

Participant Administrative Fee Analysis

 Item 4 – Deferred Compensation Board

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Division of Trust Finance



Action Needed

The Department of Employee Trust Funds (ETF) recommends the Deferred Compensation Board (Board) approve a decrease to the administrative fees paid by Wisconsin Deferred Compensation Program (WDC) plan participants, effective January 1, 2024.

Program Expenses



**Administrative
services contract**



**ETF administrative
expenses**

Revenues to Fund Program Expenses



Tiered participant fees



Investment income

Participant Administrative Fee Analysis Overview

- Obtain updated administrative account balance for most recent quarter
- Consider Board's policy of account balance target between 50-75% of projected annual expenses
- Estimate future expenses and revenues impacting the administrative account

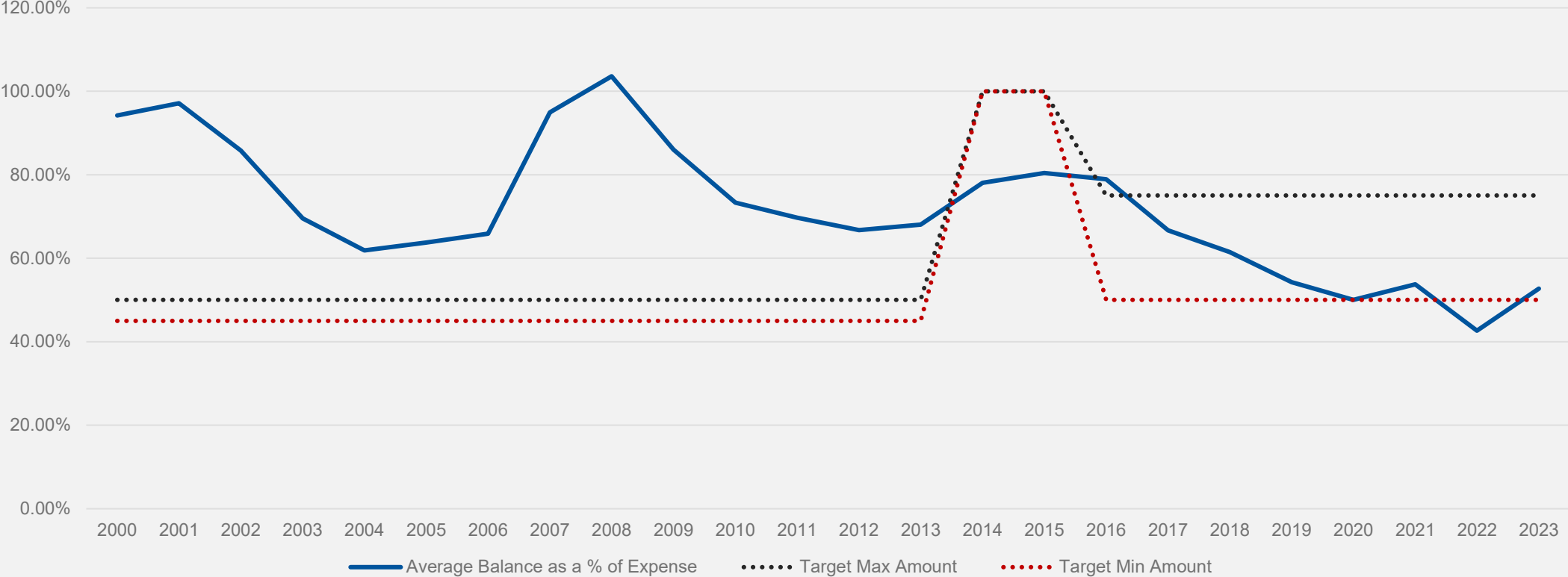
Estimating Future Expenses and Revenues

- Administrative expenses are expected to be relatively stable
- Participant administrative fees are tiered by account balance and therefore, sensitive to any changes to participant balances (market conditions causing increases or decreases, contributions and withdrawals)
- Key inputs in forecasting participant account balances:
 - forecasted investment rate of return and average asset allocation
 - moving averages of deposits, investment fees, and withdrawals
 - moving average of account balance change and apply that same percentage to participant administrative fees

Administrative Account Target Balance History

- Administrative Expense Account Investment and Target Balance Policy established in 1996, as 45-50% of expenses
- In 2014, changed to 100% of expenses
- In 2015, changed to 50-75% of expenses
- Administrative Account Balance as a Percentage of Projected Annual Expenses
 - Highest quarter since 2000 was 106.9% in 2008
 - Lowest quarter since 2000 was 33.6% in 2022

Average Annual Administrative Account Balance as % of Expenses



Note the annual administrative account balance as a percentage of expenses for 2023 is based on data through September 30, 2023.



