

Recommended amendments to Chapter ETF 70 - DEFERRED COMPENSATION PLANS

OBJECTIVE: Modify existing *ETF 70.05 Primary plan administration* language to make it possible for Wisconsin-domiciled administrators to competitively bid on deferred compensation relationships with the State of Wisconsin.

RATIONALE: As currently written, there exists no in-state administrators who meet the qualifications to be considered under a competitive RFP process for the Wisconsin Deferred Compensation Program. Because of the current language, all roles and revenues (and tax dollars) are being forced to go to out-of-state providers. Three minor statutory changes should be considered:

- 1) Current language limits the administrator to 457(b) experience only, and excludes all other relevant “defined contribution” experience (i.e. 401(k), 403(b), etc.). In reality, the administrative differences between various defined contribution plans are insignificant (as demonstrated by the current administrator, Empower Retirement, who uses the same administrative platform for all three variants). Relevant 401(k) and 403(b) experience should be allowed (with the current 5-year minimum), and should be evaluated as part of the subsequent RFP process.
- 2) Current language sets a minimum participation level in a single program at 30,000 employees, which also excludes all potential in-state administrators. While a reasonably high threshold is necessary to demonstrate administrative scale, a minimum participation level of 10,000 employees in a single plan would more than suffice. As a point of reference, 99.9974% of defined contribution plans sponsored by Wisconsin employers had fewer than 10,000 participants (Source: Larkspur Data, 9/30/2016). As a matter of reference, this minimum participation number was amended in June of 2015 to the current 30,000 members from the previous 5,000 members.¹
- 3) Current language specifies that the administrator must have a staffed office in Madison. Due to improved telecommunication services (i.e. email, internet, web conferencing, etc.) a staffed office in Madison is unnecessarily restrictive and should be expanded to include any location in Wisconsin. Current language specifying field representatives’ service to all areas of the state would be unchanged.

¹

PROPOSED STATUTE REVISIONS:

ETF 70.05 Primary plan administration. (1) Based upon a request for proposal process, the board shall contract with one primary administrator to offer the primary plan that is approved and officially supported by the board. The administrator awarded the contract for the primary plan shall have:

(a) At least 5 years experience administering other section 457 deferred compensation programs or section 401(k) or 403(b) defined contribution programs. The administrator's experience shall include administering at least one program that meets each of the following:

1. Participation level of ~~30,000~~ 10,000 members or more.
2. Program involves multiple payroll reporting agencies.
3. Record keeping includes consolidated record keeping for all investment products that are offered.

(b) Marketing and enrollment services that include the following:

1. A staffed office located in ~~Madison~~ Wisconsin and field representatives to provide services to all areas of the state.
