

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN
AND TRUST
Madison, Wisconsin**

**FINANCIAL STATEMENTS
December 31, 2013 and 2012**

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INDEPENDENT AUDITORS' REPORT

State of Wisconsin Public Employees Deferred Compensation Plan and Trust Board
State of Wisconsin Public Employees Deferred Compensation Plan and Trust
Madison, Wisconsin

Report on the Financial Statements

We have audited the accompanying statements of net position available for plan benefits of the State of Wisconsin Public Employees Deferred Compensation Plan and Trust (the Plan) as of December 31, 2013 and 2012, and the related statements of changes in net position available for plan benefits for the years then ended, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of December 31, 2013 and 2012, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit the information and express no opinion on it.

CliftonLarsonAllen LLP

Baltimore, Maryland
June 11, 2014

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section presents management's discussion and analysis of the Wisconsin Public Employees Deferred Compensation Plan and Trust (the Plan) financial performance, which provides an overview of the Plan's financial position and activities as of December 31, 2013, 2012 and 2011 and for the years then ended. It is presented as required supplemental information to the financial statements.

FINANCIAL HIGHLIGHTS

- Net position available for plan benefits increased by \$625 million during the year ended December 31, 2013 from \$3.0 billion at December 31, 2012 to \$3.6 billion at December 31, 2013. This increase was primarily due to employee contributions and investment income offset by distributions to participants. Net position available for plan benefits increased by \$334 million during the year ended December 31, 2012 from \$2.7 billion at December 31, 2011 to \$3.0 billion at December 31, 2012. This increase was primarily due to employee contributions and investment income offset by distributions to participants. Refer to fund rate of return information in the next bulleted financial highlight.
- Investment income earned on mutual funds increased from \$289 million for the year ended December 31, 2012 to \$587 million for the year ended December 31, 2013 due to more favorable market conditions in 2013 as compared to 2012. Investment income earned on mutual funds increased from \$1.4 million for the year ended December 31, 2011 to \$289 million for the year ended December 31, 2012 due to more favorable market conditions during 2012 as compared to 2011. The plan's rate of return on mutual fund investments was approximately 22.69%, 13.51% and 0.07% for the years ending December 31, 2013, 2012 and 2011, respectively.
- Interest income earned on fixed earning investments was \$12.8 million, \$15.6 million and \$16.5 million for the years ended December 31, 2013, 2012 and 2011, respectively. Changes in interest income relate directly to the balance of fixed earning investments during the year and changes in their respective interest rates. See Note 1 in the Notes to Financial Statements for information regarding interest rates.
- The change in the value of the self-directed option (SDO) directly relates to participant contributions and income earned on participant SDO accounts. The value of the SDO increased from December 31, 2012 to December 31, 2013 by \$6.8 million, compared to an increase of \$3.9 million from December 31, 2011 to December 31, 2012.
- Employee contributions increased from \$136.7 million for the year ended December 31, 2012 to \$139.1 million for the year ended December 31, 2013. Employee contributions decreased from \$147.5 million for the year ended December 31, 2011 to \$136.7 million for the year ended December 31, 2012. The change from 2012 to 2013 was primarily due to the change in the average contribution per participant as well as fluctuations in the number of active plan participants from year to year. Part of the decrease from 2011 to 2012 can likely be attributed to the 2011 Wisconsin Acts 10 and 32. This new state legislation led to increases in employee-paid contributions to their health insurance premiums and the state's defined benefit plan, and resulted in many participants having fewer discretionary funds available to contribute to the Plan. There were 45,501; 44,866 and 44,766 active plan participants as of December 31, 2013, 2012 and 2011, respectively.

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL HIGHLIGHTS (CONTINUED)

- Distributions to participants increased from \$122.6 million for the year ended December 31, 2012 to \$136.7 million for the year ended December 31, 2013. Distributions to participants increased from \$120.8 million for the year ended December 31, 2011 to \$122.6 million for the year ended December 31, 2012. These changes were primarily due to changes in the number of individuals receiving distributions from year to year. There were 8,044, 7,447 and 6,813 individuals who received a distribution during the years ended December 31, 2013, 2012 and 2011, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of the Statements of Net Position Available for Plan Benefits and the Statements of Changes in Net Position Available for Plan Benefits. These statements provide information about the financial position and activities of the Plan as a whole. These amounts are included in the Statement of Fiduciary Net Position on the State of Wisconsin's financial statements.

The following Summary of Net Position Available for Plan Benefits and the Summary of Changes in Net Position Available for Plan Benefits provide information about the financial position and activities of the Plan as a whole.

