

MINUTES

March 31, 2022

DRAFT

Deferred Compensation Board

State of Wisconsin

Location:

Hill Farms State Office Building – CR N134
4822 Madison Yards Way, Madison, WI 53705
1:00 p.m. – 2:45 p.m.



BOARD MEMBERS PRESENT:

Gail Hanson, Chair

Jason Rothenberg, Vice-Chair

Terry Craney, Secretary

Connie Haberkorn

Bill Stebbins

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Wisconsin Deferred Compensation Program:

Shelly Schueller, Director

Office of the Secretary:

Kimberly Schnurr

OTHERS PRESENT

Office of the Secretary:

John Voelker, Shirley Eckes, Pam Henning

ETF Staff:

Diana Felsmann, Dan Hayes, Tarna Hunter, Jim Kasombo, Joanne Klaas, Laura Patterson, Matt Stohr, Kathryn Young

Great-West Investments:

Bill Thornton

Schwab:

Eric Bildt, Greg Irving

Empower:

Emily Lockwood

Ms. Hanson, Chair, called the meeting of the Deferred Compensation Board (Board) to order at 1:04 p.m.

ANNOUNCEMENTS

Ms. Schueller shared the following announcements:

- Meetings will be held in-person, with accommodations made for Board members unable to attend in person.
- Laura Patterson is assisting Ms. Schueller with WDC projects and will provide backup WDC coverage should Ms. Schueller be out of the office.

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CONSIDERATION OF OPEN AND CLOSED MEETING MINUTES OF NOVEMBER 4, 2021, AND DECEMBER 10, 2021, BOARD MEETINGS.

MOTION: Mr. Stebbins moved to approve the open and closed session minutes of the November 4, 2021, and December 10, 2021, meetings as submitted by the Board Liaison. Ms. Haberkorn seconded the motion, which passed unanimously on a voice vote.

ELECTION OF DEFERRED COMPENSATION BOARD OFFICERS

MOTION: Mr. Stebbins moved to nominate the following slate of officers: Jason Rothenberg as Chair, Terry Craney as Vice-Chair, and Connie Haberkorn as Secretary of the Deferred Compensation Board. Mr. Craney seconded the motion, which passed unanimously on a voice vote.

INVESTMENT PERFORMANCE AND EXPENSE RATIO REVIEW AS OF DECEMBER 31, 2021

The Board reviewed the performance of the WDC's investment options as of December 31, 2021, as presented in the "Investment Performance and Expense Ratio Review" report by Mr. Thornton of Great-West Investments (Ref. DC | 03.31.22 | 4). 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 fourth quarter of 2021.

Mr. Thornton pointed out that the WDC's asset-weighted average expense ratio remained at 0.22% for the fourth quarter of 2021. Additionally, he noted the S&P 500 had a 28.7% return in 2021.

Mr. Thornton provided his perspective and insights regarding the volatility of the markets year-to-date in 2022, primarily as a result of investor reactions to the ongoing pandemic, Russia's invasion of Ukraine, the rise of oil prices, continued supply chain challenges, and overall inflationary pressures.

INVESTMENT OPTION UPDATES: LOWER EXPENSE RATIO SHARE CLASSES AND REMOVAL OF SELF-DIRECTED BROKERAGE FROM EQUITY WASH LIST

Ms. Schueller referred the Board to the Investment Option Updates: Lower Expense Ratio Share Classes and Removal of Self-Directed Brokerage from Equity Wash List memo dated February 10, 2022 (Ref. DC | 03.31.22 | 5). She provided an overview of the change from Vanguard's Target Date Trust I to Vanguard's Target Date Trust Plus. The move has had a positive impact on WDC participants because it decreased the expense ratio from 7.0 basis points (bps) to 5.5 bps.

Additionally, Ms. Schueller provided an update on the move from Fidelity Contrafund's Commingled Pool Class 2 to Class 3. This move was possible because WDC assets

grew large enough to become eligible for a lower-cost share class. An amendment was signed by the Board Chair and Fidelity on January 5, 2022 to codify the move. The move to Class 3 decreased the expense ratio that WDC participants are paying for Contrafund from 38 bps to 35 bps.

