

Participant Administrative Fee Analysis

 Item 5 – Deferred Compensation Board

Cindy Klimke-Armatoski, Chief Trust Finance Officer

Division of Trust Finance





Action Needed

- Motion needed to approve administrative fees paid by Wisconsin Deferred Compensation Program plan participants, effective January 1, 2023.

Program Expenses



**Administrative
services contract**



**ETF administrative
expenses**

Revenues to Fund Program Expenses



Tiered participant fees



Investment income

Administrative Account Balance

Administrative Account Activity (In Thousands)

| | 2021 | 2022 | 2023 35.4% increase | 2023 52% increase | 2023 100% increase |
|---|----------------|--------------|---------------------------|-------------------------|--------------------------|
| January 1 Account Balance | \$2,018 | \$2,370 | \$919 | \$919 | \$919 |
| Revenues | | | | | |
| Participant Fees | 4,254 | 2,598 | 3,177 | 3,530 | 4,707 |
| Investment Earnings & Other | 55 | 47 | 32 | 34 | 42 |
| Total Revenues | 4,309 | 2,645 | 3,209 | 3,564 | 4,748 |
| Expenses | | | | | |
| Administrative Services Contract | 3,743 | 3,874 | 2,624 | 2,624 | 2,624 |
| Qualified Domestic Relation Order Fees | 13 | 10 | 10 | 10 | 10 |
| ETF Administration & Miscellaneous | 200 | 212 | 238 | 238 | 238 |
| Total Expenses | 3,957 | 4,096 | 2,872 | 2,872 | 2,872 |
| December 31 Account Balance | \$2,370 | \$919 | \$1,255 | \$1,611 | \$2,795 |
| Account Balance as % of Projected Annual Expenses for following year | 58% | 32% | 44% | 57% | 98% |

Values may not foot due to rounding.

2021 through 2022 Q3 figures are actual.

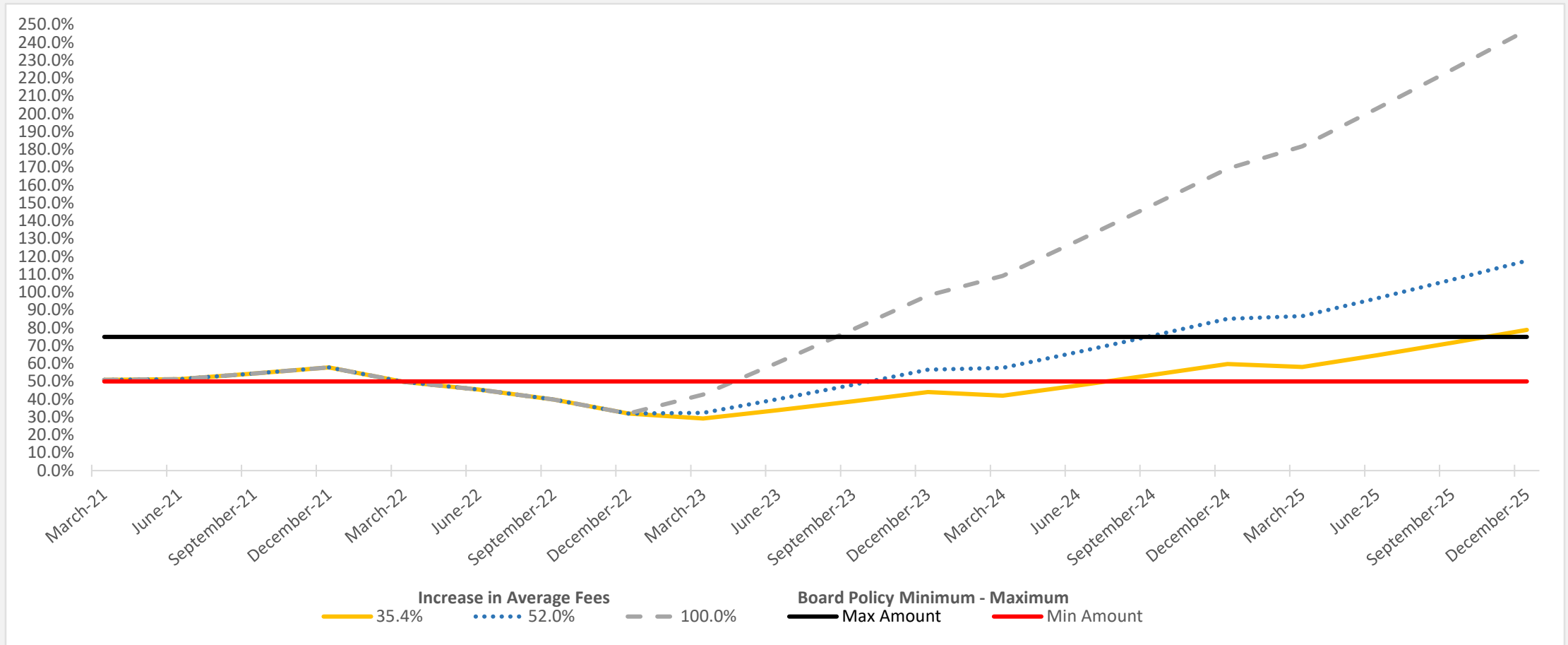
2022 Q4 through 2023 figures are projected.

