

CITY OF MILWAUKEE
MINUTES OF THE DEFERRED COMPENSATION BOARD
MEETING OF THURSDAY, MAY 17, 2018
2:00 P.M. - ROOM 405, CITY HALL

MEMBERS/DESIGNEES PRESENT:

Mr. Jerry Allen, Board Chair
Mr. Thomas Bell – arrived at 2:06 p.m.
Alderswoman Milele Coggs – arrived at 2:17 – left at 2:55 p.m.
Ms. Renee Joos
Ms. Paula Kiely
Mr. James Klajbor, Vice Chair
Mr. Steven L. Mahan
Mr. Stuart Mukamal

EXCUSED/ABSENT:

Mr. Shawn Lauda - Excused
Ms. Sandra Rotar - Excused

OTHER PLAN PROVIDERS and STAFF PRESENT:

Mr. Andy Apostol, Invesco
Ms. Elaine Bieszk, Plan Coordinator, Deferred Compensation
Ms. Adria Campbell, Voya Financial
Ms. Beth Conradson Cleary, Executive Director
Ms. Dawn Conlin, Voya Financial
Ms. Audra Ferguson-Allen, Ice Miller – via conference call
Ms. Miriam Horwitz, Deputy City Attorney
Mr. Michael Joecken, Callan Associates Inc.
Ms. Kimberly Kuehn, Administrative Asst. II, Deferred Compensation
Mr. Matt Lipuma, Northern Trust – via conference call
Mr. Joshua Lieberman, J.P. Morgan
Ms. Raven Merlau, Ice Miller – via conference call
Mr. Brian Merrick, Voya Financial
Ms. Ellen Tangen, Assistant City Attorney – via conference call
Mr. Ben Taylor, Callan Associates Inc.

OTHERS PRESENT:

2:03 p.m. A quorum being present, Mr. Allen, Chair of the Deferred Compensation Board, called the meeting to order.

Roll call and Introductions

1. Approval of Meeting Minutes of February 15, 2018 and Special Meeting Minutes of April 9, 2018 [03:18]

Motion by Mr. Klajbor to approve the meeting minutes. Seconded by Mr. Mukamal. No objections.

2. Discussion of Default Annual Percentage Increase [03:47]

Mr. Allen reminded the Board that our Plan provides for a default contribution rate of 3% of covered pay into the Plan for general city employees, unless the individual opts out. It is a form of automatic enrollment and the Plan further provides that the Board can, from time to time, consider whether that default contribution rate should be increased. Mr. Merrick provided the Board with an overview of his analysis of what would happen with a default rate of 5%. Mr. Allen stated that this is not posted for action today because we have heard from none of the Trustees that they thought we should be considering increasing this percentage. He is open to hear if anyone thinks we should do it. Discussion ensued. Ms. Cleary reported this item will be brought back again next year, as well as more analytics for the Board to review and consider. Ms. Kiely asked if there was something that could generate awareness of the auto escalation feature that is available to participants. Ms. Cleary stated that this topic will be discussed when planning our educational campaign and can be featured in both our city-wide wellness articles and the quarterly newsletter.

[02:10] Motion by Mr. Klajbor to convene in closed session for Items 3 and 4a, pursuant to Section 19.85(1)(e) and (g), Wisconsin Statutes for deliberating or negotiating the purchasing of public properties, the investing of public funds, or conducting the specified public business, whenever competitive or bargaining reasons require a closed session and conferring with legal counsel for the governmental body who is rendering oral or written advice concerning strategy to be adopted by the body with respect to litigation in which it is or is likely to become involved. Seconded by Mr. Mukamal. Roll call vote taken. No objections. Mr. Klajbor stated the closed session will not be recorded. No objections.

2:07 p.m. Board enters closed session.

2:35 p.m. Return to open session.

3. Approval of Ice Miller Contract Extension [02:40]

Mr. Allen reported that the Board approved, in closed session, the extension of Ice Miller's contract. In addition, there was a referral to the EFC of the advice received from Ice Miller regarding some rules and regulations for the Board to consider about how to comply with break-in-service Internal Revenue Code requirements as it pertains to our Plan with regards to new hires.

4. Executive Finance Committee Report [21:18]

- a. Update on Legal Service requests
- Ice Miller memorandum re Federal tax compliance matters

See Item 3.

- b. Administrative fees for SDBA accountholders update

Mr. Merrick reported that this project is almost complete. Two individuals remain who need to sell securities to generate cash, which will then be moved in to the core funds to allow for adequate funds to cover administrative fees. The participants have been sent a letter with a deadline of May 1, 2018; they still have not taken action. Voya's next step will be to reach out to Schwab and give them direction to sell securities, which would follow the recommended hierarchy to generate the cash needed.

- c. Summary of Investment Management and Services Presentations
- WCM Investment Mgmt. – AMEA Focused Growth Int'l. Fund

Mr. Klajbor reported that the EFC meets with the Plan's investment managers instead of reporting to the Board. The EFC last met with WCM who gave an informative presentation; the EFC saw no need to make any changes in that area at this time.

- d. Update on Target Date Fund Fees

Mr. Klajbor explained that JP Morgan, who manages the Target Date Funds (TDFs), periodically reviews the funds fee structure and allocations. The enclosed document is informational and reflects lowered fees for several TDFs offered in our Plan.

5. Executive Director Report [24:35]

- a. Investment Manager Agreement and Transition update [24:41]

Ms. Cleary reported that she is working with the City Attorney's office and outside counsel to review the Transition Management Agreement. Once this Agreement is in place the Plan will be able to utilize these services, when required.

