

From: [Tony Posnik](#)
To: [ETF SMB Board Feedback](#)
Subject: Black Rock Fund Alternatives Needed- Request
Date: Monday, November 21, 2022 7:25:11 AM

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Dear WI Deferred Comp Board,

I have received a few negative comments lately from our employees regarding BlackRock investments and the limited good alternatives to Black Rock investments in the WI Def Comp program. As you may be aware, BlackRock has been in the news lately and doesn't have the best positive image for America. Not everyone is supportive of BlackRock and our employees should have more choices. In addition, BlackRock's push for ESG investing is floundering. Given BlackRock's negative image, Is it possible to add better alternatives to the BlackRock funds or possibly replace the BlackRock Funds? Please consider replacing or adding alternatives to the BlackRock investments.

Your consideration is appreciated. Thanks,

Tony Posnik **SPHR**
City of Oconomowoc
Director of Human Resources
Phone: 262-569-3225
Email: tposnik@oconomowoc-wi.gov

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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
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Fax 608-267-4549
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November 21, 2022

Tony Posnik
tposnik@oconomowoc-wi.gov

Dear Mr. Posnik:

I'm responding on behalf of the Deferred Compensation Board (Board) to your email regarding the BlackRock investment options in the Wisconsin Deferred Compensation Program (WDC). I will include your email and this response with the materials for the next Board meeting.

Consistent with its [Investment Policy Statement](#), the Board seeks to provide participants with the ability to invest retirement savings in a broad range of investment options with diverse risk and return characteristics. The Board's goal is to ensure the WDC offers sufficient investment choices to meet participants' needs when establishing their personal retirement savings portfolio. In keeping with this goal, the Board carefully selects all core WDC investment options. This is done in conjunction with staff from Empower Investments, which provides the Board with objective analysis and recommendations regarding selecting, retaining, removing, and adding investment options.

The Board has opted to offer participants both an actively managed option and an index option for selected investment categories such as small cap domestic stocks, international stocks, etc. The BlackRock index funds that were added to the WDC investment options in the early 2000s were not added for environmental, social and governance ("ESG") reasons. WDC's ESG fund is the Calvert US Large Cap Core Responsible Index (for more details, please refer to the "[Calvert US Large Cap Core Responsible Index R6 Fact Sheet](#)").

The WDC offers actively managed options in each of the categories that a BlackRock fund is the index option. The "3-Year Percentile Ranks" graph below provides a review of the three-year rolling averages for WDC investment options as of September 30, 2022. The BlackRock index funds, circled in blue, have performed to expectations in the current volatile market environment.

3-Year Percentile Ranks												9/30/2022	
Group/Investment	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	
	2022	2022	2022	2021	2021	2021	2021	2020	2020	2020	2020	2019	
	% of Peer Group Beaten	% of Peer Group Beaten	% of Peer Group Beaten	% of Peer Group Beaten	% of Peer Group Beaten	% of Peer Group Beaten	% of Peer Group Beaten	% of Peer Group Beaten	% of Peer Group Beaten	% of Peer Group Beaten	% of Peer Group Beaten	% of Peer Group Beaten	
American Funds Europacific Grth R6	45	41	30	30	63	58	46	57	40	42	31	53	
BlackRock EAFE® Equity Index F	54	56	61	58	57	53	56	57	56	69	74	72	
BlackRock Mid Cap Eq Idx Fund CF	63	57	50	50	50	50	50	50	50	45	52	52	
BlackRock Russell 2000® Index F	41	27	39	54	69	80	84	88	82	84	81	81	
BlackRock US Debt Idx Fund CF	59	65	60	55	59	59	63	70	76	83	95	78	
Calvert US Lrg Cap Core Rspnb Idx I	84	81	92	94	94	97	97	99	97	96	90	87	
DFA US Micro Cap I	86	83	68	45	28	32	40	25	17	23	31	31	
Dodge & Cox Income	88	90	80	69	74	79	82	83	78	82	69	75	
Fidelity Contrafund Commingled Pl 3	62	48	55	35	9	7	11	9	20	29	33	29	
JP Morgan US Value R6	89	87	81	78	84	81	77	78	78	80	79	81	
T. Rowe Price Instl Mid-Cap Equity Gr	25	33	20	24	39	34	37	38	37	36	45	66	
Vanguard Instl 500 Index Trust	78	80	82	77	73	74	76	78	82	84	81	83	
Vanguard Long-Term Inv-Grade Adm	49	50	46	42	50	49	54	47	60	72	77	54	
Vanguard Target Retire Tr Plus 2025	60	64	68	69	72	73	77	79	89	85	80	92	
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Vanguard Target Retire Tr Plus 2045	70	76	68	57	66	67	70	73	83	80	73	79	
Vanguard Target Retire Tr Plus 2055	69	75	65	41	63	64	59	68	78	81	78	71	
Vanguard Target Retire Tr Plus Income	75	73	60	56	69	66	71	78	86	84	90	72	
Vanguard Wellington™ Admiral™	69	81	79	82	87	84	77	73	80	81	87	91	

■ 1st Quartile □ 2nd Quartile ■ 3rd Quartile ■ 4th Quartile

* Percentile ranks shown for Calvert US Large Cap Responsible Index are taken from oldest share class of the respective mutual fund.