**Table 1
Summary of Net Position Available for Plan Benefits**

	December 31, 2013	December, 31, 2012	December 31, 2011
Investments	\$ 3,652,435,137	\$ 3,026,946,167	\$ 2,693,011,918
Receivables - contributions	<u>318,847</u>	<u>375,416</u>	<u>714,309</u>
Total assets	3,652,753,984	3,027,321,583	2,693,726,227
Administrative expenses payable	<u>2,104,969</u>	<u>1,970,087</u>	<u>2,051,142</u>
Net position available for plan benefits	<u>\$ 3,650,649,015</u>	<u>\$ 3,025,351,496</u>	<u>\$ 2,691,675,085</u>

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table 2
Summary of Changes in Net Position Available for Plan Benefits**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Additions			
Employee contributions	\$ 139,088,280	\$ 136,726,664	\$ 147,517,466
Transfers-in from other plans	19,176,105	13,130,224	11,492,572
Investment income:			
Interest income	12,796,976	15,558,042	16,464,357
Mutual fund investment income	586,959,202	289,397,148	1,414,346
Change in value of self-directed option	<u>6,800,480</u>	<u>3,929,276</u>	<u>(2,792,554)</u>
Total additions	<u>764,821,043</u>	<u>458,741,354</u>	<u>174,096,187</u>
Deductions			
Distributions to participants	136,747,146	122,588,572	120,783,449
Administrative expenses	2,484,410	2,159,835	1,926,503
Change in value of group annuity policy	<u>291,968</u>	<u>316,536</u>	<u>386,198</u>
Total deductions	<u>139,523,524</u>	<u>125,064,943</u>	<u>123,096,150</u>
Net increase	<u>\$ 625,297,519</u>	<u>\$ 333,676,411</u>	<u>\$ 51,000,037</u>

FINANCIAL CONTACT

The Plan's financial statements are designed to present users with a general overview of the Plan's finances and to demonstrate the trustees' accountability. If you have questions about the report or need additional financial information, contact the Deferred Compensation Director for the Department of Employee Trust Funds at P.O. Box 7931, Madison, Wisconsin 53707-7931.

FINANCIAL STATEMENTS

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
STATEMENTS OF NET POSITION AVAILABLE FOR PLAN BENEFITS
December 31, 2013 and 2012**

	2013	2012
ASSETS		
Investments:		
Fixed earnings investments	\$ 705,125,007	\$ 676,658,133
Variable earnings investments	2,881,758,642	2,291,245,059
Self-directed option	64,007,471	57,206,990
Annuity investments	1,544,017	1,835,985
Total investments	3,652,435,137	3,026,946,167
Receivable - contributions	318,847	375,416
Total assets	3,652,753,984	3,027,321,583
LIABILITIES		
Administrative expenses payable	2,104,969	1,970,087
NET POSITION AVAILABLE FOR PLAN BENEFITS	\$ 3,650,649,015	\$ 3,025,351,496

The accompanying notes are an integral part of the financial statements.

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
STATEMENTS OF CHANGES IN NET POSITION AVAILABLE FOR PLAN BENEFITS
Years Ended December 31, 2013 and 2012**

	2013	2012
ADDITIONS		
Employee contributions	\$ 139,088,280	\$ 136,726,664
Transfers-in from other plans	19,176,105	13,130,224
Investment income:		
Interest income	12,796,976	15,558,042
Investment income from variable earnings investments	586,959,202	289,397,148
Change in value of self-directed option	6,800,480	3,929,276
Total additions	764,821,043	458,741,354
DEDUCTIONS		
Distributions to participants	136,747,146	122,588,572
Administrative expenses	2,484,410	2,159,835
Change in value of group annuity policy	291,968	316,536
Total deductions	139,523,524	125,064,943
NET INCREASE	625,297,519	333,676,411
NET POSITION AVAILABLE FOR PLAN BENEFITS, BEGINNING OF PERIOD	3,025,351,496	2,691,675,085
NET POSITION AVAILABLE FOR PLAN BENEFITS, END OF PERIOD	\$ 3,650,649,015	\$ 3,025,351,496

The accompanying notes are an integral part of the financial statements.

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The State of Wisconsin Public Employees Deferred Compensation Plan and Trust (the Plan) was established in 1981 pursuant to Wisconsin State Statute Section 40.80.

