



STATE OF WISCONSIN  
Department of Employee Trust Funds

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**CORRESPONDENCE MEMORANDUM**

**DATE:** August 30, 2004  
**TO:** Wisconsin Deferred Compensation Board  
**FROM:** Shelly Schueller, Director  
Wisconsin Deferred Compensation Program  
**SUBJECT:** Potential Large Cap Fund Addition

The Wisconsin Deferred Compensation (WDC) Board Investment Committee met on August 19, 2004, to review the performance of the Janus Fund. As a result of their review, the Investment Committee determined that the Janus Fund is no longer desirable as an investment option for WDC participants. The Committee did not reach a consensus on whether or not to replace the Janus Fund with another large cap option and is seeking input from the Board.

At the September 2, 2004, teleconference meeting, the Board will be asked to make a decision regarding whether or not to replace the Janus Fund with another large cap value fund.

Reasons to consider not replacing the Janus Fund with another large cap fund:

- The WDC already offers good funds in this category. Fidelity Contrafund is a solid actively managed large cap fund and the Vanguard Institutional Index (S&P 500) Fund is a well-established large cap index fund. The Calvert Social Investment Equity Fund, which is the WDC's socially responsible fund offering, is also a large cap fund.
- Not adding another fund could help keep the number of options offered by the WDC within a reasonable number<sup>1</sup>.
- The Investment Committee is recommending the addition of lifecycle funds to the WDC, which will add funds (including, most likely, large cap).
- Many other large cap funds are available through the Schwab PCRA.

Reasons to consider replacing the Janus Fund with another large cap fund:

- As of June 30, 2004, large cap stock funds represent 39% of total WDC assets. If Janus is removed but not replaced, there will only be three funds in this asset class, which may be too few large cap funds relative to the other asset classes.
- Additional investment options could help de-concentrate the fiduciary risk for large cap assets into additional managers.

<sup>1</sup> A 2004 study by the Nationwide Retirement Education Institute compiled data on s. 457 and 401(k) plans, defined benefit plans and others. The report states that the average number of funds available in a 401(k) plan was 13, while the number of funds for the average s. 457 plan administered by Nationwide Retirement Solutions (NRS) was 41. This is quite similar to the number of options offered by plans administered by other providers.

Of the s. 457 plans currently administered by NRS, the WDC has the fewest investment options. New Request for Proposals that NRS receives generally require investment menus that offer anywhere from 15 to 30 options. NRS typically recommends 20 to 25 options and typically looks to fill the nine Morningstar style boxes for domestic equities plus, foreign, fixed, bond, and asset allocation fund options.

Reviewed and approved by Pam Henning, Office of Strategic Services

Signature

Date