

MINUTES

March 13, 2025

Deferred Compensation Board

State of Wisconsin

Location:

Hill Farms State Office Building – CR N134
4822 Madison Yards Way, Madison, WI 53705
1:00 p.m. – 3:46 p.m.



BOARD MEMBERS PRESENT

Jason Rothenberg, Chair
Bill Stebbins, Secretary

Kate Fleming
Tim Graham

BOARD MEMBERS ABSENT

Connie Haberkorn, Vice Chair

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF

Office of the Secretary:

John Voelker, Secretary
Diana Felsmann, Deputy Secretary
Kimberly Schnurr, Board Liaison

Division of Benefits Administration:

Patti Epstein, Chief Benefits Officer
Wisconsin Deferred Compensation Program (WDC):
Shelly Schueller, Director

OTHERS PRESENT

Office of the Secretary:

Pam Henning, Assistant Deputy Secretary

ETF Staff:

Shellee Bauknecht¹, Laura Brauer,
Taylor DeBroux, Paulina Erdman¹,
Sheila Gubin¹, Dan Hayes, Michelle
Hoehne¹, Tarna Hunter, Joanne Klaas¹,
Erin Kratcha¹, Laura Patterson¹, Peter
Rank, Amelia Slaney¹, Barry Tucker,
Kathryn Young

Empower:

Emily Lockwood

Empower Investments:

Bill Thornton

Fidelity Institutional (Fidelity):

Ron Henry, Mike Hickey

Financial Investment News:

Lauren Albanese¹

Galliard:

Tami Pearse

Public:

Vince Ortega¹

¹ Attended virtually.

Board	Mtg Date	Item #
DC	06.05.25	2

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Mr. Rothenberg, Chair, called the meeting of the Deferred Compensation Board (Board) to order at 1:00 p.m.

ANNOUNCEMENTS

Ms. Schueller introduced Peter Rank as ETF's new Chief Legal Counsel. Mr. Rank received his law degree from the UW-Madison and has been with ETF since 2022. He replaces Diana Felsmann, who was appointed Deputy Secretary at ETF effective February 9, 2025.

CONSIDERATION OF OPEN AND CLOSED MINUTES OF DECEMBER 5, 2024, MEETING ([Ref. DC | 03.13.25 | 2A](#))

MOTION: Mr. Stebbins moved to accept the Open and Closed Minutes of the December 5, 2024, meeting as presented by the Board Liaison with amendments to the Open Minutes to include (as amended):

On pages 3-4, under the Investment Performance and Expense Ratio Review as of September 30, 2024, the final paragraph to read as follows: "The Board noted that there is only one option in the lineup for large capitalization growth funds, Fidelity Contrafund Commingled Pool and there may be additional opportunities to round out the lineup's offerings in small cap, in addition to BlackRock's Russell 2000 Index and the actively managed DFA US Micro Cap offerings. The Board asked that Mr. Thornton research what other large and small capitalization growth options might meet the Board's criteria for inclusion in the WDC categories and share information on these options at a future meeting."

Mr. Graham seconded the motion, which passed unanimously on a voice vote.

ELECTION OF OFFICERS ([Ref. DC | 03.13.25 | 3](#))

MOTION: Mr. Graham moved to nominate the following slate of officers: Jason Rothenberg as Chair, Connie Haberkorn as Vice Chair, and Bill Stebbins as Secretary of the Board. Ms. Fleming seconded the motion, which passed unanimously on a voice vote.

INVESTMENT PERFORMANCE AND EXPENSE RATIO REVIEW AS OF DECEMBER 31, 2024 ([Ref. DC | 03.13.25 | 4](#)) [PPT](#)

Mr. Thornton presented the WDC investment performance and expense ratio review as of December 31, 2024, and an overview of national and international economies and labor market trends in the United States. He noted that the final quarter of 2024 had been one of uncertainty around the U.S. presidential election and the incoming Trump administration. He stated that even though inflation was inching closer to the Federal

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Reserve Board's 2% target, positive economic data was consistently reported. Consequently, the Federal Reserve Board has had little reason to lower interest rates. He pointed out that U.S. labor market trends did not reflect the recent federal workforce reductions that began in February 2025.

Mr. Thornton discussed equity market returns and performance benchmarking. Citing his point about interest rates remaining high in response to the uncertainty in the market, Mr. Thornton shared the following:

- The Bloomberg Aggregate Bond Index dropped more than 3%, bringing its return down to just over 1% for 2024.
- Large and mid-cap growth stocks returned more than 7% for the quarter.
- Value stocks saw small losses as large, mid, and small cap value stocks dropped around 2%.
- Developed and emerging international market indexes both dropped just over 8% to end the year.

