

CITY OF MILWAUKEE
MINUTES OF THE DEFERRED COMPENSATION BOARD
MEETING OF THURSDAY, AUGUST 17, 2017
2:00 P.M. - ROOM 405, CITY HALL

MEMBERS/DESIGNEES PRESENT:

Mr. Jerry Allen, Board Chair
Mr. Mark Buetow
Ms. Paula Kiely
Mr. James Klajbor, Vice Chair
Mr. Steven L. Mahan
Mr. Stuart Mukamal
Mr. Mark Nicolini – Left at 2:35 p.m.

EXCUSED/ABSENT:

Alderwoman Milele Coggs – excused
Ms. Renee Joos – excused
Ms. Sandra Rotar – excused

OTHER PLAN PROVIDERS and STAFF PRESENT:

Ms. Elaine Bieszk, Plan Coordinator, Deferred Compensation
Ms. Beth Conradson Cleary, Executive Director
Ms. Dawn Conlin, Voya Financial
Mr. Jeff Deetsch, Invesco
Mr. Charles Duval, Invesco
Ms. Kimberly Kuehn, Administrative Assistant II, Deferred Compensation
Mr. Daniel Kwiecinski, Hays Companies
Ms. Charmaine Martin, Voya Financial
Mr. Brian Merrick, Voya Financial
Ms. Debbie Sweeney, Hays Companies
Ms. Ellen Tangen, Assistant City Attorney – via conference call
Mr. Ben Taylor, Callan Associates Inc.

OTHERS PRESENT:

02:07p.m. A quorum being present, Mr. Allen, Chair of the Deferred Compensation Board, called the meeting to order.

1. Approval of Meeting Minutes of May 04, 2017 [00:41]

[00:51] Motion by Mr. Klajbor to approve the minutes. Seconded by Mr. Nicolini. No objections.

2. Personnel Committee [01:09]

Ms. Cleary welcomed the new Administrative Assistant II, Kimberly Kuehn. Mr. Allen stated that Ms. Cleary has formally accepted the Executive Director position.

3. Approval of the Fiduciary Liability Insurance Renewal [02:01]

Ms. Sweeney gave a brief overview of the proposed renewal policy. Changes this year to the policies include more coverage at a reduced price. Euclid's proposed policy included the Plan's right to select counsel, as well as settlor coverage. Mr. Klajbor stated that the EFC is recommending that the Board selects option 2 with \$10 million excess coverage at an additional cost of \$9,576. The total premium for the year will be \$70,004, a reduction from last year's total premium of \$79,004.

[07:59] Motion by Mr. Klajbor to approve the Fiduciary Insurance renewal. Seconded by Mr. Mukamal. No objections.

4. Executive Finance Committee Report [09:36]

a. Recommend approval of Schroders CIT

Mr. Klajbor stated that the EFC is recommending that the Plan move from Schroder's mutual fund to its comingled fund, as doing so will reduce the fee from 75 basis points to 60 basis points.

[10:22] Motion by Mr. Nicolini to approve the Schroders CIT. Seconded by Mr. Buetow. No objections.

b. Stable Value Account benchmark update [10:32]

Mr. Deetsch reported on the Stable Value Fund benchmark revisions, which are reflected in the amended Investment Policy Statement (IPS) revisions, given Invesco's recently amended guidelines. The updated benchmark for the Stable Value Account (SVA) more closely reflects the SVA investment style from a market-value perspective. The EFC is recommending approval of the revisions to the IPS and the Second Amendment to the Invesco Agreement.

[15:14] Motion by Mr. Mukamal to approve revisions to the Investment Policy Statement. Seconded by Mr. Nicolini. No objections.

Motion by Mr. Buetow to approve the Second Amendment to the Agreement between the City of Milwaukee and Invesco Advisors, Inc. Seconded by Mr. Nicolini. No objections.

c. Recommend approval of Administrative Rule job description changes [16:11]

Mr. Klajbor stated that the Administrative Rules were adjusted to reflect the addition of the Administrative Assistant II position.

[16:20] Motion by Mr. Klajbor to approve the Administrative Rule change. Seconded by Mr. Buetow. No objections.

d. Administrative fees for SDBA accountholders [16:29]

Ms. Cleary stated that, in May, the Board approved reviewing how to best assess fees for participants invested in the Self-Directed Brokerage Account (SDBA) (who do not have sufficient funds in their core accounts to cover these fees) and had charged the EFC to look into the details of the implementation of this project. Mr. Merrick explained that Voya will be deducting fees out of the impacted participants' core account balances (*i.e.*, funds that are not in the SBDA account). Ms. Cleary stated the Plan Provision and Service Requirements "PPSR," which is an administratively approved document that she signs off on, is the blueprint for Voya to implement the details of our Plan, and is where the details of the SBDA fee assessment process will be outlined. Mr. Merrick reported that there are currently 30 individuals who do not have enough money in their core funds to cover fees; these individuals will receive correspondence letting them know they will need to move funds from the SDBA to the core account to cover five years' worth of fees.