Change in Participant Counts by Tier

Participant Account Balance	Number of Participants as of 9/30/2023	Number of Participants as of 9/30/2022	Increase (Decrease)
\$0.01 – \$5,000	13,538	14,935	(1,397)
\$5,001 - \$25,000	18,245	18,801	(556)
\$25,001 - \$50,000	9,945	9,536	409
\$50,001 - \$100,000	9,665	9,354	311
\$100,001 - \$150,000	5,227	4,842	385
\$150,001 - \$250,000	5,461	4,974	487
\$250,001 and above	7,187	6,055	1,132
Total	69,268	68,497	771

Administrative Account Balance

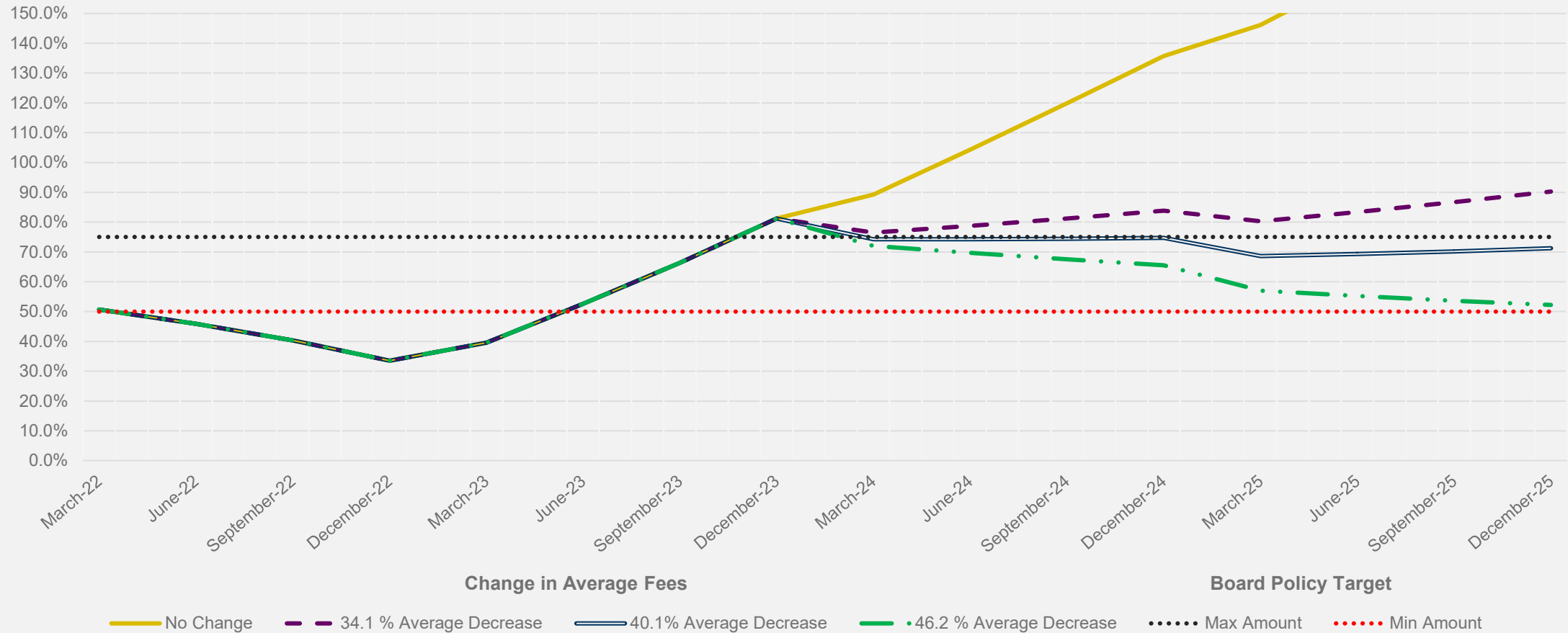
(in Thousands)