Overall, in the final quarter of 2024, performance across all WDC investment options was good. Mr. Thornton said that all total returns for the WDC's investment options were above or near the performance of their peer groups over three and five years and Fund performance has been inline with expectations, even among the few funds trailing their peers. Mr. Thornton observed that Fidelity Contrafund had a particularly strong year. He also shared that Capital Group would be changing the name of American Funds EuroPacific Growth to "American Funds EuPac" in June 2026.

Mr. Thornton also noted a recent change to the management team of the T. Rowe Price Mid Cap Growth Fund. At the beginning of 2025, Don Easley and Ashley Woodruff were named co-managers of the fund. This is part of T. Rowe Price's succession planning for fund manager Brian Berghuis' eventual retirement. Mr. Berghuis has managed the T. Rowe Price Mid Cap Growth Fund since 1992 and plans to remain on in an advisory role for the remainder of 2025. Mr. Thornton explained that while the T. Rowe Price Mid Cap Growth has experienced some challenging periods over the last five years, the fund has not been placed on the WDC's "watch list." He said that he would only be concerned if T. Rowe Price changed their investment processes.

Mr. Thornton said that the 3-year percentile ranks for the WDC's actively managed funds look excellent. The asset-weighted average expense ratio across the WDC's options remained unchanged from last quarter at 0.19%.

INVESTMENT OPTION PROVIDER PRESENTATION: FIDELITY CONTRAFUND
[\(Ref. DC | 03.13.25 | 5\)](#)

Mr. Ron Henry and Mr. Mike Hickey from Fidelity Institutional introduced themselves to the Board. They provided an overview and update of the information they shared the last time they presented to the Board (June 8, 2023) ([Ref. DC | 06.08.23 | 7](#)). They began with an overview of Fidelity's Contrafund investment strategy. Mr. Hickey said

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that the investment objective of the Fidelity Contrafund Commingled Pool is to provide capital appreciation over a market cycle relative to the S&P 500 Index through the active management of equities, with a focus on companies that have strong long-term growth prospects. He explained that Fidelity's investment philosophy is to capitalize on internal research by selecting stocks whose value the manager believes is not fully recognized by the public. He also said that Contrafund may invest in domestic and foreign issuers in either "growth" or "value" stocks or both.

Mr. Hickey described how Fidelity's investment philosophy and processes emphasize firms with high returns on capital, solid cash flow generation, prudently managed balance sheets, and less economic sensitivity. He emphasized the importance of the relationships Fidelity's analysts and portfolio managers nurture with company management teams and industry contacts. It is through these relationships that Fidelity feels it can identify the "best of breed" companies in which to invest.

The Board asked about the reliability of information Fidelity obtained from its meetings with company CEOs. Mr. Hickey acknowledged that company executives often have an incentive to make their businesses appear to be performing better than they actually were. To help counter that, Fidelity's portfolio managers also look closely at company performance numbers, which provide an unbiased look at how companies are performing. Additionally, Fidelity speaks regularly with company middle managers and employees for a "bottom up" impression of a company.

The Board asked how Fidelity is using Artificial Intelligence (AI) technologies for portfolio management. Mr. Hickey said that AI was adopted by Fidelity only in the last couple of years and was still in the early stages of utilization. Currently, Fidelity is using AI to capture meeting highlights and identify key words and phrases pulled from presentations, calls, and meetings.

When Mr. Hickey shared list of Contrafund's top 10 holdings, the Board asked about the impact of the Trump administration's tariffs on the "magnificent 7" technology companies. These include Apple, Microsoft, Amazon, Alphabet (Google), Meta Platforms, Nvidia, and Tesla. Mr. Hickey said that Fidelity is planning to carefully monitor the impact tariffs will have on the information technology industry and companies implementing AI technologies, since so many businesses, Fidelity included, are increasingly investing in and relying on AI.

The Board also expressed concern about the possibility of the economy entering a period of stagflation as a result of the high rate of inflation, slow economic growth, and rising unemployment. Mr. Henry said that Fidelity's investment philosophy and process put an emphasis on "lessons learned" meetings. He said that part of the "north star" at Fidelity is finding companies that are the "best of breed" and poised for durable multiyear earnings growth. This combination means that Fidelity is always seeking strong companies to invest in. Mr. Hickey also noted that Fidelity has over 30 years'

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worth of company meetings to look back on for guidance when facing uncertain times and developing legacy planning strategies.

