

CITY OF MILWAUKEE
MINUTES OF THE DEFERRED COMPENSATION BOARD
SPECIAL MEETING OF WEDNESDAY, JUNE 15, 2016
12:30 P.M. - ROOM 405, CITY HALL

MEMBERS/DESIGNEES PRESENT:

Mr. Jerry Allen, ERS Director, Chair
Mr. Mark Buetow, Milwaukee Police Association
Alderswoman Milele Coggs, Finance & Personnel Chair – arrived at 12:39 p.m.
Ms. Renee Joos, Fiscal & Risk Manager
Ms. Paula Kiely, Milwaukee Public Library Director – joined via conference call at 12:42 p.m.
Mr. James Klajbor, Deputy City Treasurer, Vice Chair
Mr. Steven L. Mahan, Community Development Grants Administration
Mr. Mark Nicolini, Budget Director – joined via conference call at 12:44 p.m. to 1:10 p.m.
Ms. Sandra Rotar, Health Operations Administrator

EXCUSED/ABSENT:

Mr. Stuart Mukamal, Assistant City Attorney - excused

OTHER PLAN PROVIDERS and STAFF PRESENT:

Ms. Elaine Bieszk, Administrative Assistant, Deferred Compensation
Mr. Trampus Bright, Voya Financial
Ms. Margaret Daun, Executive Director
Mr. Michael A. Doto, Voya Financial
Mr. Brian Merrick, Voya Financial
Ms. Maria Montegudo, Director Employee Relations
Mr. Ben Taylor, Callan Associates Inc.

OTHERS PRESENT:

Ms. Jennifer Archer, JPMC

12:32 p.m. A quorum being present, Mr. Allen, Chair of the Deferred Compensation Board, called the meeting to order.

1. Fiduciary Liability Insurance Renewal [01:00]

Mr. Klajbor reported that the Plan will renew with the same terms, conditions, and pricing, slightly adjusted to provide one additional month of coverage to better coincide with our Board meeting schedule. Mr. Allen reported that the total premium for this year is \$79,004.

[02:12] Motion by Mr. Klajbor to approve. Seconded by Mr. Buetow. No objections.

2. Plan Design Selections [02:58]

[09:49] Enrollment Best Practice – Decisions Points

The first summary of recommendations appears on Slide 5.

(a) If new employees fail to make an affirmative election within 30 days of eligibility, then they will be automatically placed into the plan with a 5% deferral, with a 1% annual auto-escalator, with all moneys placed into an age-appropriate target date fund;

(b) During the annual enrollment period (Oct 1-31), if currently-eligible but not enrolled employees fail to make an affirmative election, then they will be automatically placed into the plan with a 5% deferral, with a 1% annual auto-escalator, with all moneys placed into an age-appropriate target date fund;

(c) During the annual enrollment period (Oct 1-31), if currently-participating employees fail to make an affirmative election, then their deferral rate will be increased to 5%, with a 1% annual auto-escalator;

(d) For currently-participating employees, if they fail to make an election during the 2016 enrollment period, then their entire plan balance (except SDBA assets) will be moved into the age-appropriate target date fund and all future contributions will be placed into the same age-appropriate target date fund. This reallocation into target date funds for current participants who fail to make an election during the enrollment period will only occur once in 2016; it will not recur on an annual basis; and

(e) The auto-escalator for all shall be maxed out at 15%.

[32:29] Motion by Mr. Klajbor that the Board accept and approve the recommendations of the EFC as delineated on Slide 5. Seconded by Mr. Buetow. Discussion ensued.

The Board will take into consideration the outcome of the Meet and Confer meetings that will be scheduled with Ms. Monteagudo's assistance.

No further discussion.

[34:31] Roll call vote. Aye-6: Mr. Allen, Mr. Buetow, Ms. Joos, Ms. Kiely, Mr. Klajbor, Ms. Rotar. No-2: Mr. Mahan, Mr. Nicolini. Abstain-1: Alderwoman Coggs. The motion carries.

