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Correspondence Memorandum

Date: February 10, 2022

To: Deferred Compensation Board

From: Shelly Schueller, Director
 Wisconsin Deferred Compensation Program

Subject: Investment Option Updates: Lower Expense Ratio Share Classes and
 Removal of Self-Directed Brokerage from Equity Wash List

This memorandum is for informational purposes only. No action is required.

Wisconsin Deferred Compensation Program (WDC) participants may invest their assets in two products that recently moved to different, lower expense ratio share classes. Moving to a new share class is good news for participants using these investment options, as it decreases the expense ratio paid by participants. In addition, the Stable Value Fund provider, Galliard Capital, has removed the Self-Directed Brokerage option from the list of competing funds requiring an equity wash, referred to as a transfer restriction.

Vanguard Target Date Funds: Lower Fee Share Classes


Since mid-2018, the WDC has offered Vanguard’s Target Date Retirement options via Vanguard’s collective Trust I. As of December 31, 2021, WDC participants held over \$1,121,990,000 in Vanguard Target Date Trust I options. With the rise in assets, the WDC became eligible to offer a different share class with a lower expense ratio.

To formally move from Vanguard’s Target Date Trust I to Trust Plus options, the Board Chair and Vanguard executed a new authorization and adoption agreement. This document was signed by the Board Chair on August 11, 2021. On January 14, 2022, Empower moved the WDC’s target date fund assets from Vanguard’s Target Date Trust I to Vanguard’s Target Date Trust Plus. Moving to the Trust Plus class decreased the expense ratio from 7.0 basis points (bps) to 5.5 bps.

Fidelity Contrafund Commingled Pool: Lower Fee CIT

In December 2021, Fidelity notified the Department of Employee Trust Funds that WDC assets in the Contrafund Commingled Pool Class 2 were large enough to move to share Class 3. Moving to share Class 3 decreases the expense ratio for Contrafund from 38 bps to 35 bps. As of December 31, 2021, 16,200 WDC participants held approximately \$1,005,385,000 in the Fidelity Contrafund Commingled Pool.

Reviewed and approved by Matt Stohr, Administrator, Division of Retirement Services
 Electronically Signed 03/08/2022



Board	Mtg Date	Item #
DC	3.31.22	5

To formally move the WDC's Contrafund investments to share Class 3, the Board Chair and Fidelity executed an amendment to the original participation agreement. This amendment was signed and completed on January 5, 2022, and the administrative change took place on March 4, 2022.

Stable Value Fund: Removing Self-Directed Brokerage Option as a Competing Fund

In addition to the changes above, the WDC's Stable Value fund provider, Galliard Capital, announced in February 2022 that effective March 1, 2022, the Schwab Self-Directed Brokerage Account (SDBA) option was removed as a competing fund¹ to the Stable Value fund. This means that the SDBA option is no longer subject to the 90-day equity wash (transfer restriction) that has been enforced and any restrictions on transfers from the Stable Value fund to the SDBA will be removed. Empower has updated system programming and participant communications to reflect this change.

Staff will be available at the Board meeting to answer any questions.

¹ A competing fund can generally be described as a money market fund or an investment option available under a plan that (a) seeks to maintain 70% or more of its assets invested in investment grade, U.S. fixed-income investments with (i) a stated benchmark that has a duration of less than or equal to 3 years or (ii) a long-term objective of maintaining a duration of less than or equal to 3 years; (b) has a guaranteed rate of return; (c) the principal is guaranteed; or (d) has a stable value per unit.