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Correspondence Memorandum

Date: November 5, 2024

To: Deferred Compensation Board

From: Amelia Slaney, Director
 Financial Compliance Bureau

Subject: 2025 Participant Administrative Fee Recommendation

ETF recommends the Deferred Compensation Board (Board) approve one of three proposed administrative fees to be paid by Wisconsin Deferred Compensation Program (WDC) participants, effective January 1, 2025.

The Board maintains an administrative account to pay WDC plan expenses. Per Board policy the administrative account balance should equal 50-75% of estimated annual plan expenses ([Ref. DC | 06.08.23 | 5B](#)). WDC plan expenses consist primarily of the third-party administrative service contract with Empower Retirement, the Department of Employee Trust Funds (ETF) staff, audits, and other plan administrative expenses.

Revenues to fund plan expenses primarily come from participant administrative fees and a small amount of investment income on the Board's account balance. WDC participant administrative fees are deducted from participant accounts monthly and used to pay plan expenses. To encourage participation, participants with an account balance less than \$5,001 are not currently charged an administrative fee.

In September 2024, the Board approved a change in the administrative fee structure whereby effective January 1, 2025, participants will be charged a flat fee. This is a change from the current tiered structure, where participant administrative fees are based on account balance. ([Ref. DC | 09.12.24 | 8](#))

Participant Administrative Fee Analysis Overview

ETF staff perform an analysis annually regarding future participant administrative fees. The primary considerations of this analysis include the following:

- Estimated plan expenses,
- Number of participants with balances over \$5,000¹, and

¹ As of September 30, 2024, approximately 58,000 WDC participant accounts had balances over \$5,000

C. Klimke

Reviewed and approved by Cindy Klimke, Chief Trust Finance Officer, Division of Trust Finance
 Electronically Signed 11/18/2024

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- The Board's policy that the administrative account balance stay between 50-75% of future estimated annual plan expenses.

The Board's administrative account balance as of September 30, 2024, was 70% of estimated annual expenses and is projected to remain within the Board's policy range through the end of 2024, at about 73%.

We anticipate expenses paid from the administrative account to remain stable, primarily because the current third-party administrative contract with Empower Retirement is an annual flat fee, which will not change during the initial term of the contract, through November 30, 2027.

Participant Administrative Fee Options Based on estimated plan expenses and participant counts, we calculated participant fee levels projected to achieve the low-, mid-, and high-end of the Board's administrative account target range through the end of 2027. These result in the following potential participant administrative fees:

- \$4.05/month or \$48.60/year
- \$3.90/month or \$46.80/year
- \$3.75/month or \$45.00/year

Attachment A shows the Board's administrative account balance as of December 31, 2023; the projected balance as of December 31, 2024; and the projected balance as of December 31, 2025, based on three fee options. Attachment B illustrates projected administrative account balances based on the fee options. Attachment C shows the differences between the current rates and the fee options. Staff recommend the Board approve one of the fee options presented.

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

Attachment A: Administrative Account Activity

Attachment B: Ending Balance of Administrative Account as a Percent of Annual Expenses

Attachment C: Current and Projected Administrative Fees

Attachment A: Administrative Account Activity (in thousands)