Past performance is no guarantee of future results. Rankings provided based on total returns. Performance quoted for mutual funds may include performance of a predecessor fund/share class prior to the share class commencement of operations.

As shown in the table below, the BlackRock options track specific indexes and have extremely low expense ratios when compared to the category average and the WDC's actively managed options in the same categories.

Category and Expense Ratio Comparisons					
Category	Category Average Expense Ratio	WDC Actively Managed Option	WDC Actively Managed Fund Expense Ratio	WDC Index Option	WDC BlackRock Expense Ratio
Foreign Large Growth	0.38	American Funds EuroPac Gr	1.05	BlackRock EAFE	0.06
Small Blend Index	0.38	DFA U.S. Micro Cap	0.41	BlackRock Russell 2000	0.03
Mid Cap Blend	0.47	T. Rowe Price Mid-Cap Gr	0.61	BlackRock Mid Cap	0.03
Intermediate Bond Index	0.28	Vanguard Long-Term Inv-Grade	0.12	BlackRock US Debt	0.03

Tony Posnik
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Page 3

As required in Wisconsin Administrative Code ETF 70.03(9), to ensure options continue to be suitable for offering to WDC participants and are consistent with the Investment Policy Statement, the Board completes a quarterly comprehensive evaluation. Attachment 2 to the Investment Policy Statement provides the benchmarks used by the Board when evaluating investment option performance.

The Board may make changes if, or when, an option is determined to be underperforming or otherwise no longer acceptable for continued offering. The Board is carefully monitoring investment performance of the BlackRock options and will continue to do so. BlackRock, like most asset managers, has been impacted by this year's stock market losses, rising interest rates, and continued global uncertainty.

For participants seeking alternative investment options in the WDC, the Board offers the Schwab Personal Choice Retirement Account (PCRA) mutual fund window. The Schwab PCRA is intended for investors who seek more flexibility and a greater role in managing their retirement savings. The PCRA provides WDC participants with thousands of additional mutual fund options. There is no additional WDC cost to use this option; however, transaction fees may apply depending on the mutual funds selected in the PCRA. For more information on the PCRA, see the attached pdf.

Thank you for your interest in the WDC. Please let me know if you have any other comments or concerns regarding the WDC using the contact information provided below.

Sincerely,

Shelly Schueller, Director
Wisconsin Deferred Compensation Program
Department of Employee Trust Funds
shelly.schueller@etf.wi.gov
(608) 266-6611



Helping You Turn
Over a New
Retirement Leaf

Charles Schwab Personal Choice Retirement Account

Self-Directed Brokerage Account

What is PCRA?

The Schwab Personal Choice Retirement Account® (PCRA) is a self-directed brokerage account (SDBA) offered to WDC participants through Charles Schwab & Co., Inc. (Member SIPC). These securities are not offered through Empower Financial Services, Inc.

The Deferred Compensation Board approves and continually monitors the core fund lineup for the Wisconsin Deferred Compensation Program (WDC). The PCRA is an option for WDC participants seeking to invest in mutual funds not in the core fund lineup. Through PCRA, participants may access more than 8,700 mutual funds from over 600 well-known fund families, including over 2,700 funds typically available only to institutional clients. Over 3,800 mutual funds are available with no-loads and no-transaction fees as part of the Schwab Mutual Fund OneSource® service. The WDC does not permit the purchase of stocks, bonds, commodities or exchange-traded funds through PCRA.

For whom is this investment option appropriate?

The Schwab PCRA is intended for knowledgeable investors who understand the risks associated with a SDBA. PCRA is designed for individuals who seek more flexibility, increased diversification and a greater role in managing their retirement savings.

By utilizing the PCRA, you acknowledge that **none** of the available options in the PCRA have been reviewed for suitability by your employer, the WDC or Empower, the WDC's record keeping firm. **You are solely responsible** for determining suitability of the options that are available through PCRA. You agree to fully indemnify and hold harmless your employer, the WDC and Empower, and any and all service providers to the WDC, against any claims, damages, or other possible causes of actions resulting from your use of the PCRA.

