  
Greg Jones, Kate Mead  
**Others (Unidentified):**  
2 individuals connected via telephones  
**T. Rowe Price**  
Kyle Lagratta, Caleb Fritz

Ms. Hanson, Chair, called the meeting of the Deferred Compensation Board (Board) to order at 1:00 p.m.

### ANNOUNCEMENTS

Ms. Schueller introduced William (Bill) Stebbins, who was appointed to the Board by the Governor with Senate confirmation pending. Mr. Stebbins' term on the board will expire July 1, 2024.

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Ms. Hanson requested that the Office of the Secretary staff finalize a recognition for Art Zimmerman, Mr. Stebbins' predecessor on the Board.

Ms. Schueller introduced Kimberly Schnurr as the new Board Liaison. Additionally, she informed the Board that ETF expects to remain in a virtual work environment through November 1, 2021.

Ms. Schueller reminded the Board that in July 2021, Empower Retirement, the recordkeeper utilized by the Wisconsin Deferred Compensation (WDC) program, announced plans to acquire Prudential's record keeping business. Pending regulatory approval, this will occur in mid-2022. ETF will ask Empower to provide an update regarding this acquisition later in 2022.

### **CONSIDERATION OF OPEN MEETING MINUTES OF JUNE 10, 2021 BOARD MEETING**

***MOTION: Mr. Craney moved to approve the June 10, 2021, open session minutes as submitted by the Board Liaison. Mr. Rothenberg seconded the motion, which passed on the following roll call vote:***

***Members Voting Aye: Hanson, Rothenberg, Craney, and Stebbins.***

***Members Absent: Haberkorn***

### **INVESTMENT PERFORMANCE AND EXPENSE RATIO REVIEW AS OF JUNE 30, 2021**

The Board reviewed the performance of the Wisconsin Deferred Compensation Program's (WDC) investment options as of June 30, 2021, as presented in the "Investment Performance and Expense Ratio Review" report by Mr. Thornton of Great-West Investments (Ref. DC | 9.8.21 | 3).

Mr. Thornton reviewed the overall performance of the WDC's investment options as compared to their respective benchmarks and provided insights regarding the economy and the markets, and the performance of certain funds during the second quarter of 2021. Overall, Mr. Thornton suggested the WDC's core investment lineup looked good. He saw no "red flags" during the second quarter of 2021.

The Board had some questions about T. Rowe Price's recent announcements regarding the pending split of T. Rowe Price into two investment management firms and upcoming leadership changes. Mr. Thornton pointed out that as T. Rowe Price was attending the Board meeting to present on their large cap value option, the firm would also likely discuss this as well.

Mr. Thornton pointed out that the WDC's asset-weighted average expense ratio remained at 0.22% for the second quarter of 2021.

Ms. Hanson noted that the WDC recently received notice of a lower expense ratio for the stable value fund. Mr. Thornton confirmed that the new lower expense ratio for the stable value fund, 28 basis points, would be reflected in the 3Q21 investment performance report.

### **BALANCES REMAINING IN THE AMERICAN BEACON BRIDGEWAY LARGE CAP VALUE CIT I AFTER THE OPTION IS CLOSED**

Ms. Schueller reminded the Board of the unanimous motion, made during the March 11, 2021 Board meeting (Ref. DC | 3.11.21 | 6A), to sweep any funds remaining in the American Beacon Bridgeway Large Cap Value I CIT (ABB Large Cap Value) after it fully closes to the new large cap value fund that is selected from the three finalist options during this meeting.

### **LARGE CAP VALUE FUND SELECTION**

During the meeting on June 10, 2021, the Board reviewed options that met the selection criteria requirements and selected three finalists: T. Rowe Price Large Cap Value I, MFS Large Cap Value CIT CI 5, and JP Morgan U.S. Value R6. The three finalists were invited to present information to the Board (Ref. DC | 6.10.21 | 6) and respond to any questions the Board members asked.

ETF recommended that the Board select one option for inclusion in the WDC core investment options. Upon selection of a new large cap value fund option, ETF recommended the Board: 1) delegate final review and approval of the contract via the Board Chair; and 2) direct ETF to work with the fund provider and the WDC's record keeping firm (Empower Retirement) to determine when the fund can be officially opened to participants, and communicate this to participants.

### **T. ROWE PRICE LARGE CAP VALUE I PRESENTATION**

Mr. Thornton introduced the presenters for the T. Rowe Price Large Cap Value I option, Mr. Lagratta and Mr. Fritz. ETF referred the Board to the vendor handouts provided in the meeting materials during the presentation (Ref. DC | 9.8.21 | DC 5A). Board members asked clarifying questions that Mr. Lagratta and Mr. Fritz answered.

### **MFS LARGE CAP VALUE CIT CI 5 PRESENTATION**

Mr. Thornton introduced the presenters for the MFS Large Cap Value CIT CI 5, Mr. Jones and Ms. Mead. ETF referred the Board to the vendor handouts provided in the meeting materials during the presentation (Ref. DC | 9.8.21 | DC 5B). Board members asked clarifying questions that Mr. Jones and Ms. Mead answered.

## **JP MORGAN U.S. VALUE R6 PRESENTATION**

Mr. Thornton introduced the presenters for the JP Morgan U.S. Value R6 option, Mr. Angliss and Ms. Steinhardt. ETF referred the Board to the vendor handouts provided in the meeting materials during the presentation (Ref. DC | 9.8.21 | DC 5C). Board members asked clarifying questions that Mr. Angliss and Ms. Steinhardt answered.

## **ADDITIONAL DATA POINTS**

Mr. Thornton provided a brief report to the Board that compared key data points regarding the WDC large cap value finalists, as requested by Ms. Hanson. This document illustrated items such as the funds' annualized performance and Sharpe ratio (Ref. DC | 9.8.21 | DC 5D).

Ms. Hanson requested a motion to select a large cap value fund for inclusion in the core investment options.

***MOTION: Mr. Rothenberg moved that the Board adopt the JPMorgan U.S. Value R6 large cap value fund for inclusion in the core investment options:***

***Mr. Craney seconded the motion, which passed on the following roll call vote:***

***Members Voting Aye: Hanson, Rothenberg, Craney, and Stebbins.***

***Members Absent: Haberkorn***

## **OPERATIONAL UPDATES**

Ms. Schueller referred to the Operational Updates in the Board materials (Ref. DC | 9.8.21 | 6A – 6E) and stated ETF staff were available if there were any questions. She highlighted:

- Legislative Update
- Board Authority Contracts Update
- Plan Information/Reports
- Investment Provider Reports, and
- DC Board Correspondence

## **ADJOURNMENT**

***MOTION: Mr. Craney moved to adjourn. Mr. Stebbins seconded the motion, which passed on the following roll call vote:***

***Members Voting Aye: Hanson, Rothenberg, Craney, and Stebbins.***

***Members Absent: Haberkorn***

The meeting adjourned at 3:28 p.m.

Date Approved: \_\_\_\_\_

Signed: \_\_\_\_\_

Terry Craney, Secretary  
Deferred Compensation Board