[35:18] Self-Directed Brokerage Account – SDBA

Motion by Mr. Klajbor that the Board accepts and approves the recommendations of the EFC as delineated on Slide 13. The Executive Director (ED), outside counsel and Assistant City Attorney Tangen shall be delegated the responsibility to negotiate a new contract with Schwab with as favorable as possible terms (including fees) and as aggressive as possible disclosures for participants; in addition, to the extent operationally possible, that the brokerage window shall institute the following access/trading limits: the minimum participant account balance to access the SDBA is \$100,000; the initial allocation to the SDBA can be no less than \$10,000; transfers in and out of the SDBA shall be no less than \$5,000 unless participant is closing out their SDBA to \$0; the maximum amount in the SDBA is 75% of a participant's total balance; and

frequent trading limits.

[36:43] Ms. Daun stated a friendly amendment to the motion would be currently existing Schwab accounts would be grandfathered in and the limits would not apply. Roll call vote taken. No objections.

Advisory Services

[37:45] Motion by Mr. Klajbor that the Board accept and approve the EFC recommendations as delineated on Slide 20.

Delegate to the EFC, ED, Assistant City Attorney Tangen, and Callan to continue fee negotiations related to managed accounts and to make a recommendation for later consideration by the EFC. This will not need to return to the Board. If there is a universal recommendation by the above-noted individuals to approve a managed account agreement/fee structure, the EFC can provide final approval and under these constraints, and with these understandings, the EFC recommends that the Board approve the addition of managed accounts. Seconded by Mr. Buetow. Roll call vote taken. No objections.

Participant Loans

[39:18] Motion by Mr. Klajbor that the Board receive and approve the recommendations of the EFC regarding participant loans as delineated on Slide 22.

The new loan program shall permit only one active loan at a time for any purpose (with pre-existing loans to be grandfathered in), refinancing will no longer be permitted, loan payments may continue after separation of service, loan default at the end of the quarter following the quarter in which the payment was missed, and finally, fees shall be \$75 for origination and \$50 for check overnighting. Seconded by Ms. Rotar. Roll call vote taken. No objections.

Asset Mapping at Transition

[40:41] Motion by Mr. Klajbor that the Board would receive and approve the EFC recommendations regarding the asset mapping as delineated on Slide 24, with a small change that a participant must have no less than 75% (not 80%) of participant's assets in a target date fund. Seconded by Mr. Buetow. Roll call vote taken. No objections.

[42:43] Fee Disclosure

Recommendation to the Board that the future fee disclosures mirror the disclosure made in February 2016 (i.e., describe the services provided by each vendor to the Plan and report investment management and administrative/operating expenses separately on a post-hoc actual basis), with the addition of definitions of expense ratios/basis points and a sample fee calculation, to be done once a year in January or February.

[43:36] Electronic Statement Delivery Proposal

Slide 28 – Recommendation to the Board to delegate to the EFC the ability to provide final approval of fee concessions related to electronic delivery of statements for 1Q-3Q each year as negotiated by the ED and Callan; year-end statements to be delivered in hardcopy in conjunction with the annual fee disclosure; and all statements available online at all times.

[44:39] Benefit Distribution

Slide 29 – Recommendation to the Board that (a) distributions be processed exclusively on a pro-rata basis across all allocations; (b) the default mechanism for distributions be via online form, with paper forms available only upon request, preferably in conjunction with an appointment with a local representative.

[45:19] Domestic Relations Order

Slide 30 – Recommendation to the Board that per Voya’s RFP, Voya will exclusively process DROs in the future with a cost of \$450 per DRO, to be split between the participant and the alternative payee(s).

[46:00] Plan Branding

Ms. Daun explained how the plan will be integrated into the Wellness Program with healthy rewards points available. Ms. Rotar suggested Ms. Daun and Ms. Monteagudo present the plan design changes at a Wellness Committee meeting. Ms. Joos gave a quick update as to where they are incorporating enrollment processes into the Wellness Program.

[46:06] Recommendation that the Board approve the following Plan branding, with this logo and tagline, “Financial independence. It starts today.”



[48:00] Motion by Mr. Klajbor that the Board approve, as a slated, the foregoing recommendations from the EFC as to fee disclosures, electronic/hardcopy delivery of statements, benefit distribution, DROs, and plan branding. Seconded by Mr. Buetow. No objections.

01:22 p.m. Meeting adjourned. [49:10]