Change in Participant Counts by Tier

| Participant Account Balance | Number of Participants as of 9/30/2022 | Number of Participants as of 9/30/2021 | Increase (Decrease) |
|-----------------------------|--|--|---------------------|
| \$0.01 – \$5,000 | 14,935 | 13,281 | 1,654 |
| \$5,001 - \$25,000 | 18,801 | 17,134 | 1,667 |
| \$25,001 - \$50,000 | 9,536 | 9,098 | 438 |
| \$50,001 - \$100,000 | 9,354 | 9,337 | 17 |
| \$100,001 - \$150,000 | 4,842 | 5,144 | (302) |
| \$150,001 - \$250,000 | 4,974 | 5,699 | (725) |
| \$250,001 and above | 6,055 | 7,889 | (1,834) |
| Total | 68,497 | 67,582 | 915 |

Board Policy

Maintain administrative account balance equal to 50-75% of projected annual plan expenses



Projected Fee Schedule

Average 35.4% Increase

| Participant Account Balance | Number of Participants | Current 2022 Monthly Fees | Monthly Fee | % Increase | Annual Fee Basis Points |
|-----------------------------|------------------------|---------------------------|-------------|------------|-------------------------|
| \$0.01-5,000 | 14,935 | \$0.00 | \$0.00 | 0.0% | 0.0 |
| \$5,001-25,000 | 18,801 | \$0.75 | \$1.00 | 33.3% | 8.0 |
| \$25,001-50,000 | 9,536 | \$2.00 | \$2.75 | 37.5% | 8.8 |
| \$50,001-100,000 | 9,354 | \$4.25 | \$5.75 | 35.3% | 9.2 |
| \$100,001-150,000 | 4,842 | \$5.50 | \$7.50 | 36.4% | 7.2 |
| \$150,001-250,000 | 4,974 | \$7.75 | \$10.50 | 35.5% | 6.3 |
| Over \$250,000 | 6,055 | \$11.50 | \$15.50 | 34.8% | 6.2 |
| <i>Average Increase</i> | | | \$4.11 | 35.4% | 5.9 |

