

MINUTES

November 4, 2021

DRAFT

Deferred Compensation Board

State of Wisconsin

Location:

The Board meeting was held via teleconference



BOARD MEMBERS PRESENT:

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

BOARD MEMBERS ABSENT:

Connie Haberkorn

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Wisconsin Deferred Compensation Program:

Shelly Schueller, Director

Office of the Secretary:

Kimberly Schnurr

Information Technology:

David Maradiaga

Division of Trust Finance:

Ramona Yee

Office of Legal Services:

Dan Hayes

Bureau of Budget, Contract

Compliance and Procurement:

Tim Steiner

OTHERS PRESENT

ETF Staff:

John Voelker, Shirley Eckes, Patrick Hughes, Kadi Mbanefo, Cherylynn Wilkins, Kathryn Young, Monica Anderson, Diana Felsmann, Tarna Hunter, Joanne Klaas, Mark Lamkins

Great-West Investments:

Bill Thornton

Empower Retirement:

Emily Lockwood, Trish McGinity

Others (Unidentified):

1 individual connected via telephone

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

ANNOUNCEMENTS

Ms. Schueller shared the following announcements:

- Gail Hanson's and Connie Haberkorn's Board appointments were recently confirmed by the State Senate. The Senate Committee on Financial Institutions and Revenue held a confirmation hearing on October 14, 2021, which included both Jason Rothenberg's and Bill Stebbins's appointments to the Board.

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- Chief Legal Counsel, David Nispel, retired early October and recruitment to refill the vacancy is underway.
- A reminder that items discussed at the meeting are limited to only the topics included on the agenda.

CONSIDERATION OF OPEN MEETING MINUTES OF SEPTEMBER 8, 2021 BOARD MEETING.

MOTION: Mr. Rothenberg moved to approve the open session minutes of the September 8, 2021, meeting as submitted by the Board Liaison. Mr. Stebbins seconded the motion, which passed on the following roll call vote:

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

Members Absent: Haberkorn.

2022 BOARD MEETING DATES

Ms. Schnurr referred the board to the 2022 Meeting Dates memo dated October 11, 2021 (Ref. DC | 11.04.21 | 3) and noted that this was an informational item only.

PARTICIPANT ADMINISTRATIVE FEE ANALYSIS

Ms. Yee referred the Board to the Participant Administrative Fee Analysis memo dated October 11, 2021 (Ref. DC | 11.04.21 | 4) and stated that ETF recommended an average 34.3% decrease to the fees paid by Wisconsin Deferred Compensation Program (WDC) participants, effective January 1, 2022. Ms. Yee's memo highlighted Plan administrative expenses and reviewed participant fees by account balance tier.

The memo also reviewed:

- Revenues coming from account balances;
- The Board's policy regarding maintaining a balance in the Board's administrative account;
- Projections regarding the Board's administrative account balance based on anticipated market returns;
- Current fees; and
- Suggested lower participant fees for each account balance tier class, should the Board determine that a decrease was appropriate.

Ms. Hanson requested a motion to approve an average 34.3% decrease to the administrative fees paid by the WDC participants, effective January 1, 2022.

MOTION: Mr. Craney moved to approve an average 34.3% decrease to the administrative fees paid by WDC participants, effective January 1, 2022. Mr. Stebbins seconded the motion, which passed on the following roll call vote:

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

Members Absent: Haberkorn.

INVESTMENT POLICY STATEMENT REVISIONS

Ms. Schueller referred the Board to the Proposed Investment Policy Statement Revisions memo dated September 28, 2021 (Ref. DC | 11.04.21 | 5). This memo recommended changes to align the language on underperforming investment options in the Board's policy with the current language in Ch. ETF 70.08(3), WI Admin. Code.

Changes to Ch. ETF 70.08(3), WI Admin. Code permit the Board to begin the process to phase an underperforming investment option out of the WDC beginning on the first business day of the third month following the Board's decision. The time period during which participants must take action in Phase 1 of the process is reduced from six months to 45 days. The time period during which participants must take action in Phase 2 of the process is 45 days after the Phase 1 process has ended.

