

**MINUTES OF MEETING**  
**STATE OF WISCONSIN**  
**DEFERRED COMPENSATION BOARD**

**May 16, 2006**  
**1:00 p.m.**

**801 West Badger Road**  
**Conference Room GB**  
**Madison, Wisconsin**

**BOARD PRESENT:**

Edward Main, Chair  
John Nelson, Vice-Chair  
Martin Beil, Secretary  
Michael Drury  
Jon Traver

**PARTICIPATING STAFF:**

Eric Stanchfield, Secretary  
Dave Stella, Deputy Secretary  
Bob Conlin, Director, Legislation, Communications and Planning  
Shelly Schueller, Director, Wisconsin Deferred  
Compensation Program  
Sharon Walk, Board Liaison  
Bob Willett, Controller, Division of Trust Finance and Employer  
Services

**OTHERS PRESENT:**

Rhonda Dunn, Office of the Secretary  
Linda Esser, Office of the Secretary  
Jon Kranz, Director, Office of Internal Audit and Budget  
Sue Oelke, Great-West Retirement Services  
Alex Roitz, Advised Assets Group  
Gregg Seller, Great-West Retirement Services  
Lisa Tilley, Great-West Retirement Services  
John Vincent, Division of Trust Finance and Employer Services  
George Webb, Advised Assets Group  
Michelle Williams, Great-West Retirement Services

Edward Main, Chair, called the Deferred Compensation Board (Board) meeting to order at 1:02 p.m.

Ms. Schueller introduced Bob Conlin to the Board. Mr. Conlin is the new Director of Legislation, Communications and Planning.

Mr. Stella presented outgoing Board member, Jon Traver, with a letter and a certificate of appreciation on behalf of the Department of Employee Trust Funds (Department) and the Board. Mr. Stella thanked him for his service on the Board and wished him well in his future endeavors.

Board	Mtg Date	Item #
DC	11/14/2006	1

### **Consideration of Minutes of November 15, 2005, Meeting**

***Motion: Mr. Beil moved acceptance of the minutes of the November 15, 2005, meeting as submitted by the Board Liaison. Mr. Traver seconded the motion, which passed without objection on a voice vote.***

### **Election of Officers**

***Motion: Mr. Drury moved to cast a unanimous ballot for the current slate of officers (Chair/Ed Main, Vice-Chair/John Nelson and Secretary/Martin Beil) for another one-year term. Mr. Traver seconded the motion, which passed without objection on a voice vote.***

### **Approval of 2007 Meeting Dates**

The proposed meeting dates for 2007 were presented to the Board. Mr. Drury asked that the selection of dates be postponed until the November meeting.

### **Participant Fee Recommendation**

Bob Willett, CPA and Chief Trust Financial Officer for the Department, discussed his memo to the Board regarding participant fees. Mr. Willett recommended no change to participant fees at this time. He stated that the current fee structure is appropriate for the funding of expenses.

***Motion: Mr. Nelson moved that there be no change in participant fees for 2006. Mr. Drury seconded the motion, which passed without objection on a voice vote.***

### **2005 Investment Performance/Benchmark Review**

Alex Roitz, Analyst, Advised Assets Group (AAG), presented the 2005 Investment Performance Report to the Board. The report shows that the majority of the Wisconsin Deferred Compensation (WDC) Program's investment options met or exceeded established performance benchmarks. In 2005, the following changes were made to the WDC Program investment spectrum:

- The EuroPacific Growth Fund (Class R5) opened to participants on February 1, 2005.
- The Vanguard Target Retirement "lifecycle" series of five funds (Income, 2015, 2025, 2035 and 2045) opened to participants on August 1, 2005.
- The Janus Fund was phased out at the end of 2005. Approximately 4,600 accounts with a value of \$20,862,000 defaulted to the Vanguard Money Market account.

- The T. Rowe Price International Stock Fund was phased out at the end of 2005. Approximately 4,460 accounts with a value of \$16,283,500 defaulted to the Vanguard Money Market account.

The Board discussed the change in allocations in the Vanguard Target funds. To help provide Vanguard Target Retirement Funds' shareholders with broader equity diversification and higher return potential, Vanguard has announced changes in the funds' asset allocation models to provide:

1. Greater exposure to equities of approximately ten to twenty percent more per fund over a longer period of time.
2. Broader international exposure for all funds. Vanguard Emerging Markets Stock Index Fund will be added to each of the funds, further diversifying their exposure to international markets. In addition, the Vanguard European Stock Index Fund and Pacific Stock Index Fund will be added to the fund mix for the Target Retirement Income Fund.

Mr. Nelson requested that AAG and Department staff follow up with Vanguard and obtain clarification on the rationale behind the changes.

### **Transition Review**

Gregg Seller, Senior Vice President of Government Markets for Great-West Retirement Services (Great-West) introduced two members of the transition team: Lisa Tilley, Implementation Operations Manager, and Michelle Williams, Account Manager. Ms. Tilley and Ms. Williams updated the Board on the transition from Nationwide Retirement Services (NRS) to Great-West. Nine seminars and fourteen "webinars" were conducted for payroll staff as part of the employer outreach program. Approximately 38% of WDC employers have converted to electronic payroll remittance. A number of improvements are planned for 2006 including deferral enhancements such as automatic deferral increases, changes to the return envelopes so the WDC return address is clearly visible and Website upgrades.