The Board asked what succession planning Fidelity has in place for portfolio managers, including Will Danoff, in response to the Bloomberg article, [“World’s Biggest Solo Stock-Picker is Having Best Year Since 1991.”](#) Mr. Hickey said that Fidelity was actively taking steps to prepare for various tenured Fidelity portfolio managers’ retirement in the next few years. For Contrafund, Fidelity is looking at expanding the “short bench.” Mr. Hickey and Ms. Schueller said that when available, they will provide additional details to the Board².

The Board also requested follow up information regarding Fidelity’s foreign holdings. Mr. Hickey said that Fidelity Contrafund non-US revenue was 43%.

LARGE GROWTH AND SMALL GROWTH FUND SEARCHES ([Ref. DC | 03.13.25 | 6](#))

At the Board’s request, Mr. Thornton researched large and small capitalization (“cap”) growth fund options that might meet the Board’s criteria for inclusion in the WDC. He explained that he used the [WDC Investment Policy Statement’s \(IPS\)](#) minimum criteria for selecting mutual fund and institutional investment product options along with some additional screening metrics to help winnow the options.

Large Cap Option Review

Using the IPS, Mr. Thornton produced initial search criteria that yielded 83 large cap growth funds comprising 219 share classes. The additional criteria Mr. Thornton used for this search consisted of screens for large cap growth funds that used the Russell 1000 Growth as the prospectus benchmark, had 3- and 10-year total returns above the category average, ranked greater than or equal to 1.2 on the Sortino ratio³, and provided better investment returns than their peers over 8 of the last 10 years. This reduced the results to eight large cap growth funds comprising of 19 share classes.

Mr. Thornton provided an overview of each of the eight large cap growth funds and their holdings concentrations. He also provided data on the US Fund Large Growth Category and Russell 1000 Growth Index for the Board to reference when considering the eight large cap growth options, which are as follows:

- American Century Select R6
- American Century Ultra R6

² Email sent to the Board on April 11, 2025, shared news from Fidelity that Jason Weiner and Asher Anolic had been appointed co-portfolio managers of Fidelity Contrafund alongside Will Danoff ([Ref. DC | 06.05.25 | D5](#)).

³ The Sortino ratio is a variation of the Sharpe ratio that differentiates harmful volatility from total overall volatility by using the asset’s standard deviation of negative portfolio returns— downside deviation — instead of the total standard deviation of portfolio returns. The Sortino ratio takes an asset or portfolio’s return and subtracts the risk-free rate, and then divides that amount by the asset’s downside deviation. (from [Investopedia](#))

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- Carillon ClariVest Cap App R6
- Fidelity Blue Chip Growth K
- Fidelity Trend
- JHancock U.S. Growth R6
- Putnam Large Cap Growth R6
- SEI Large Cap Growth Y (SIMT).

During his qualitative review of these large cap funds, Mr. Thornton highlighted that the American Century Ultra R6 and the Fidelity Blue Chip Growth K funds were the most aggressive. He observed that if the Board were looking for options to compliment the Contrafund, these two funds measured farther out on the growth scale. He also noted that the Fidelity Trend fund offered retail and revenue sharing.

The Board considered the eight large cap growth fund options Mr. Thornton presented. They asked that he continue to explore funds that prioritized the large cap space in general (perhaps including blend funds) and that would complement Fidelity Contrafund. They also requested that in the next analysis, Contrafund data be provided with the potential fund analytics for comparison.

The Board said that adding an aggressive large cap growth option to the lineup might offer participants an option which could potentially be preferable to the ones offered in the lineup currently. The Board also specifically requested that Mr. Thornton look at options that were not offered by Fidelity, as they felt Fidelity already had a large portion of WDC assets in Contrafund. The Board requested that Mr. Thornton return with more information on the Putnam Large Cap Growth R6, American Century Select R6, and American Century Ultra R6 funds. The Board also suggested he look into the American Funds' Investment Company of America but acknowledged that the portfolio might trend too far towards core.

Mr. Thornton agreed to return to the next Board meeting with additional analysis, which could include more large cap core/blend options for Board consideration.