Ms. Hanson noted that Attachment 2 to the policy, which contains a list of investment options and benchmarks, will need to be revised after the American Beacon Bridgeway Large Cap Value option is removed from the lineup in 2022.

Ms. Hanson requested a motion to revise the Investment Policy Statement as indicated in the memo provided to the Board.

MOTION: Mr. Stebbins moved to approve the motion to revise the Investment Policy Statement as provided to the Board. 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 SEPTEMBER 30, 2021

The Board reviewed the performance of the WDC's investment options as of September 30, 2021, as presented in the "Investment Performance and Expense Ratio Review" report by Mr. Thornton of Great-West Investments (Ref. DC | 11.04.21 | 6). In his presentation to the Board, Mr. Thornton reviewed the overall performance of the WDC's investment options as compared to their respective benchmarks, discussed the expense ratio, provided insights regarding the economy and the markets, and discussed the performance of certain funds during the third quarter of 2021.

Overall, Mr. Thornton was pleased with the performance of most of the options in the WDC's core investment lineup. He saw no "red flags" during his review of investment performance during the third quarter of 2021.

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

In response to the request Ms. Hanson had made during the September 2021 meeting (Ref. DC | 11.04.21 | 2), Mr. Thornton verified that the 3Q21 investment performance report correctly documents the lower expense ratio for the stable value fund (28 basis points). Additionally, a corrected 2Q21 report has been included online with the Board's September 2021 meeting materials. The corrected 2Q21 report contains updated information received after the report was submitted. American Beacon Bridgeway initially reported their returns as follows:

Initial reported returns	<u>3 Months</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
American Beacon Bridgeway	18.19	67.02	8.08	10.40	10.51

Based on the updated information they provided, the returns for this fund are actually as shown below. This is what is now in the corrected report available online.

Corrected returns	<u>3 Months</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
American Beacon Bridgeway	11.75	57.92	6.08	9.19	10.51

STRATEGIC PARTNERSHIP PLAN

A Strategic Partnership Plan joint presentation was provided by Ms. Schueller and Emily Lockwood, Managing State Director with Empower Retirement (Empower). The information included a 2021 Year-to-Date Review, as well as a 2022 Strategic Partnership Plan (SPP) Proposal for the Board's consideration.

2021 Year-to-Date Review

Ms. Lockwood referred the Board to the 2021 Scorecard (DC | 11.04.2021 | 7A) and highlighted some successes and challenges Empower has faced during 2021. The goal of adding 10 new local employers has already been reached. However, new participant growth has been slow in 2021. The continuing COVID-19 pandemic has put the WDC behind on certain goals. Out of the goal to have 300 group meetings, for example, only 211 have taken place thus far. The pandemic has given the WDC a unique opportunity to offer virtual alternatives to traditionally in-person events, such as benefits fairs. WDC field representatives feel these virtual events had engaged attendees and have been of value to participants.

There has been nice progress on the 2021 goal to increase positive participant actions, such as enrollments, rollovers, deferral increases, diversification, and personalization for those in managed accounts. Empower was able to exceed the initial positive action rate goal of 33% by nearly 200%. According to the data, 1,507 positive actions have been taken as a result of the 2,289 total individual and Retirement Readiness Review meetings held through September 30, 2021.

2022 SPP Proposal

For the second half of their presentation, Ms. Schueller and Ms. Lockwood directed the Board to the 2022 SPP memo dated October 18, 2021 (Ref. DC | 11.04.21 | 7B). They reminded the Board that, as was done for past plans, the 2022 SPP proposal goals were developed around the following four concepts:

1. Enrollment – increasing the number of eligible employees enrolled and contributing to the WDC and local public employers offering the WDC
2. Asset Allocation – encouraging appropriate diversification of participant assets in WDC investment options
3. Education – providing financial literacy learning opportunities
4. Retention – providing education to retirees and near-retirees, and retaining retiree accounts and assets in the WDC

The 2022 SPP memo contains details for the upcoming year's goals, including:

- Increasing participation by 2.5%
- Adding 12 new employers
- Attending at least 1 convention
- Completing retirement readiness reviews with 2,800 individuals, including 5% of specific targeted at-risk populations
- Increasing managed account use by 2%
- Increasing deferral amounts for specific targeted populations
- Increasing new website users
- Providing 415 group meetings
- Seeing positive actions (enrollment, rollover, diversification, etc.) from 40% or more of individual participant meetings
- Meeting with at least 500 retirees

The 2022 Scorecard and Communications Proposal emphasized strengthening customer service tools and resources online. As part of the 2022 SPP, Empower expects to release a new website for WDC participants. The website, scheduled to go live in March 2022, is expected to have additional financial wellness materials as well as improved participant and employer education.