In accordance with Section 457 of the Internal Revenue Code (IRC), the Plan limits the amount of an employee's annual contributions to an amount not to exceed the lesser of \$17,500 or 100% of the employee's includable compensation and \$17,000 or 100% of the employee's includable compensation for years 2013 and 2012, respectively. In 2010, the federal government passed the Small Business Jobs Act of 2010, which allows 457 plans such as the Wisconsin Deferred Compensation (WDC) Program to offer a Roth contribution option effective January 1, 2011. Roth contributions are made with after-tax dollars. Participants may withdraw WDC Roth contributions and earnings income tax and penalty free once they have held the account for at least five years and severed employment. The WDC opened the WDC Roth contribution option to participants on July 1, 2011. The Plan also provides certain catch-up contribution provisions for participants age 50 or older and for participants within three years of their normal retirement age. Amounts contributed by employees are deferred for federal and state income tax purposes until benefits are paid to the employees. The Plan allows the employer to make contributions to the Plan on behalf of employees. No such contributions were made in 2013 or 2012.

Under the Plan provisions, employees of the State of Wisconsin and public employers in Wisconsin that elect to participate are eligible to contribute to the Plan through payroll deductions. As of December 31, 2013 and 2012, approximately 45% of the Plan assets were applicable to State employees and the remaining 55% represent the assets of other Wisconsin public employers participating in the Plan.

Under provisions of the Small Business Job Protection Act of 1996 (SBJPA), which became effective for plan years beginning after December 31, 1996, assets of IRC Section 457 plans must be held in a trust, custodial account, or annuity contract for the exclusive benefit of employees and beneficiaries. In March 2006, Wisconsin Act 150 was signed into law, creating Code Section s.40.80 (2)(g) of the Wisconsin Statutes. Section s.40.80 (2)(g) incorporates requirements of the federal tax code by establishing the Wisconsin Deferred Compensation (WDC) Program as a trust. Furthermore, it established the Deferred Compensation Board members as trustees with fiduciary responsibilities.

The Plan is governed by the Wisconsin Deferred Compensation Board (the Board) and is administered by a third party. The Board is also the trustee of the Plan.

Employees electing to participate in the Plan may contribute to or exchange within any of the following investment options:

- Fixed earnings investment of the Stable Value option managed by Galliard Capital Management, Inc.;
- Fixed earnings investment in a FDIC option managed by Nationwide Bank (the FDIC option was provided by BMO Harris Bank until November, 16 2013 and was transferred to Nationwide Bank on November 17, 2013);

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

General (continued)

- Group annuity option managed and underwritten by Great-West Life & Annuity Insurance Company;
- Variable earnings investments options consisting of select mutual funds;
- Self-directed option – Personal Choice Retirement Accounts (PCRA) offered by Charles Schwab & Co., Inc. Participants may exchange funds accumulated in the core options of the Plan to a PCRA account, which provides approximately 3,000 additional investment offerings other than the Plan's core options

Employees may withdraw the value of the funds contributed to the Plan upon termination of employment with the employer, retirement, death, or financial hardship. Employees, or their beneficiaries, may select various payout options which include lump sum or periodic payments.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and present the net position available for plan benefits and the net changes in position.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

Contributions and Contributions Receivable

Employee contributions are recognized when such amounts are withheld. Contributions receivable represent amounts withheld from employees but not yet received or remitted to the investment carriers at fiscal year-end and these receivables approximate fair value.

Investment Valuation

Fixed earnings investments are valued as reported by Galliard Capital Management and Nationwide Bank at fair value, which represents contributions received plus interest income earned to date less applicable charges and amounts withdrawn.

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Valuation (Continued)

Variable earnings investments (mutual funds) and personal choice retirement accounts are presented at fair value based on published quotations. All purchases and sales are recorded on a trade-date basis.

Assets held for annuity payout reserves and allocated insurance contracts are actuarially valued as reported by Great-West Life and approximate fair value.

Distributions

Distributions are recorded at the time withdrawals are made from participant accounts.

Mutual Fund Investment Income

Mutual fund investment income consists of dividend income and realized and unrealized gains and losses attributed to the mutual funds and personal choice retirement accounts.

Interest Income

The Stable Value option paid interest ranging from 2.10% to 2.52% and 2.63% to 3.01% during the years ended December 31, 2013 and 2012, respectively. At December 31, 2013 and 2012, the actual crediting rate was 2.10% and 2.63%, respectively.

The FDIC option, managed by BMO Harris, paid interest of 0.45% during the year ended December 31, 2013 and interest ranging from 0.45% to 0.58% during the year ended December 31, 2012. On November 17, 2013, the FDIC option was transferred to Nationwide and paid interest of 0.30% during the year ended December 31, 2013. At December 31, 2013 and 2012, the actual crediting rate was 0.30% and 0.45%, respectively.