How do I get started?

The PCRA is a web-based feature only. First, you will need to participate in the WDC and if not already a participant, you'll need to enroll. If you are not already enrolled in the WDC, visit the website at **wdc457.org** and click *REGISTER* or call the WDC at **(877) 457-WDCP (9327)** and request an Enrollment form. All agreement forms must be completed and signed. Once your account is processed, you will receive a Personal Identification Number (PIN), which is needed to open a PCRA.

You can open an account by logging in to your WDC account at **wdc457.org** and clicking on the *My Accounts* tab at the top of the page. Under the *Investments* section on the left side of the page, choose *Brokerage*. You will then need to click on the *Enroll* button and complete the enrollment process online. During the enrollment process, you will immediately receive your Schwab PCRA account number. Immediately following this step, you will be able to initiate your first transfer into the PCRA. Schwab

will send you a Welcome Kit. You can also view the PCRA “how to” video with step-by-step instructions on how to research, trade and monitor your investments at schwab.com/pcrahowto.

Since the WDC allows for Roth money, you may also open a separate Roth PCRA account. This will allow you to track your Roth investments and earnings or losses separately from your traditional PCRA account.

How do I fund my PCRA?

The WDC permits participants using the PCRA to contribute directly to their PCRA via payroll deferrals. To initiate transfers into the self-directed cash sweep feature at Schwab, go to the WDC’s website at wdc457.org or call the WDC at **(877) 457-WDCP (9327)**. When asked for the reason for your call, please state it (e.g., say “Withdrawal” or “Distribution” to withdraw your money). If your request is not recognized, please press “0.” In order to expedite your call, we recommend you establish a PIN to be routed in a timely manner.

Transfers into the Schwab PCRA will be subject to minimum transfer restrictions. If your transfer request does not meet the minimum amount, your transfer will not be completed. You are also required to maintain a minimum balance of \$500 in your WDC core options. If your core balance falls below \$500, a portion of your deferrals will be deposited into the core funds before a contribution is made to your Charles Schwab account.

Transfers must be made into the cash sweep feature at Schwab first. Then, through Schwab, you may purchase other investments. Also, when moving money back to your WDC core options through Schwab assets must be liquidated and settled to the cash sweep feature first, then moved to the core options.

If you transfer more than one contribution type to the SDBA, earnings (or losses) that accrue in the SDBA will be allocated proportionately to each contribution type. When an amount is transferred back from the SDBA, earnings (or losses) that accrued in the SDBA will be allocated

proportionately into the core investment options based upon the contribution types in the SDBA prior to the returning transfer, regardless of whether such earnings (or losses) are attributable to investments in the SDB that were purchased with amounts originally transferred to the SDBA from such contribution type.

How long does the money take to transfer?

When you transfer money from your core funds into the Schwab PCRA, the money will be automatically allocated to the Schwab cash sweep feature within approximately two business days. Once you see the transferred money in your Schwab cash sweep feature, you may then purchase mutual funds in your PCRA.

What cash options are available in PCRA?

The cash sweep feature is not intended to be a long-term investment. If you desire to maintain cash balances for other than a short-term period and/or are seeking the highest yields currently available in the market, you can use alternative cash investment options, such as Schwab-purchased money market funds. These options are available outside of the Cash Features Program to help maximize your return potential in line with your investment objectives and risk tolerance, subject to restrictions on PCRA investments. For additional information, contact your Schwab representative or visit schwab.com/cash after you log in to your account.

How do I manage and/or make changes to the funds within my self-directed account?

Visit the Schwab web site at schwab.com, use Telebroker® or Schwab by Phone™ at (888) 393-7272 to transfer money from the Schwab PCRA to your WDC core options. You will need to:

1. Instruct Schwab to liquidate the mutual funds in your PCRA.
2. Wait for the proceeds to settle and be invested in your Schwab cash sweep feature.

3. Use the WDC's website at wdc457.org or call the WDC at **(877) 457-WDCP (9327)** to transfer the cash from your Schwab cash sweep feature to your WDC core account. When asked for the reason for your call, please state it (e.g., say "Withdrawal" or "Distribution" to withdraw your money). If your request is not recognized, please press "0." In order to expedite your call, we recommend you provide your Social Security number so your call can be routed to the appropriate representative.

What do I do if I want to make a withdrawal?

If you are requesting a payout option, you must transfer cash from your Schwab PCRA account back to your WDC core options. If you transfer 100% from your Schwab PCRA account back to your WDC core options and no balance remains invested in the Schwab PCRA account, residual dividends will automatically sweep back to the core options that were used in your last full transfer request.

