



STATE OF WISCONSIN
Department of Employee Trust Funds
 A. John Voelker
 SECRETARY

Wisconsin Department
 of Employee Trust Funds
 PO Box 7931
 Madison WI 53707-7931
 1-877-533-5020 (toll free)
 Fax 608-267-4549
etf.wi.gov

Correspondence Memorandum

Date: February 28, 2022

To: Deferred Compensation Board

From: Shelly Schueller, Director
 Wisconsin Deferred Compensation Program

Subject: 2021 Results and 2022 Recordkeeping Fee Change Recommendation


ETF requests the Deferred Compensation Board (Board) approve a 3.5% increase in the annual fee paid to Empower.

The annual Strategic Partnership Plan (SPP), approved by the Board, identifies Wisconsin-specific enhancements and initiatives for Empower and the metrics used to measure the results. Both the results of the SPP and growth in the number of participants determine any increases in Empower's annual administrative fee. As outlined in the current Administrative Service Contract:

- If total Wisconsin Deferred Compensation Program (WDC) participant growth is under 1.0%, then there is no change in administrative fee.
- If total WDC participant growth is greater than 1.0% but less than 3.0%, then the annual administrative fee will increase by 3.5%. In addition, if the SPP is met an additional 0.5% increase is earned, for a total increase of 4.0%.
- If total WDC participant growth is equal to or greater than 3.0%, then the annual administrative fee will increase by 4.0%. In addition, if the SPP is met an additional 1.0% increase is earned, for a total increase of 5.0%.

The agreement to link any increases in Empower's fee for administrative services and SPP results has been in place since 2010. It has been part of the administrative services contract between the Board and Empower that expires on November 30, 2022.

During the initial five-year contract term that will begin December 1, 2022, SPP results will not determine administrative fee increases. That is because the request for administrative services proposals released on April 9, 2021, requested flat fee bids from all proposers.

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

Board	Mtg Date	Item #
DC	3.31.22	7A

2021 SPP Results

As shown on the attached WDC Scorecard, with the continued additional challenges created by the COVID-19 pandemic, Empower was unable to meet all the goals in the 2021 SPP. Empower fell short in reaching the 2021 goals in the following areas:

- Increasing WDC participants. The goal is a 3% increase; however, the actual increase was only 1.7%.
- Number of retirement readiness reviews. The goal was 3,000 reviews; however, only 1,859 reviews were completed.
- Increasing participant diversification to an average of 5.46 investment options. The average number of investment options was 5.33.
- Number of financial plans conducted. The 2021 goal was to complete financial plans for 150 participants. 74 WDC participants began the process but only 19 have been completed.

Positive highlights of Empower's 2021 activities in Wisconsin include:

- Added 15 new local employers, which was five more than the goal.
- Attended one convention virtually and 69 virtual benefit fairs, which was 24 more than the goal.
- Presented at 350 group informational meetings, which was 50 more than the goal.
- Provided 1,384 retirement readiness reviews for participants in the specific at-risk population targeted in 2021, which was well above the goal of 661 for the at-risk group.
- Caused 4% of targeted participants to restart their contributions, which was 2% more than the goal.
- Facilitated 2,063 positive actions by participants such as enrollments, deferral increases, diversification, rollovers, and personalization for those in managed accounts.

Recommendation

Because Empower met the criteria necessary in 2021 to earn the base fee increase, ETF recommends the Board approve a 3.5% administrative fee increase for Empower in 2022. This would increase Empower's annual fee from \$3,743,130 to \$3,874,140 in 2022.

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



Helping You Turn
Over a New
Retirement Leaf

Wisconsin Deferred Compensation Program

5325 Wall Street, Suite 2755
Madison, WI 53718
(877) 457-WDCP (9327)
www.wdc457.org

February 3, 2022

Ms. Shelly Schueller
Department of Employee Trust Funds
4822 Madison Yards Way
P.O. Box 7931
Madison, WI 53707-7931

Dear Shelly:

In 2010, Empower Retirement, the Wisconsin Deferred Compensation Board (Board) and Department jointly agreed that beginning each year we would develop an annual Plan Enhancement Program (PEP) or Strategic Partnership Plan (SPP), to define specific plan goals, incorporate WDC Board initiatives, and include metrics for measuring success. These goals and metrics form the PEP/SPP and become the focus for the year. This provision will end when the current contract expires November 30, 2022. We look forward to successful negotiation of a new contract and appreciate your continued partnership.

