



STATE OF WISCONSIN
Department of Employee Trust Funds
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 SECRETARY

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CORRESPONDENCE MEMORANDUM

DATE: May 2, 2006
TO: Deferred Compensation Board
FROM: Robert C. Willett, CPA
 Chief Trust Financial Officer
SUBJECT: Participant Fee Recommendations

The Wisconsin Deferred Compensation plan (WDC) maintains an administrative account which is used to pay the administrative expenses for the plan. These expenses consist primarily of the administrative services contract with Nationwide Retirement Services / Great-West Retirement Services, but also includes expenses for Employee Trust Funds staff, audits and other plan expenses.

Revenues to fund administrative expenses come from participant fees, investment provider reimbursements, and interest income on the account balance. During the last fiscal year, the following revenues and expenses were recorded in the administrative account.

Wisconsin Deferred Compensation Administrative Account	
In thousands \$	
July 1, 2004 Account Balance	\$ 1,486
Revenues	
Investment Earnings	60
Participant Fees	1,411
Investment Provider Reimbursements	1,018
Total Revenues	2,489
Expenses	
Administrative Services Contract	2,322
ETF & Miscellaneous	154
Total Expenses	2,476
June 30, 2005 Account Balance	\$ 1,499

Reviewed and approved by Dave Stella, Deputy Secretary

 Signature Date

Board	Mtg Date	Item #
DC	05/16/2006	4

Assuming 16% average annual future investment returns, the account balance would begin rising and would reach approximately 70% of annual expenses during this year, and continue to rise steadily after that time. Under this assumption, no action would be needed until your review of participant fees in November 2006, at which time reductions in participant fees may be considered.

Assuming 8% annual future investment returns, the account balance would begin rising and would reach approximately 67% of annual expenses this year, and continue to rise steadily after that time. Under this assumption, no action would be needed until your review of participant fees in November 2006, at which time reductions in participant fees may be considered.

Assuming 0% annual future investment returns, the account balance would remain relatively stable during this year, but would begin to slowly drop thereafter. Under this assumption, no action would be needed for the foreseeable future, although a fee increase may ultimately need to be considered.

Assuming -8% annual future investment returns, the account balance would drop below 60% of annual expenses during this year, below the 50% target by June 2007, and continue falling. Under this assumption, no action would be needed for the foreseeable future, although a fee increase may need to be considered in November 2007.

Under any reasonable assumptions the administrative account balance will remain above the 50% target level for this year. In November 2007, the Board will have another opportunity to review and adjust participant fees if needed.

It is my recommendation that the Board take no action to change participant fees at this time. By November we will know the full impact of fund option changes on provider reimbursements. At that time we will be able to provide updated projections for your consideration.