Small Cap Option Review

Mr. Thornton reviewed the results of his search into small cap growth options. Like the large cap growth options, he used the IPS to produce initial search criteria, which yielded 32 funds comprised of 68 share classes. To provide a better list of candidate funds, Mr. Thornton expanded his search to include any funds that could be considered core, added additional flexibility to the Sortino ratio of greater, and looked at funds that performed above their peers annually in the last six or seven years instead of the last eight of 10 years. He said that it was harder to find small cap growth options that met the criteria and were open to new investors. Nonetheless, Mr. Thornton was able to find six small cap funds comprising of 13 share classes for the Board's consideration:

- American Century Small Cap Growth R6
- Congress Small Cap Growth Instl

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- FullerThaler Behavioral Small Cap Growth R6
- Osterweis Opportunity Fund
- Wasatch Core Growth Instl
- William Blair Small Cap Growth R6.

Mr. Thornton provided a qualitative review of the small cap growth fund options. Ms. Fleming said that she is on the Board for the Wasatch Core Growth Instl fund and is concerned that this is a conflict of interest if the Board wanted to consider adding Wasatch Core Growth to the lineup. Mr. Thornton explained that during his research, he discovered Wasatch Core Growth was undergoing a transition with the portfolio manager, and its performance had not been as consistent as the other five. Therefore, he would drop this as a small cap growth option for the Board to consider.

The Board asked Mr. Thornton to provide additional information on the FullerThaler Behavioral Small Cap Growth R6 and Osterweis Opportunity Fund options. They requested that for comparison, data from the DFA US Micro Cap fund be added to the fund analytics graphs for these small cap options.

Mr. Thornton agreed to return to the next Board meeting with additional information on small cap growth options available and would include the existing options for comparison.

STABLE VALUE FUND AGREEMENT REVISION ([Ref. DC | 03.13.25 | 7](#)) [PPT](#)

Ms. Schueller introduced Ms. Tami Pearse from Galliard Capital Management (Galliard) and said that Ms. Pearse would be joining her to present the revised and restated Galliard Investment Management Agreement (IMA) to the Board for approval. Ms. Schueller said that Galliard has provided the WDC's Stable Value Fund since approximately 1985. The Stable Value Fund is a liquid investment option that seeks to preserve principal while generating consistent, positive returns over time. The Stable Value Fund has consistent high utilization among WDC participants, with roughly 37% of participants holding approximately \$642,957,967 in the option as of January 31, 2025.

Ms. Schueller further explained that since the last agreement was signed in 2015, the Galliard IMA had been amended four times, which makes the document difficult to follow. The revised and restated IMA presented for Board approval improves the document flow and readability, reflects the current ownership structure for Galliard, and updates the agreement to include ETF's standard contract terms and conditions. Ms. Schueller said the revised agreement includes ETF's standard contract cover page and the Galliard IMA along with five exhibits and a letter of clarification.

Ms. Pearse provided a high-level explanation of Stable Value Fund investment objectives and a summary of the components of Synthetic Guaranteed Investment Contracts (GICs). Ms. Pearse highlighted:

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- The impact of market rates on stable value yields.
- The volatility and returns versus competing options.
- The benefits of stable value investments.

Ms. Pearse also provided background information on the Galliard team. She confirmed that Galliard is now a subsidiary of Allspring Global Investments Holdings, LLC (“Allspring”). Ms. Pearse noted under the “Report to Allspring” that Mr. Paul Felsch, who had previously led the firm compliance team, was leaving Galliard to start his own firm. Ms. Amy Stueve was hired to take Mr. Felsch’s place as Chief Compliance Officer.

Ms. Pearse said that the recent uncertainty in the market has actually provided growth to the stable value market. She compared recent trends in the stable value market to specific actions Galliard was taking through February 2025. She also provided an overview of historical rates as of December 31, 2024, explaining that the graph showed actions that had been taken since the pandemic. She said that despite volatility in the market over the past three years and a backdrop of higher interest rates, stable value crediting rates continue to deliver positive total returns to participants.

Ms. Schueller and Ms. Pearse recapped the revised IMA that the Board was asked to approve. Ms. Schueller said that the terms and conditions incorporated into the revised IMA included cybersecurity contract requirements, which was developed through the ETF’s Bureau of Information Security Management’s guidance. Ms. Schueller also added that the exhibits were included separately to make it easier to revise and update them in the future, if needed. Upon the Board’s approval, the revised IMA would be finalized and sent to Galliard and the Board Chair for signature via DocuSign.