Interest income is recorded as earned on the accrual basis.

Participants' Accounts

Earnings are credited to individual participants' accounts based upon the investment performance of each specific option selected.

Transfers-In from Other Plans

Transfers-in represent the balances of assets transferred by employees from other eligible plans.

Related Party Transactions

Certain members of the Deferred Compensation Board, Wisconsin Retirement Board, Teachers Retirement Board, Group Insurance Board and Employee Trust Funds Board are participating or retired members of the Plan.

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 2 – INVESTMENTS

Investments held in the name of the Plan at December 31, 2013 and 2012 were as follows. Investments marked with an asterisk (*) represent individual investment options, which exceed 5% of the net position available for plan benefits as of December 31, 2013 and 2012. Investments marked with two asterisks (**) represent international mutual funds.

	<u>Fair and Carrying Value</u>	
	<u>2013</u>	<u>2012</u>
Fixed earnings investments:		
Stable Value	\$ 611,237,413 *	\$ 579,012,885 *
Nationwide Bank	93,887,594	97,645,248
Total fixed earnings investments	<u>705,125,007</u>	<u>676,658,133</u>
Variable earnings investments:		
Fidelity Contrafund	520,846,774 *	405,451,290 *
Vanguard Wellington Fund Admiral Shares	393,618,475 *	329,418,406 *
T. Rowe Price Mid-Cap Growth Fund	352,800,098 *	263,466,756 *
Vanguard Institutional Index Fund Plus Shares - Institutional Plus Shares	326,038,143 *	242,186,672 *
DFA US Micro Cap Fund	240,172,690 *	163,616,396 *
American Funds Europacific Fund - Class R6	155,335,892 **	124,794,984 **
BlackRock Mid Cap Equity Index Fund - Collective W	143,849,257	106,514,373
Vanguard Target Retirement 2025 Fund	102,771,915	72,112,419
Vanguard Long-Term Investment Grade Fund Admiral Shares	100,616,335	130,984,350
Vanguard Target Retirement 2015 Fund	90,697,504	74,059,423
BlackRock EAFE Equity Index Fund - Class W	85,532,472 **	74,361,486 **
BlackRock U.S. Debt Index Fund - Class W	67,707,436	55,511,920
Vanguard Target Retirement 2035 Fund	67,299,955	47,270,986
BlackRock Russell 2000 Index Collective T	54,286,531	35,839,164
Calvert Social Investment Fund - Equity Portfolio - Class I	40,018,327	30,671,828
Vanguard Target Retirement 2045 Fund	36,632,680	25,356,618
Vanguard Admiral Treasury Money Market Fund - Admiral Shares	33,830,166	37,914,616
Vanguard Target Retirement Income Fund	33,535,532	34,073,470
Federated U.S. Government Securities Fund - 2-5 Institutional Shares	32,026,113	36,151,224
Vanguard Target Retirement 2055 Fund	4,142,347	1,488,678
Total variable earnings investments	<u>2,881,758,642</u>	<u>2,291,245,059</u>
Self-directed option:		
Personal Choice Retirement Accounts - Charles Schwab	64,007,471	57,206,990
Group Annuity Policy:		
Great West Life	1,544,017	1,835,985
Total investments	<u>\$ 3,652,435,137</u>	<u>\$ 3,026,946,167</u>

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 2 – INVESTMENTS (CONTINUED)

At December 31, 2013 and 2012, the Stable Value option fixed earnings investment totaling \$2,104,969 and \$1,970,087, respectively, was payable to the Board for Plan administration costs.

The fixed earning investments with Nationwide Bank are insured by the Federal Deposit Insurance Corporation up to \$250,000 per participant. At December 31, 2013 and 2012, 308 and 281 accounts of individual participants held more than \$250,000, respectively.

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Plan would not be able to recover the value of its deposits, investments, or collateral securities that were in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the Plan and are held by either the counterparty or the counterparty's trust department or agent, but not in the Plan's name.

The Stable Value option and the mutual funds do not have securities that are used as evidence of the investments and therefore are not exposed to custodial credit risk.

Interest rate risk is the risk that changes in interest rates that will adversely affect the value of an investment.

Credit risk is the risk that the Plan will lose money because of the default of the security of the issuer or investment counterparty. The stable value option and the variable earnings mutual funds are unrated.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investments are managed by several fund managers. The concentrations of investments are determined by the participants' elections to invest in the available investment options as selected by the Board. The investments that exceed 5% are identified on page 12.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the investment. The Plan allows the option of investments in mutual funds of countries outside the U.S. that invest in securities not required to disclose the individual assets within the fund. The fair value of these investments was \$240,868,364 and \$199,156,470 as of December 31, 2013 and 2012, respectively. The individual funds are identified on page 12.