In addition to goals in each of the four areas listed above, Ms. Lockwood announced that Empower would be creating special communications marking 2022 as the 40th anniversary of the WDC. The communications will be used by the WDC throughout 2022 and could be included in the ETF's member newsletters' articles, Twitter account postings, and the newsletter for WDC employers.

Ms. Hanson requested a motion to approve the proposed 2022 SPP as presented to the Board.

MOTION: Mr. Stebbins moved to approve the proposed 2022 SPP as presented to the Board. Mr. Rothenberg seconded the motion, which passed on the following roll call vote:

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

Members Absent: Haberkorn.

FIDUCIARY RESPONSIBILITIES REVIEW

Ms. Schueller referred the Board to the Fiduciary Responsibilities Review memo dated September 27, 2021 (Ref. DC | 11.04.21 | 8) and reminded the Board that they requested an annual review of items related to the Board's fiduciary responsibilities. She provided a brief overview of selected responsibilities and stated the Board is meeting its responsibilities.

OPERATIONAL UPDATES

Ms. Schueller referred to the Operational Updates in the Board materials (Ref. DC | 11.04.21 | 9) and provided verbal updates on a few items. She noted that the WDC received a Leadership Award from the National Association of Government Defined Contribution Administrators (NAGDCA). The award was for the pilot which involved including Wisconsin Retirement System pension estimates with WDC accounts of active, vested participants. Ms. Schueller stated ETF staff were available if there were any questions on any of the topics in the operational updates.

FUTURE ITEMS FOR DISCUSSION

Ms. Schueller referred the Board to the tentative agenda topic lists for the December 2021 (Ref. DC | 11.04.21 | 10A) and the March 2022 (Ref. DC | 11.04.21 | 10B) Board Meetings. Ms. Schueller noted that the December 2021 meeting would be focused on a Board decision regarding awarding the Administrative Services Provider Contract (RFP ETJ0061).

When asked if the Board members had any other topics that they would like to add to either list, Ms. Schueller received no response.

CLOSED SESSION

Ms. Hanson announced that the Board would be going into closed session to hear an update on information technology from the WDC's third-party administrator (Empower) and ETF's Information Security Management Program. Furthermore, the Board would be receiving an update on cybersecurity measures currently in place at Empower and ETF to protect participant' information.

Ms. Hanson suggested that in lieu of the entire Board needing to return to the open session, she, as the Board Chair, could solely return to open session to make an announcement on business deliberated during closed session. Ms. Hanson asked if there were any objections to this proposal. No objections were made.

Ms. Hanson asked for a motion to convene in closed session pursuant to the exemptions contained in Wis. Stats. § 19.85 (1) (d) to consider strategy for crime detection or prevention.

MOTION: Mr. Craney moved to convene in closed session pursuant to the exemptions contained in Wis. Stats. § 19.85 (1) (d) to consider strategy for crime detection or prevention. 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 Board convened in closed session at 2:11 p.m.

Ms. Hanson returned to open session at 2:50 p.m.

ANNOUNCEMENT OF BUSINESS DELIBERATED DURING CLOSED SESSION

Ms. Hanson announced that the Board met in closed session to hear presentations from the WDC's third-party administrator (Empower) and ETF's Information Security Management Program. The presentations related to ongoing processes and new initiatives to protect participant' information and WDC accounts. No action was taken.

ADJOURNMENT

Ms. Hanson adjourned the meeting at 2:52 p.m.

Date Approved: _____

Signed: _____

Terry Craney, Secretary
Deferred Compensation Board