Projected Fee Schedule

Average 52% Increase

| Participant Account Balance | Number of Participants | Current 2022 Monthly Fees | Monthly Fee | % Increase | Annual Fee Basis Points |
|-----------------------------|------------------------|---------------------------|-------------|------------|-------------------------|
| \$0.01-5,000 | 14,935 | \$0.00 | \$0.00 | 0.0% | 0.0 |
| \$5,001-25,000 | 18,801 | \$0.75 | \$1.25 | 66.7% | 10.0 |
| \$25,001-50,000 | 9,536 | \$2.00 | \$3.00 | 50.0% | 9.6 |
| \$50,001-100,000 | 9,354 | \$4.25 | \$6.50 | 52.9% | 10.4 |
| \$100,001-150,000 | 4,842 | \$5.50 | \$8.25 | 50.0% | 7.9 |
| \$150,001-250,000 | 4,974 | \$7.75 | \$11.75 | 51.6% | 7.1 |
| Over \$250,000 | 6,055 | \$11.50 | \$17.25 | 50.0% | 6.9 |
| <i>Average Increase</i> | | | \$4.61 | 52.0% | 6.7 |

Projected Fee Schedule

100% Increase

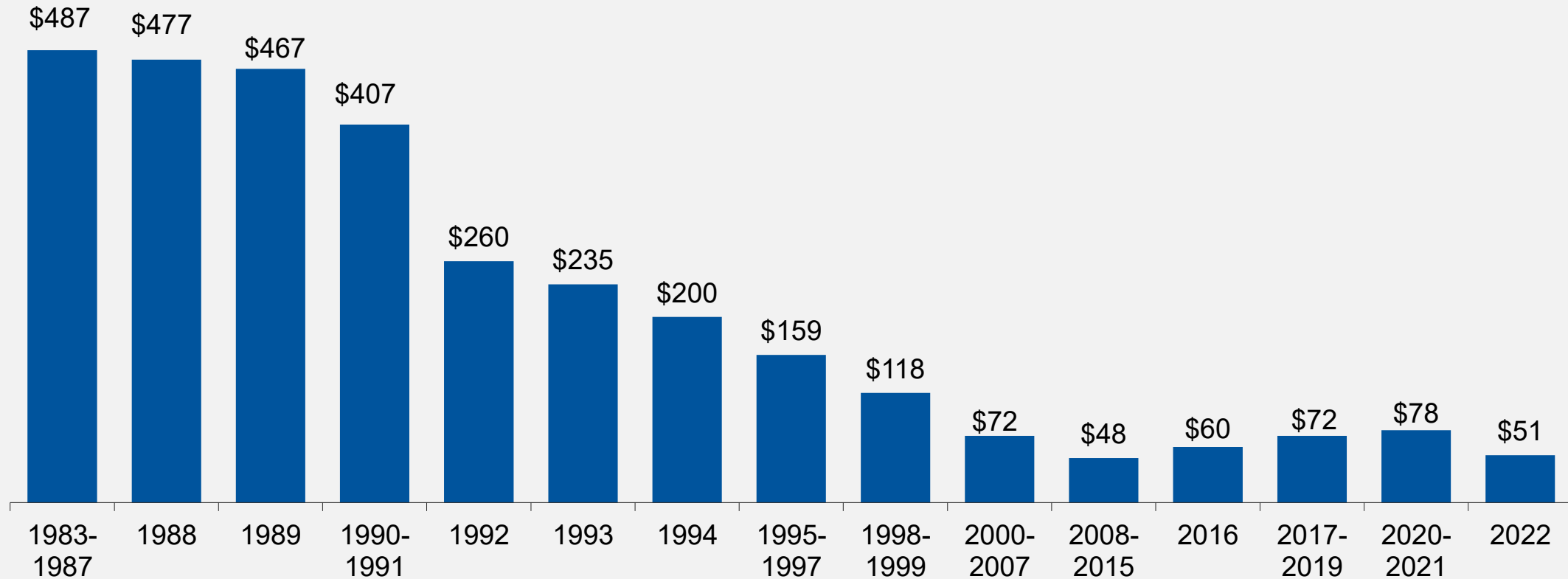
| Participant Account Balance | Number of Participants | Current 2022 Monthly Fees | Monthly Fee | % Increase | Annual Fee Basis Points |
|-----------------------------|------------------------|---------------------------|-------------|------------|-------------------------|
| \$0.01-5,000 | 14,935 | \$0.00 | \$0.00 | 0.0% | 0.0 |
| \$5,001-25,000 | 18,801 | \$0.75 | \$1.50 | 100.0% | 12.0 |
| \$25,001-50,000 | 9,536 | \$2.00 | \$4.00 | 100.0% | 12.8 |
| \$50,001-100,000 | 9,354 | \$4.25 | \$8.50 | 100.0% | 13.6 |
| \$100,001-150,000 | 4,842 | \$5.50 | \$11.00 | 100.0% | 10.6 |
| \$150,001-250,000 | 4,974 | \$7.75 | \$15.50 | 100.0% | 9.3 |
| Over \$250,000 | 6,055 | \$11.50 | \$23.00 | 100.0% | 9.2 |
| <i>Average Increase</i> | | | \$6.07 | 100.0% | 8.8 |