	2022	2023	2024 No change	2024 Avg 34.1% Decrease	2024 Avg 40.1% Decrease	2024 Avg 46.2% Decrease
January 1 Account Balance	\$2,370	\$955	\$2,281	\$2,281	\$2,281	\$2,281
Revenues						
Participant Fees	2,634	4,115	4,289	2,831	2,574	2,316
Investment Earnings & Other	47	57	98	82	79	76
Total Revenues	2,681	4,172	4,387	2,913	2,653	2,392
Expenses						
Administrative Service Contract	3,874	2,624	2,624	2,624	2,624	2,624
Qualified Domestic Relation Order Fees ⁽¹⁾	10	14	0	0	0	0
ETF Administration & Miscellaneous	212	208	185	185	185	185
Total Expenses	4,096	2,846	2,809	2,809	2,809	2,809
December 31 Account Balance	\$955	\$2,281	\$3,859	\$2,385	\$2,125	\$1,864
Account Balance as % of Projected Annual Expenses for following year	34%	81%	136%	84%	75%	66%

⁽¹⁾ Costs related to qualified domestic relations orders will be equally borne by the participant and the alternative payee, effective January 1, 2024. 2022 and 2023 Q1 through Q3 figures are actual. 2023 Q4 through 2024 figures are projected based on assumed investment earnings of 5.91% annually

Projection of Fee Options

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



Projected Fee Schedule

Average 34.1% Decrease

Participant Account Balance	Number of Participants	Current 2023 Monthly Fees	Monthly Fee	% Increase (Decrease)	Annual Fee Basis Points
\$0.01-5,000	13,538	\$0.00	\$0.00	0.0%	0.0
\$5,001-25,000	18,245	\$1.25	\$0.75	(40.0%)	6.0
\$25,001-50,000	9,945	\$3.00	\$2.00	(33.3%)	6.4
\$50,001-100,000	9,665	\$6.50	\$4.25	(34.6%)	6.8
\$100,001-150,000	5,227	\$8.25	\$5.50	(33.3%)	5.3
\$150,001-250,000	5,461	\$11.75	\$7.75	(34.0%)	4.7
Over \$250,000	7,187	\$17.25	\$11.50	(33.3%)	4.6
<i>Average Increase (Decrease)</i>			(\$3.30)	(34.1%)	4.3

Projected Fee Schedule

Average 40.1% Decrease

Participant Account Balance	Number of Participants	Current 2023 Monthly Fees	Monthly Fee	% Increase (Decrease)	Annual Fee Basis Points
\$0.01-5,000	13,538	\$0.00	\$0.00	0.0%	0.0
\$5,001-25,000	18,245	\$1.25	\$0.75	(40.0%)	6.0
\$25,001-50,000	9,945	\$3.00	\$1.75	(41.7%)	5.6
\$50,001-100,000	9,665	\$6.50	\$4.00	(38.5%)	6.4
\$100,001-150,000	5,227	\$8.25	\$5.00	(39.4%)	4.8
\$150,001-250,000	5,461	\$11.75	\$7.00	(40.4%)	4.2
Over \$250,000	7,187	\$17.25	\$10.25	(40.6%)	4.1
<i>Average Increase (Decrease)</i>			(\$3.00)	(40.1%)	3.9

Projected Fee Schedule

Average 46.2% Decrease

Participant Account Balance	Number of Participants	Current 2023 Monthly Fees	Monthly Fee	% Increase (Decrease)	Annual Fee Basis Points
\$0.01-5,000	13,538	\$0.00	\$0.00	0.0%	0.0
\$5,001-25,000	18,245	\$1.25	\$0.75	(40.0%)	6.0
\$25,001-50,000	9,945	\$3.00	\$1.50	(50.0%)	4.8
\$50,001-100,000	9,665	\$6.50	\$3.50	(46.2%)	5.6
\$100,001-150,000	5,227	\$8.25	\$4.50	(45.5%)	4.3
\$150,001-250,000	5,461	\$11.75	\$6.25	(46.8%)	3.8
Over \$250,000	7,187	\$17.25	\$9.25	(46.4%)	3.7
<i>Average Increase (Decrease)</i>			(\$2.69)	(46.2%)	3.5

Fee History (2015 – 2019)

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)
\$0.01 – 5,000	\$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%
\$25,001 – 50,000	\$2.00	0%	\$2.50	25%	\$3.00	20%	\$3.00	0%	\$3.00	0%
\$50,001 – 100,000	\$4.00	0%	\$5.00	25%	\$6.00	20%	\$6.00	0%	\$6.00	0%
\$100,001 – 150,000	\$5.50	0%	\$7.00	27%	\$8.00	14%	\$8.00	0%	\$8.00	0%
\$150,001 – 250,000	\$5.50	0%	\$10.00	82%	\$11.00	10%	\$11.00	0%	\$11.00	0%
Over \$250,000	\$5.50	0%	\$15.00	173%	\$16.50	10%	\$16.50	0%	\$16.50	0%
Average Increase (Decrease)		0%		56%		13%		0%		0%