A subsequent correspondence will be sent to those who have not yet moved the required funds and will explain how Voya will work with Schwab to effectively freeze any funds they have in their SBDA account to prevent them from purchasing anything else in the brokerage account. He clarified that these participants will still be able to trade, but they will be prevented from making purchases. For the individuals who have still not taken action, Voya will instruct Schwab to sell specific securities. Mr. Allen asked if Voya will make sure that participants understand that they can sell, some participants will read "trade" as they cannot do any transactions. Mr. Merrick answered that Voya will make that clear in the correspondence.

e. Summary of Investment Manager presentations [25:40]

Mr. Klajbor reported that the EFC met with Baird in May, Reams in June, Brandywine in July, and Geneva Capital in August to hear presentations regarding these investment managers' philosophies, processes, strategies and updates on asset performance. The EFC anticipates continuing to meet with one investment manager each month; as always, all Trustees are welcome to attend any EFC meeting, especially if they have an interest in the presentations.

5. Executive Director Report [27:21]

a. 2016 Audit Update

Ms. Cleary stated the audit process is moving along and noted that 2016 will be a unique year to review, given that we had two record keepers, resulting in two different sources for data points and the transition that took place between them. The vendors are cooperating and Ms. Cleary will continue to update the EFC on the audit progress. Mr. Klajbor stated we should have the final done for the November Board meeting. Ms. Cleary stated she is going to push for that to happen.

b. Open enrollment/Default election planning efforts [29:26]

Ms. Cleary provided an update on the upcoming Annual Elections and Default Election period, which will take place during the City's Open Enrollment period. She noted that this will be the Plan's first year of administering default elections, which will impact a subset population of our employees (*i.e.*, eligible employees not already enrolled or who have been contributing less than 3%). The communication campaign will involve specifically reaching out to those impacted (approximately 1,000 employees) by the Annual Election and Default Election process. We will still utilize the microsite that was developed and used last year to simplify and streamline the election process. In addition to reaching out to those impacted and providing city-wide notification presentations, we will also be providing a recorded presentation on the milwaukeedcp.com website regarding the election period and process. Mr. Mukamal asked if we will be sending out a mass email to every employee reminding them of the various elements of open enrollment are and what they can do. Ms. Cleary stated that our annual privacy notice will be distributed in the near future, which will include a welcome letter from the Executive Director. The letter will include information about who the Annual Election and Default Election period will impact. Ms. Kiely asked if new employees have the option to enroll in the Plan right away. Ms. Cleary answered yes. Ms. Cleary recognized the efforts of the local team who are following up to inform new employees of their options.

c. Update on Legal Service requests [37:50]

No update at this time.

d. Investment Update [38:50]

- Fund Fact Sheets**
- Fee Disclosure**

Ms. Cleary reported on the enclosed fund fact sheets and fee disclosure. The fee

disclosure is typically updated on an annual basis; however, it has been updated to reflect the fees correlating to the year-end date rather than the transition date. Ms. Cleary referenced the three fees described on the fee disclosure which are the recordkeeping fee, the administrative fee and the investment fee, which was formerly the investment manager fee. Mr. Mukamal asked if the fund fact sheet referenced equity vs non-equity. Discussion ensued.

-Target Date 2015 Fund Closure 30-day Notice [45:48]

Ms. Cleary referenced the communications provided to notify participants about the JP Morgan Target Date Fund (TDF) 2015 closure and how the assets will consolidate into the Target Date Income Fund. This transition will be implemented at the beginning of October.

-Invesco Sales/Client Services Team Update [46:23]

Ms. Cleary introduced Invesco's newly assigned Relationship Manager to our Plan, Mr. Charles (Chas) Duval. Mr. Duval gave a brief introduction of himself to the Board.

6. Vender Quarterly Reports [47:53]

-Callan

Mr. Taylor gave a brief summary of the Callan quarterly report. Mr. Taylor also gave an update on the ownership transition taking place at Callan at the senior level, which is part of a long-standing plan that was announced almost four years ago. As of September 1, 2017, the current Chairman and CEO, Ron Peyton, will assume the title of Executive Chairman, and the current President and Director of Research, Greg Allen, will assume the title of CEO and President.

-Charles Schwab PCRA Report

-Invesco Advisers, Inc. (SVA) Performance Report [01:05:35]

Mr. Deetsch of Invesco gave a brief overview of the Invesco quarterly report materials. Mr. Deetsch summarized the risk to the portfolio. Discussion ensued.

-Northern Trust Performance Report

-Voya Financial – Plan Report [01:13:55]

Mr. Merrick referenced a new Rollover Report on page 12 that highlights trends in distributions that are taken out of the Plan. There was a spike in rollovers through the first quarter; however, since then the trend has been going down. He also reported on a newly created distribution flyer to educate participants of their options upon separation. The local team has developed presentations specifically for participants who may have questions regarding their options. Ms. Cleary stated these efforts are a result of the EFC's recommendation to specifically educate our retirement-ready participants about their

distribution options and to provide resources to assist them. Discussion ensued. Mr. Merrick provided an overview of the savings and participation report.

[00:24:33] Motion by Mr. Klajbor that the Board receive, and place on file all of the vendor quarterly reports.

7. Informational Items [01:24:40]

- Financial Wellness Session Schedule
- Rollovers –Consolidation Team Flyer
- Distribution Options Flyer
- Voya’s Loan Enhancement Feature

3:43 p.m. Meeting adjourned. [01:45:32]