Fee History

| Participant Account Balance | 2015 Monthly Fee (1) | % Increase (Decrease) | 2016 Monthly Fee | % Increase (Decrease) | 2017 Monthly Fee | % Increase (Decrease) | 2018 Monthly Fee | % Increase (Decrease) | 2019 Monthly Fee | % Increase (Decrease) | 2020 Monthly Fee | % Increase (Decrease) | 2021 Monthly Fee | % Increase (Decrease) | 2022 Monthly Fee | % Increase (Decrease) |
|-----------------------------|----------------------|-----------------------|------------------|-----------------------|------------------|-----------------------|------------------|-----------------------|------------------|-----------------------|------------------|-----------------------|------------------|-----------------------|------------------|-----------------------|
| \$0.01 – 5,000 | \$0.00 | 0% | \$0.00 | 0% | \$0.00 | 0% | \$0.00 | 0% | \$0.00 | 0% | \$0.00 | 0% | \$0.00 | 0% | \$0.00 | 0% |
| \$5,001 – 25,000 | \$1.00 | 0% | \$1.00 | 0% | \$1.00 | 0% | \$1.00 | 0% | \$1.00 | 0% | \$1.00 | 0% | \$1.00 | 0% | \$0.75 | (25%) |
| \$25,001 – 50,000 | \$2.00 | 0% | \$2.50 | 25% | \$3.00 | 20% | \$3.00 | 0% | \$3.00 | 0% | \$3.25 | 8% | \$3.25 | 0% | \$2.00 | (38%) |
| \$50,001 – 100,000 | \$4.00 | 0% | \$5.00 | 25% | \$6.00 | 20% | \$6.00 | 0% | \$6.00 | 0% | \$6.50 | 8% | \$6.50 | 0% | \$4.25 | (35%) |
| \$100,001 – 150,000 | \$5.50 | 0% | \$7.00 | 27% | \$8.00 | 14% | \$8.00 | 0% | \$8.00 | 0% | \$8.50 | 6% | \$8.50 | 0% | \$5.50 | (35%) |
| \$150,001 – 250,000 | \$5.50 | 0% | \$10.00 | 82% | \$11.00 | 10% | \$11.00 | 0% | \$11.00 | 0% | \$11.75 | 7% | \$11.75 | 0% | \$7.75 | (34%) |
| Over \$250,000 | \$5.50 | 0% | \$15.00 | 173% | \$16.50 | 10% | \$16.50 | 0% | \$16.50 | 0% | \$17.50 | 6% | \$17.50 | 0% | \$11.50 | (34%) |
| Average Increase (Decrease) | | 0% | | 56% | | 13% | | 0% | | 0% | | 6.5% | | 0.0% | | (34%) |

(1) Fee schedule from 2008-2015

Participant Annual Fee History (based on \$50,000¹ account balance)





Action Needed

- Motion needed to approve administrative fees paid by Wisconsin Deferred Compensation Program plan participants, effective January 1, 2023.

The background is a dark blue gradient with numerous out-of-focus light spots in shades of blue and purple, creating a bokeh effect.

Questions?

Thank you



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