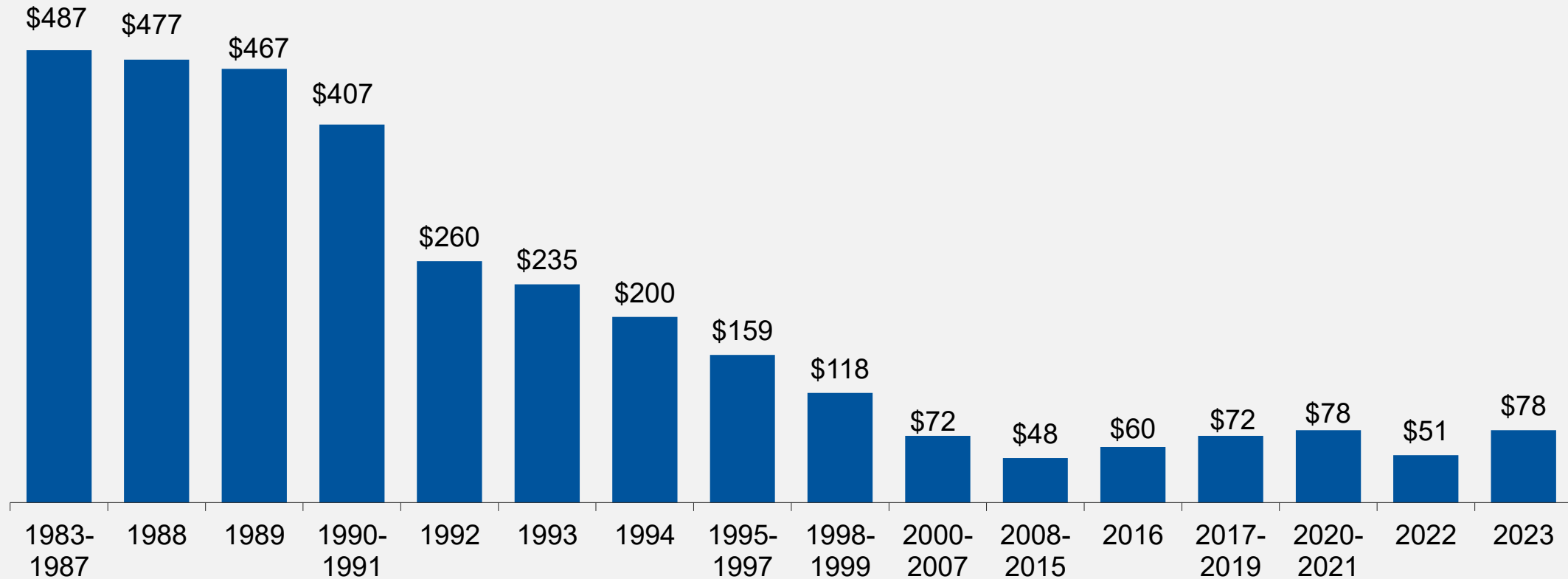
(1) Fee schedule from 2008-2015

Fee History (2020 - 2023)

Participant Account Balance	2020 Monthly Fee	% Increase (Decrease)	2021 Monthly Fee	% Increase (Decrease)	2022 Monthly Fee	% Increase (Decrease)	2023 Monthly Fee	% Increase (Decrease)
\$0.01 – 5,000	\$0.00	0%	\$0.00	0%	\$0.00	0%	\$0.00	0%
\$5,001 – 25,000	\$1.00	0%	\$1.00	0%	\$0.75	(25%)	\$1.25	67%
\$25,001 – 50,000	\$3.25	8%	\$3.25	0%	\$2.00	(38%)	\$3.00	50%
\$50,001 – 100,000	\$6.50	8%	\$6.50	0%	\$4.25	(35%)	\$6.50	53%
\$100,001 – 150,000	\$8.50	6%	\$8.50	0%	\$5.50	(35%)	\$8.25	50%
\$150,001 – 250,000	\$11.75	7%	\$11.75	0%	\$7.75	(34%)	\$11.75	52%
Over \$250,000	\$17.50	6%	\$17.50	0%	\$11.50	(34%)	\$17.25	50%
Average Increase (Decrease)		6.5%		0.0%		(34%)		52%

Participant Annual Fee History

(based on \$50,001 account balance)





Action Needed

The Department of Employee Trust Funds (ETF) recommends the Deferred Compensation Board (Board) approve a decrease to the administrative fees paid by Wisconsin Deferred Compensation Program (WDC) plan participants, effective January 1, 2024.



Questions?

Thank you



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