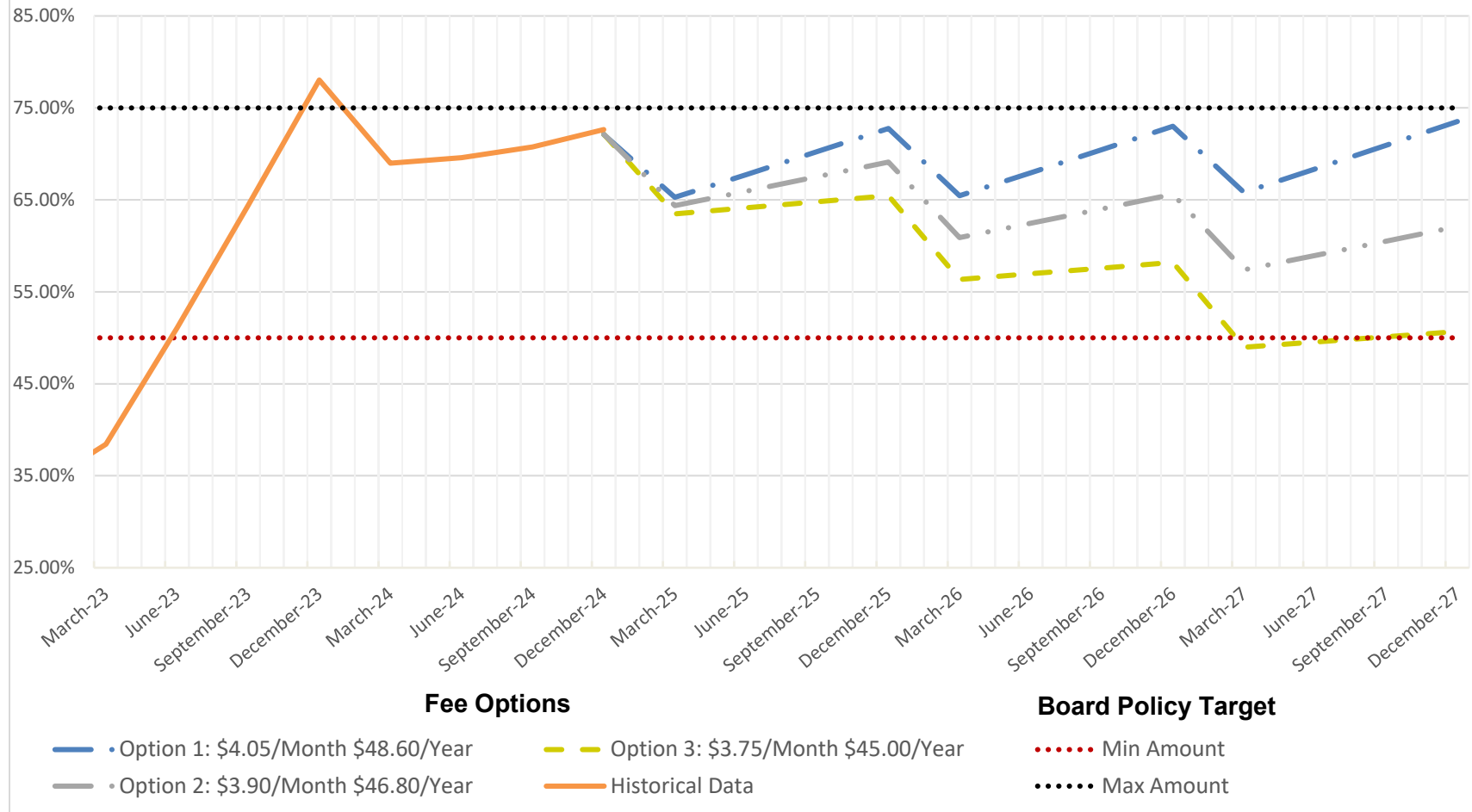
	2023	2024	2025@ \$4.05/Mon	2025@ \$3.90/Mon	2025@ \$3.75/Mon
January 1 Account Balance	\$955	\$2,259	\$2,121	\$2,121	\$2,121
Revenues					
Participant Fees	4,092	2,681	2,819	2,714	2,610
Investment Earnings & Other	57	76	111	109	107
Total Revenues	4,149	2,757	2,930	2,823	2,717
Expenses					
Administrative Services Contract	2,624	2,624	2,624	2,624	2,624
ETF Administration & Miscellaneous	221	271	295	295	295
Total Expenses	2,845	2,895	2,919	2,919	2,919
December 31 Account Balance	\$2,259	\$2,121	\$2,132	\$2,025	\$1,919
Account Balance as % of Projected Annual Expenses	78%	73%	73%	70%	66%

2023 and 2024 Q1 through Q3 figures are actual.

2024 Q4 through 2025 are projected.

Increase in projected Investment Earnings & Other relates to fees charged to participants using the Self-Directed Brokerage option, starting in 2025.

Attachment B: Ending Balance of Administrative Account as a Percent of Annual Expenses



Attachment C: Current and Future Participant Administrative Fees

	Number of Participants 9/30/2024	Monthly Fees 2024	\$4.05/Month Admin Fee \$48.60/Year		\$3.90/Month Admin Fee \$46.80/Year		\$3.75/Month Admin Fee \$45.00/Year	
			Monthly Fee	% Increase (Decrease)	Monthly Fee	% Increase (Decrease)	Monthly Fee	% Increase (Decrease)
\$0.01 – 5,000	12,428	\$0.00	\$0.00	0%	\$0.00	0%	\$0.00	0%
\$5,001 – 25,000	17,499	\$0.75	\$4.05	440%	\$3.90	420%	\$3.75	400%
\$25,001 – 50,000	10,116	\$1.75	\$4.05	131%	\$3.90	123%	\$3.75	114%
\$50,001 – 100,000	10,109	\$4.00	\$4.05	1%	\$3.90	(3%)	\$3.75	(6%)
\$100,001 – 150,000	5,455	\$5.00	\$4.05	(19%)	\$3.90	(22%)	\$3.75	(25%)
\$150,001 – 250,000	5,939	\$7.00	\$4.05	(42%)	\$3.90	(44%)	\$3.75	(46%)
Over \$250,000	8,528	\$10.25	\$4.05	(60%)	\$3.90	(62%)	\$3.75	(63%)