### **Plan and Trust Document Revisions for Domestic Relations Orders**

Ms. Schueller discussed proposed revisions to Articles I and XI of the WDC Program's Plan and Trust document. The changes are recommended in order to provide clarification of policies and procedures regarding Domestic Relations Order (DRO) divisions of WDC Program accounts.

***Motion: Mr. Traver moved to delegate approval of final Plan and Trust document revisions relating to DROs to the Board Chair. Mr. Nelson seconded the motion, which passed without objection on a voice vote.***

### **Excessive Trading Policy Update**

Ms. Schueller requested a procedure change that would provide more flexibility to the Board when addressing market timing and excessive trading issues. The change would also enable the enforcement of the WDC's excessive trading policy to match the market timing prevention options available through Great-West.

***Motion: Mr. Traver moved to approve revisions to the excessive trading timing procedures as recommended by Great-West and approved by Department staff. Mr. Nelson seconded the motion, which passed without objection on a voice vote.***

### **Legislation**

Mr. Conlin provided the Board with an update on legislation. Wisconsin Act 150 was signed into law by Governor Doyle on March 21, 2006. This bill clarifies that the WDC Program is a trust and that the Board members are trustees with fiduciary responsibilities.

2005 Assembly Bill 1076 was introduced by Representative Steve Wieckert on February 27, 2006. This bill would require the Board to make every effort to ensure that state employees have an option in the WDC Program to invest in a Wisconsin index fund. The bill was referred to the Assembly Committee on State Affairs. No hearing or other action was taken and, since the legislative session has ended, the bill has expired.

At the federal level, there is an ongoing attempt to make the pension and retirement savings provisions in Title VI of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) permanent. EGTRRA's pension and retirement savings provisions will expire at the end of 2010 unless extended by Congress.

### **Mutual Fund Investigations**

Ms. Schueller updated the Board on the mutual fund investigations. The American Funds hearing before the National Association of Securities Dealers (NASD) has been concluded. American Funds is expecting a decision in early 2007. The collateral damages issue with Janus Fund was also discussed. Mr. Stanchfield offered to look into possible options for pursuing restitution with the Department of Justice and the Department of Financial Institutions.

### **Audits**

Ms. Schueller provided background information on three audits. The first is the financial statements audit which was completed by the audit firm of Clifton Gunderson. This audit is for the first eleven months of 2005, not for the full year. The WDC transition to Great-West occurred on December 1, 2005. When NRS was the plan administrator, the audits ran through the contract with NRS. Under the terms of the contract with Great-West, they will remit \$15,000 annually to the Board toward the cost of a financial statements audit. The Board will select, monitor and retain the audit firm. Department staff has discussed the next audit period, which will be December 2005 and calendar

year 2006 and are recommending that the Board retain Clifton Gunderson to conduct this audit. They have recently completed the eleven-month audit and it would be logical to have them complete the audit for December 2005. Clifton Gunderson quoted a fee of \$28,000 to do the thirteen-month financial statements audit. Staff will review audit contracting procedures and report back to the Board with a recommendation for future financial statements audits.

The second audit is an administrative transition audit. Ms. Schueller recommended that the Board authorize the Board Chair to approve an administrative transition audit which would cover the move of the WDC Program from NRS to Great-West. She proposed that Clifton Gunderson complete this audit. The fee quote for this audit is \$12,000.

Third, Ms. Schueller recommended that the Board consider a contract compliance audit. This audit would report on the administration of the WDC Program by NRS. Ms. Schueller will research this issue and make a full report to the Board at the November meeting.

The Board discussed the cost of the financial statements audit. Mr. Seller offered to contribute an additional \$5,000 toward the cost of the audit.

***Motion: Mr. Nelson moved that the Board approve the following recommendations as made by Department staff:***

- ***Extend the existing arrangement regarding the financial statements audit with Clifton Gunderson to include completion of a thirteen month audit for the period December 1, 2005 through December 31, 2006 for the stated fee of \$28,000.***
- ***Authorize the Board Chair to review, approve and sign contracts with audit firms for future routine WDC financial statements audits.***
- ***Authorize the Board Chair to review, approve and sign an agreement with Clifton Gunderson to complete an administrative transition audit covering the WDC's move in December 2005 from NRS to Great-West for the quoted price of \$12,000.***

***The motion was seconded by Mr. Beil, and passed without objection on a voice vote.***

### **Miscellaneous**

Numerous informational items were presented to the Board. Ms. Schueller indicated that she had been corresponding with a company in Green Bay interested in managing WDC participants' funds for them. The company would like the Board to consider allowing it to be the money manager for the managed accounts. At the present time, the Board is not interested in this offer and instructed Ms. Schueller to relay this message to them.

**Adjournment**

***Motion: Mr. Traver moved to adjourn. Mr. Nelson seconded the motion, which passed without objection on a voice vote.***

The meeting was adjourned at 3:03 p.m.

Date Approved: \_\_\_\_\_

Signed: \_\_\_\_\_

Martin Beil  
Secretary