If additional money is deposited into the Schwab PCRA account at a later date (either via a new transfer request or payroll contribution, as applicable), the residual sweep process will discontinue.

If you have requested a voluntary payout but have insufficient money in your WDC core options, the request will be canceled. If the payout is due to a required distribution, such as a required minimum distribution, and you have insufficient money in your WDC core options, your PCRA account may be liquidated and the account closed. You will be responsible for any losses or expenses associated with the liquidation.

A beneficiary is not authorized to trade and therefore unable to access the PCRA account. Beneficiaries should contact the WDC toll-free number at **(877) 457-WDCP (9327)** for assistance.

Direct distributions from your PCRA account are not permitted.

- Partial transfers from your Schwab cash sweep feature will be allocated to the core fund you have indicated within approximately three business days.
- For full liquidation of your Schwab cash sweep feature, use the *Transfer All* link on the WDC website. Money transferred into a core fund will be allocated to the fund you have indicated within approximately five business days. Additional time is needed for this transaction in order to transfer any accrued interest or dividends.

Who sends me statements?

Empower sends quarterly statements. You will receive a separate statement detailing your self-directed brokerage holdings from Schwab.

Note: The account balance on your WDC statement from Empower and Schwab statements may be slightly different due to different period-ending dates (for example, one may be as of the last day of the quarter while the other may be as of the last business day).

How much does a PCRA account cost?¹

There are no fees for participating in the WDC SDBA; however, transaction fees may apply depending on the mutual funds you select from the SDBA menu.

1 For participants who utilize the Personal Choice Retirement Account (PCRA), the following fees and conditions may apply: Schwab's short-term redemption fee of \$49.95 will be charged on redemption of funds purchased through Schwab's Mutual Fund OneSource® service (and certain other funds with no transaction fee) and held for 90 days or less. Schwab reserves the right to exempt certain funds from this fee, including Schwab Funds®, which may charge a separate redemption fee, and funds that accommodate short-term trading. Trades in no-load mutual funds available through Mutual Funds OneSource service (including Schwab Funds) as well as certain other funds, are available without transaction fees when placed through schwab.com or our automated phone channels. Schwab reserves the right to change the funds we make available without transaction fees and to reinstate fees on any funds. Funds are also subject to management fees and expenses. Charles Schwab & Co., Inc., member SIPC, receives remuneration from fund companies for record keeping, shareholder services and other administrative services for shares purchased through its Mutual Fund OneSource service. Schwab also may receive remuneration from transaction fee fund companies for certain administrative services.

Carefully consider the investment objectives, risks, fees and expenses before investing. For this and other important information, prospectuses for all PCRA funds can be obtained on the website at schwab.com or by calling (888) 393-7272. Read them carefully before investing.

An investment in the cash sweep feature is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Securities available through Schwab Personal Choice Retirement Account (PCRA) are offered through Charles Schwab & Co., Inc. (Member SIPC), a registered broker-dealer. Additional information can be obtained by calling (888) 393-7272. Charles Schwab & Co., Inc. and Empower Financial Services, Inc. are separate and unaffiliated.

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From: [Tony Posnik](#)
To: [ETF SMB Board Feedback](#)
Cc: [Schueller, Shelly - ETF](#); [Stohr, Matthew \(Matt\) - ETF](#)
Subject: RE: Black Rock Fund Alternatives Needed- Request
Date: Wednesday, November 23, 2022 10:58:52 AM

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Hi Ms. Schuller,

Thanks for your email and response. As you know, in the small-cap, mid-cap, and international investment choices, WI Deferred Comp only provides one alternative to the Black Rock option. In all three situations, the alternatives have much higher fees. I realize the Black Rock options are the index fund options. For most investment categories, Black Rock is the only index fund option. Given the controversies and leadership issues surrounding Black Rock, it would be great to see some index fund alternatives to Black Rock from the listed choices in the future.

Thanks again for your consideration. Have a good Thanksgiving.

Tony Posnik **SPHR**
City of Oconomowoc
Director of Human Resources
Phone: 262-569-3225
Email: tposnik@oconomowoc-wi.gov

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From: ETF SMB Board Feedback <ETFSMBoardFeedback@etf.wi.gov>
Sent: Wednesday, November 23, 2022 8:57 AM
To: Tony Posnik <tposnik@oconomowoc-wi.gov>
Cc: Schueller, Shelly - ETF <Shelly.Schueller@etf.wi.gov>; Stohr, Matthew (Matt) - ETF <Matthew.Stohr@etf.wi.gov>
Subject: RE: Black Rock Fund Alternatives Needed- Request

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Sincerely,

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