The Strategic Partnership Plan generally has goals and metrics developed around the Four Dimensions:

1. *Participation* – Increase the number of eligible employees contributing to the WDC as well as the number of political subdivisions offering the WDC.
2. *Asset Allocation* – Encourage appropriate diversification of participant assets in WDC investment options.
3. *Education and Learning* – Provide access to more financial literacy learning opportunities for all participants throughout the State.
4. *Retiree Outreach* – Provide a focus on education to retirees; retain retiree accounts/assets in the WDC.

As noted in the attached scorecard, we unfortunately did not meet all of the goals on the 2021 Scorecard. While we continued to manage the pandemic, we were able to meet many of the goals. In-force accounts increased by 1.7%, 15 employers adopted the WDC and 74% of the team's retirement readiness reviews were with the targeted at risk population. The team also met the group meeting goal and while meeting with participants individually facilitated 2,063 positive actions like enrollments, rollovers, deferral increases, diversification, and profile personalization for those in managed accounts.

2021 EMPOWER RETIREMENT ADMINISTRATIVE FEE

As outlined in Section 7.3A of the Board's Administrative Service Contract with Employer Retirement, if total participant growth is greater than 1.0%, but less than 3.0%, the annual administrative fee due to Empower Retirement increases by 3.5%.

Because Empower increased WDC participant growth by 1.7%, Empower is requesting that the 2022 administrative fee increase by 3.5% from \$3,743,130 to \$3,874,140.

Please let me know if you have any questions or need additional information regarding the 2021 Scorecard.

Sincerely,

A handwritten signature in black ink, appearing to read "E. Lockwood".

Emily S. Lockwood
State Director

cc: Rob Dwyer, Vice President, Empower Retirement

enclosure

2021 Scorecard Results

Goal/Action Item	Tools adopted	Results desired	12/31/21 Results
Enrollment	<ul style="list-style-type: none"> Employee and Employer Group meetings 	<ul style="list-style-type: none"> 3% in-force* growth (66,790 in-force accounts as of 12/31/20) 10 new employers 1-2 Conventions 45+ benefits fairs 	<ul style="list-style-type: none"> 1.7% in-force* growth (67,927) 15 new employers adopted WMCA Conference (virtual) 69 virtual benefits fairs conducted
Asset Allocation	<ul style="list-style-type: none"> Retirement Readiness Reviews (RRR) with at-risk groups Emails, mailers and tweets Fiduciary advice/CFP service Partnership on financial wellness grant 	<ul style="list-style-type: none"> RRRs with 10% of at-risk population** (661 At Risk RRRs) Increase average number of investment options to 5.46 	<ul style="list-style-type: none"> 1,384 RRRs with at-risk population Average number of investments 5.33
Education	<ul style="list-style-type: none"> Participant Education <ul style="list-style-type: none"> RRRs for at risk groups DB Addition Campaign Employer Education Partnership on financial wellness grant Restart campaign 	<ul style="list-style-type: none"> 3,000 total RRRs 300 group meetings Bring positive actions*** to 33%+ of the RRRs conducted Restart campaign: Restart 2% of participants who stopped contributing 	<ul style="list-style-type: none"> 1,859 total RRRs 350 group meetings 66% positive action rate 4% of targeted participants restarted their contributions
Retention	<ul style="list-style-type: none"> Retirement Readiness Reviews Retiree webinar RSG support and CFP service 	<ul style="list-style-type: none"> Increase asset retention by 5%+ (roll out 5% fewer assets than \$137.8M rolled out in 2020) Conduct 150 financial plans 	<ul style="list-style-type: none"> \$102.9M assets rolled out Retiree webinar 12/15/21 with 66 attendees 19 financial plans have been delivered (out of 74 who initiated the process); 12 subscriptions and 7 individual



*Helping You Turn
Over a New
Retirement Leaf*

*In-force means net lives or number of participants with an account balance greater than \$0. There were 66,790 in-force accounts as of 12/31/20.

**At-risk population = 50+ >75% equities; 50+ <10% equities; all ages <25% equities and twice average plan balance

***Positive actions include actions like enrollments, rollovers, deferral increases, diversification (moving 100% to TDF or enroll in managed accounts), and personalization for those in managed accounts