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 2 – INVESTMENTS (CONTINUED)

As of December 31, 2013 and 2012, the Plan had the following investments and maturities in its fixed earnings and mutual fund investments, which included investments in bonds.

	<u>2013</u>		<u>2012</u>	
	<u>Fair Value</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Fixed earnings investment:				
Stable Value	\$ 611,237,413	2.78	\$ 579,012,885	3.64
Variable earnings investments:				
Vanguard Wellington Fund Admiral Shares	393,618,475	8.40	329,418,406	8.90
Vanguard Target Retirement 2025 Fund	102,771,915	7.56	72,112,419	6.90
Vanguard Long-Term Investment Grade Fund Admiral Shares	100,616,335	23.10	130,984,350	24.90
Vanguard Target Retirement 2015 Fund	90,697,504	7.02	74,059,423	7.19
BlackRock U.S. Debt Index Fund - Class W	67,707,436	6.87	55,511,920	6.32
Vanguard Target Retirement 2035 Fund	67,299,955	7.56	47,270,986	6.90
Vanguard Target Retirement 2045 Fund	36,632,680	7.56	25,356,618	6.90
Vanguard Target Retirement Income Fund	33,535,532	6.49	34,073,470	7.67
Federated U.S. Government Securities Fund - 2-5 Institutional Shares	32,026,113	3.50	36,151,224	3.70

An agreement was reached between the Board and Great-West Life on April 27, 1994, whereby the Plan purchased a single premium group annuity policy on May 1, 1994 for \$12,946,917 (the balance in the annuity payout reserve at the time of purchase). Under the terms of the policy, Great-West Life assumed the contractual liability for the remaining annuity terms and amounts and assumed all risk related to market fluctuation. The actuarial value of the group annuity contracts, as determined by Great-West Life, was \$1,544,017 and \$1,835,985 at December 31, 2013 and 2012, respectively.

NOTE 3 – PLAN ADMINISTRATION

The Plan receives periodic recordkeeping fee payments from certain investment companies. Such fees are paid to the Board to support Board costs, which include the contractual fee paid to the third-party administrator, Great-West Life.

Each participant in the Plan is charged a fee based upon their account balance and a tiered dollar charge.

<u>Participant Account Balance</u>	<u>Monthly/Annual Participant Fee</u>
\$1 - \$5,000	\$0/\$0
\$5,001 - \$25,000	\$1/\$12
\$25,001 - \$50,000	\$2/\$24
\$50,001 - \$100,000	\$4/\$48
\$100,001+	\$5.50/\$66

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 3 – PLAN ADMINISTRATION (CONTINUED)

Fees assessed in excess of the Plan administrative expenses as of December 31, 2013 and 2012, were \$2,104,969 and \$1,970,087, respectively. At the Board's discretion, these excess fees are invested and available to defray future administrative expenses and participant fee increases.

NOTE 4 – TAX STATUS

The Plan is reviewed by legal counsel to ensure conformity with Section 457 of the IRC. Accordingly, any amount of compensation deferred under the Plan and any income attributable to the amounts so deferred shall be included in the gross income of the participant only for the taxable year in which such compensation or other income is paid or otherwise made available to the participant or other beneficiary.

NOTE 5 – CONTINGENCIES

The Plan is subject to various threatened and pending claims. It is the opinion of management that the ultimate liability arising from such threatened and pending claims will not have a material effect on the financial position of the Plan. The Plan is exposed to various other liabilities and risks related to the fiduciary responsibility of directors and officers.

NOTE 6 – RISK AND UNCERTAINTIES

The Plan, as directed by participants, may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities may occur in the near term and that such changes could materially affect the amounts reported in the Statements of Net Position Available for Plan Benefits.

NOTE 7 – PLAN TERMINATION

The State may terminate the Plan at any time, although no intent to terminate the Plan has been expressed. In the event of termination, all participants will remain fully vested.

NOTE 8 – SUBSEQUENT EVENTS

The Plan evaluated subsequent events through June 11, 2014, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2013, but prior to June 11, 2014, that provided additional evidence about conditions that existed at December 31, 2013, have been recognized in the financial statements for the year ended December 31, 2013. Events or transactions that provided evidence about conditions that did not exist at December 31, 2013, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2013.

This information is an integral part of the accompanying financial statements.