- b. Approval of the 2019 Proposed Budget [25:09]

Ms. Cleary referred to the BMD-2 and BMD-2a forms that were submitted to the Budget Office for the 2019 proposed budget. The BMD-2a reflects a drop in general office expenses and equipment purchases, as well as a slight raise for the salary and wages,

which reflects the addition of the new Administrative Assistant II position.

[34:10] Motion by Mr. Klajbor to approve the proposed budget for 2019. Seconded by Mr. Bell. No objections

c. Update regarding preparation of Financial Statements for 2017 [26:10]

Ms. Cleary stated this update includes Item 5d (“Update re 2017 Audit”). She reported that the Board requested that two separate vendors perform these two functions. We are working with Experis who is currently working on the financial statements. She anticipates having a draft of the financial audit prepared for the July EFC meeting, followed by a presentation from Baker Tilly of the final financial audit to the Board in August.

d. Update re 2017 Audit

See Item 5c.

e. Report on attending the Voya Retirement Summit [28:16]

Ms. Cleary distributed a memorandum and agenda from her attendance at the Summit. She stated she is happy to share any slides from any of the presentations. She found the Summit to be extremely helpful regarding being able to meet and confer with other Voya clients and the Voya executive team, and partake in meaningful discussions about Voya’s services, as well as best practices within the industry. She and other clients engaged in candid conversations and provided Voya with feedback. Ms. Kiely and Ms. Joos asked Ms. Cleary to send them the slides on the topic of student loan payments.

6. Voya presentation by Brian Merrick re Financial Wellness website tool [38:35]

Mr. Merrick gave a brief presentation navigating the new Financial Wellness tool that is now on the participant website located right above the “my Orange Money” link.

7. Voya Retirement Evaluation materials – Informational [47:48]

Mr. Merrick explained that the purpose of the Retirement Evaluation campaign that Voya is running is to encourage Plan participants to assess how they are doing in terms of saving, projected retirement income and diversification. This assessment is based on whatever retirement information Voya has. Accordingly, an email has been sent out to encourage individuals to visit ERS’ website, obtain their projected pension income, and enter it into the web tool so that when Voya sends out this retirement evaluation scorecard it will reflect this important data point.

The broader campaign materials are still in draft. These materials will not be sent to participants with a *di minimis* balance of \$5,000 or who have an inactive status. They will receive a scorecard that will show them how they are doing in terms of investments, savings and projected retirement income. The intent is that this information will be sent out every year to provide participants with more information than just their regular statement and to encourage participants to reach out to Voya with any questions they may have regarding their asset allocations, contributions, or seeking any needed or wanted investment advice. The mailing is anticipated to go out this summer. Ms. Cleary stated that there will be a different set of materials provided to inactive participants, which will include a scorecard focusing on risk allocation. Discussion ensued. Mr. Merrick will report back to the Board with updates regarding this Campaign.

Ms. Cleary commented that when she was in DC, a big theme that was discussed was the recent Fifth Circuit Court of Appeals decision that vacated the DOL fiduciary rule. The implication of this decision and this eliminated rule means that it is even more crucial for our Plan to educate our participants—especially those entering and in the retirement phase—about how to approach and evaluate the decision-making process of potentially working with and choosing financial advisors (*e.g.*, what is a fiduciary, is the financial advisor a fiduciary in his/her decision making capacity, what are the fees, are there any potential conflicts of interest, etc.).

8. Vendor Reports [55:40]

a. Callan Associates Inc. Performance Report [55:50]

Mr. Joecken gave an overview of Callan's quarterly performance report. He stated one thing to note from an organizational perspective is Brandes' February announcement about its founder, Charles Brandes, who was retiring due to personal reasons. Callan has done some due diligence on this and has concluded that he did not have any direct involvement in the management of the portfolio, so this retirement decision does not affect the day-to-day management of the portfolio. Callan will keep an eye on potential outflows of personnel and/or clients, which is a possibility when an event like this occurs.

Mr. Klajbor asked where Brandes is in their rotation of presenting to the EFC. Ms. Cleary stated we are starting over. Mr. Klajbor asked that Brandes be moved to the top of the list to present in the near future.

b. Charles Schwab PCRA Report [01:08:40]

c. INVESCO Advisers, Inc. (SVA) Performance Report Voya Financial [01:08:50]

Mr. Apostle gave a brief overview of the Stable Value Fund quarterly performance. At

the end of the quarter, the market-to-book ratio was 99.16%, the duration was 3.31 years, the crediting rate was 2.40% and the yield to maturity was 2.97%. He pointed out that the market-to-book ratio, which is less than 100%, does not mean that our Fund is impaired. He went on to explain.

He reported that they have been experiencing lower wrap fees. Invesco has been pressing the wrap issuers and have finally hit a point in the 4th quarter where the supply of wraps exceeded the demand by the stable value managers, which Invesco leveraged into lower wrap fees. Three wrap issuers dropped their fee from 20 basis points down to 18 basis points.

Invesco made a decision as a management team to replace Goldman Sach's core strategy with Dodge & Cox during the second quarter of 2018. He went on to explain Invesco's strategy.

- d. JP Morgan SmartRetirement Funds Report
- e. Northern Trust Performance Report
- f. Voya Financial – Plan Report

Mr. Merrick gave a brief summary of the Participation Analysis found on Page 20 of the report. He stated that even with the defaults in place, people are not backing out after being defaulted, and they are staying at the contribution level. Participation and savings rates continue to increase quarter over quarter.

All vendor reports received and placed on file.

9. Informational [01:17:40]

- 2018 Eddy Award
- 1st Quarter newsletter
- CNN Money Article – New Rules for Retirement

Informational only.

3:38 p.m. Meeting adjourned. [01:19:41]