Ms. Schueller also shared news that the WDC's Stable Value Fund provider, Galliard Capital, removed the Schwab Self-Directed Brokerage Account (SDBA) option as a competing fund to the Stable Value Fund. This removes the SDBA option from the mandatory 90-day equity wash (transfer restriction). As of March 1, 2022, restrictions on transfers from the Stable Value Fund to the SBDA were removed. Empower updated its system programming and communicated this change to participants.

SCHWAB PERSONAL CHOICE RETIREMENT ACCOUNT OPTION REVIEW

Mr. Irving and Mr. Bildt with Charles Schwab (Schwab) presented information to the Board regarding the Schwab Personal Choice Retirement Account (PCRA) option. This is the WDC's SDBA. In their presentation, they discussed Schwab's background, marketing strategies, participant education, and participant and sponsor fee disclosures. Mr. Irving and Mr. Bildt highlighted the ways Schwab specifically helps WDC participants become financially fit and ready for retirement, including offering additional low-cost investment options via the PCRA.

STRATEGIC PARTNERSHIP PLAN (SPP)

2021 Results and 2022 Recordkeeping Fee Change Recommendation

Ms. Lockwood provided an overview of the 2021 Strategic Partnership Plan results. She highlighted:

- Annual participant survey results
- Employer outreach results
- Lifetime Income Score as part of participants' Retirement Readiness Reviews
- "Wisconsin Strong" campaign results
- Custom mobile app launch

Ms. Lockwood provided an overview of the 2022 Strategic Partnership Plan year-to-date results, which included group, individual and Retirement Readiness Review sessions and first quarter participant communications.

Ms. Schueller referred the Board to the 2021 Results and 2022 Recordkeeping Fee Change Recommendation memo (Ref. DC | 03.31.22 | 7A) for more details on how Empower performed in reaching their 2021 goals.

Ms. Schueller stated that, based on the results of the 2021 Strategic Partnership Plan, Empower satisfied the criteria in the current Administrative Contract required to receive a 3.5% increase in the annual administrative fee. Accordingly, ETF recommended the Board approve the 3.5% increase.

Mr. Craney noted that, notwithstanding the terms of the contract, a 3.5% seemed high, given that many public employees have not had similar increases in their wages and, despite meeting the stated criteria, Empower had recently experienced poor call center performance.

MOTION: Mr. Rothenberg moved to approve a 3.5% increase in the annual fee paid to Empower. Ms. Hanson seconded the motion, which passed on a vote of four to zero with one abstention (Mr. Craney).

2022 Scorecard

Ms. Schueller referred the Board to the 2022 Scorecard memo (Ref. DC | 03.31.22 | 7B) and noted that the goals were updated based on WDC data as of December 31, 2021.

OPERATIONAL UPDATES

Ms. Schueller referred to the Operational Updates (Ref. DC | 03.31.22 | 8A – 8G) and stated ETF staff were available if there were any questions. She highlighted:

- Governance Manual updates.
- Annual Wisconsin Public Records Law Basics Training. All Board members will need to complete this training and return their acknowledgements to the Board Liaison by March 31, 2022.
- Legislative update.
- Board Authority Contracts Update.

FUTURE ITEMS FOR DISCUSSION

Ms. Schueller referred the Board to the tentative agenda topic lists for the June 2022 Board Meeting (Ref. DC | 03.31.22 | 9A).

When asked if the Board members had any other topics that they would like to add to either list, no suggestions were given.

ADJOURNMENT

MOTION: Ms. Haberkorn moved to adjourn. Mr. Craney seconded the motion, which passed unanimously on a voice vote.

The meeting adjourned at 2:53 p.m.

Date Approved: _____

Signed: _____

Connie Haberkorn, Secretary
Deferred Compensation Board