MOTION: Mr. Stebbins moved to approve the revised and restated Galliard Investment Management Agreement. Mr. Graham seconded the motion, which passed unanimously on a voice vote.

2024 STRATEGIC PARTNERSHIP PLAN (SPP) RESULTS ([Ref. DC | 03.13.25 | 8](#))
[PPT](#)

Ms. Lockwood provided an overview of the 2024 SPP results. Highlights included the following:

- Increasing the number of local employers offering the WDC. The goal was 12 new employers. This goal was exceeded since 14 local employers adopted the WDC in 2024.
- Producing two “Your Steppingstones to Retirement” live webinars in April and November 2024, which were attended by over 1,000 participants.
- Presenting 34 webinars on 10 different WDC and financial literacy topics during the fall open enrollment period.
- Offering biweekly new employee orientation webinars for new hires, with 387 attendees.

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She also provided details on areas where Empower failed to meet the 2024 SPP goals, which included only adding 75% of the desired increase in participants and completing 84% of anticipated group meetings. Further, Empower was only able to complete 97% of the planned 2,700 retirement readiness reviews in 2024. Ms. Lockwood explained that turnover among the seven local Retirement Plan Advisors (RPAs) was the primary reason for this. During 2024, the local team of seven licensed RPAs was fully staffed only 62% of the year, which impacted their ability to provide services at planned levels. She reported that as of March 2025, the WDC RPA team is currently 71% staffed, meaning five of seven RPA positions are filled. Empower is actively working on filling the Milwaukee and southwest Wisconsin areas with licensed RPAs.

Ms. Lockwood reviewed the 2024 participant and employer survey scores. She reminded the Board that the results of these surveys often refine future SPP plans, especially regarding the annual objectives, goals, and communication strategies.

OPERATIONAL UPDATES

Ms. Schueller referred to the Operational Updates section of the meeting materials and noted ETF staff were available if there were any questions. She highlighted the following items:

- Wisconsin Public Records Training ([Ref. DC | 03.13.25 | 9A](#))
- 2026 Board Meeting Dates ([Ref. DC | 03.13.25 | 9B](#))
- Stable Value Fund Subadvisor Change: IR+M Replacing Jennison ([Ref. DC | 03.13.25 | 9C](#))
- ETF and Empower Information Security Management Follow-Up ([Ref. DC | 03.13.25 | 9D](#))
- WDC Information
 - Selected 4Q24 WDC Quarterly Statistics ([Ref. DC | 03.13.25 | 9E1](#))
 - 4Q24 WDC Quarterly Plan Review ([Ref. DC | 03.13.25 | 9E2](#))
 - 4Q24 Service Level Agreement ([Ref. DC | 03.13.25 | 9E3](#))
 - December 31, 2024, Plan Fee Disclosure ([Ref. DC | 03.13.25 | 9E4](#))
- 2025-2027 Biennial Budget Update and Legislative Update ([Ref. DC | 03.13.25 | 9F](#))
- Board Authority Contracts Update ([Ref. DC | 03.13.25 | 9G](#))
- Investment Provider Updates
 - 4Q24 Portfolio Review ([Ref. DC | 03.13.25 | 9H1](#))
 - 4Q24 Economic Update ([Ref. DC | 03.13.25 | 9H2](#))
 - 4Q24 PRCA Report ([Ref. DC | 03.13.25 | 9H3](#))

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- Leadership and Investment Committee Updates ([Ref. DC | 03.13.25 | 9H4](#))
- Governance Manual Updates ([Ref. DC | 03.13.25 | 9I](#))
- “Empower Accused of Misusing Participant Data, Cross-Selling in Recent Lawsuit” ([Ref. DC | 03.13.25 | 9J](#))
- Board Correspondence ([Ref. DC | 03.13.25 | 9K](#))

TENTATIVE JUNE 2025 AGENDA ([Ref. DC | 03.13.25 | 10](#))

Ms. Schueller reviewed the anticipated June 2025 agenda items and said that Mr. Thornton would be returning to continue the discussion on large and small cap fund options to potentially add to the WDC lineup. Additionally, an Empower representative would be present to review the plan fee disclosure document with the Board and respond to any questions.

ADJOURNMENT

MOTION: Mr. Graham moved to adjourn the meeting. Mr. Stebbins seconded the motion, which passed unanimously on a voice vote.

The meeting adjourned at 3:46 p.m.

Date Approved: 6/5/2025

Signed: Bill Stebbins

Bill Stebbins, Secretary
Deferred Compensation Board