

CITY OF MILWAUKEE
MINUTES OF THE DEFERRED COMPENSATION BOARD
MEETING OF THURSDAY, AUGUST 16, 2018
2:00 P.M. - ROOM 405, CITY HALL

MEMBERS/DESIGNEES PRESENT:

Mr. Jerry Allen, Board Chair

Mr. Thomas Bell

Aldерwoman Milele Coggs – arrived at 2:12 p.m. departed at 2:37 p.m.

Ms. Renee Joos

Mr. James Klajbor, Vice Chair

Mr. Shawn Lauda

Mr. Steven L. Mahan – arrived at 2:21 p.m.

Mr. Stuart Mukamal

EXCUSED/ABSENT:

Ms. Paula Kiely – Excused

OTHER PLAN PROVIDERS and STAFF PRESENT:

Ms. Elaine Bieszk, Plan Coordinator, Deferred Compensation

Mr. Frederick Blue, Voya Financial

Ms. Beth Conradson Cleary, Executive Director

Ms. Dawn Conlin, Voya Financial

Mr. Jeff Deetsch, Invesco

Mr. Chas Duval, Invesco

Ms. Kimberly Kuehn, Administrative Asst. II, Deferred Compensation

Mr. Daniel Kwiecinski, Hayes Companies – via conference call

Mr. Mitchell Manning, Voya Financial

Mr. Brian Merrick, Voya Financial

Ms. Darlene Middleman, Baker Tilly

Mr. Wane Morgan, Baker Tilly

Ms. Ellen Tangen, Assistant City Attorney

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 May 17, 2018 [0:37]

[00:55] Motion by Mr. Klajbor to approve the meeting minutes of May 17, 2018 with corrections. Seconded by Mr. Bell. No objections.

2. Approval of 2018-19 Fiduciary Liability Insurance Renewal [01:04]

Ms. Cleary provided a brief overview of the Fiduciary Insurance policy. Ms. Cleary stated that last year the Plan saw a savings of 5.6%, which was primarily due to receiving a lower bid from Euclid, the primary carrier that the Plan switched to last year. This year there was a slight increase of \$100 in the overall premium costs, for all four layers of coverage, resulting in a total premium cost of \$70,104. What is notable about that is the Plan grew in both assets and participants, which is usually a detractor for the cost of premiums; however, Hays continued to negotiate costs at relatively the same prices. Ms. Cleary referred to the enclosed August 13, 2018 City Attorney opinion regarding fiduciary liability insurance coverage for the Plan and trustee indemnification. Mr. Allen stated that this insurance coverage is a very important layer of coverage to allow the Board to be independent and do its job without any concern that it may be intimidated by any litigation.

[05:46] Motion by Mr. Klajbor to approve the 2018-19 Fiduciary Liability Insurance Renewal. Seconded by Mr. Mukamal. No objections.

3. Executive Finance Committee Report [06:05]

a. Update regarding Federal tax compliance and Master Agreement revisions [18:44]

Mr. Klajbor reported that Ms. Tangen has been working with Ice Miller, the Plan's outside counsel, on this matter. This is a complex issue and still a work in progress.

b. Recommend approval of Voya Retirement Evaluation Campaign materials [21:46]

Mr. Klajbor reported that, at the previous EFC meeting, the Committee had a rather robust conversation regarding the Retirement Evaluation Campaign materials, resulting in recommended changes to how the materials read. The Committee's main concern was that it did not want any Plan participant to think that the Board was endorsing any products. Mr. Merrick gave a brief overview of the services provided to participants from Voya Retirement Advisors. Mr. Merrick stated that this annual communication is part of the overall service promised to the Plan. Once a year Voya is going to send out a mailer that gives participants a scorecard for their retirement savings. This communication is a reminder that the VRA Professional Management service is available to them. They have been working with Ms. Cleary and her staff to customize the materials to the Plan. The EFC wanted to make it perfectly clear that the fee-based

service is not something that the Committee is pushing; rather, these materials are intended to be educational. Mr. Mukamal stated that it is very important that they highlight what is offered at no cost versus what is offered for a fee. Discussion ensued.

[33:33] Motion by Mr. Klajbor to approve the Voya Retirement Evaluation Materials. Seconded by Mr. Lauda. No objections.

c. Recommend approval of 2017 Financial Statements and Audit Report [06:16]

Mr. Klajbor stated that the Committee met with Baker Tilly in July to review the draft of the financial statements and Baker Tilly's draft opinion and that all of the required communications to those in governance have taken place. Changes were discussed, which have been incorporated into the final version. Mr. Morgan provided a brief recap to the Board. Ms. Middleman provided a summary of the supplementary letter that was provided to the Board and explained that the firm will be issuing an unmodified Plan opinion, which is the highest-level assurance that a plan can receive. There were no changes to the footnotes of the financial statements. There were no difficulties or disagreements with management during the audit process. The letter does include a representation letter, which is signed by management that states that management has provided all the information that was requested, and all supporting documentation. This year, the financial audit was completely independent because Baker Tilly did not prepare the financial statements. Ms. Middleman provided a high-level overview of the audit opinion for the Board.

[18:27] Motion by Mr. Klajbor to approve the 2017 Financial Statements and Audit Report. Seconded by Mr. Bell. No objections

d. Summary of Investment Management and Services Presentations [33:42]

Mr. Klajbor reported that that EFC met with the following Investment Managers at its past few meetings: Brandes Investment Partners, L.P. and Baird Advisors. Mr. Klajbor stated that the EFC will continue to schedule advisors throughout the year to exercise due diligence and monitor our Investment Managers' performance.

4. Executive Director Report [34:45]

a. Transition Manager Agreement and Investment Manager update [34:54]

Ms. Cleary reported that a fully executed transition manager agreement is in place with Northern Trust, which has a branch of services specific to transition management. Should the Plan ever need its services, Northern Trust may serve as a short-term overseer of future transitions, ensuring that they happen appropriately and that the assets would have market exposure for the few days they are in transition.

b. Open Enrollment/Default Election planning efforts [36:49]

Ms. Cleary reported that the planning efforts are underway and that distribution of communications will be sent out to employees who are not currently contributing or contributing less than 3%, excluding collectively bargained police and fire.

c. Update on Legal Service requests [38:00]

Ms. Cleary reported that this was covered under 4a of the EFC report.

d. 2018 NAGDCA Leadership Recognition Award [38:25]

Ms. Cleary reported that the Plan has received another NAGDCA Leadership Award for Plan Design in 2018. She will be attending this conference; Mr. Allen anticipates attending, as well.

5. Vendor Reports [39:33]

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

Mr. Taylor gave a high-level overview of 3rd quarter performance and the broader economy, in general. In particular, he discussed various influences, such as tariffs, rising interest rates and geopolitical activity, as well as the Plan's relative performance within this context. Overall, he stated that the Plan, as a whole, is working as it should be.

b. Charles Schwab PCRA Report

c. INVESCO Advisers, Inc. (SVA) Performance Report Voya Financial [53:34]

Mr. Duval reported that Invesco continues to perform well, as a parent company, and is approaching \$1 trillion dollars in AUM, globally. Mr. Deetsch reported that, from an organizational standpoint, there has been no change. Mr. Deetsch provided an overview of the Stable Value portfolio for the 3rd quarter. Invesco continues to work with the wrap providers to get better contract provisions and lower wrap fees. All wrap providers are currently at 18 basis points. Invesco will continue to work with providers to lower those fees.

d. JP Morgan SmartRetirement Funds Report

e. Northern Trust Performance Report

f. Voya Financial – Plan Report [01:04:09]

Mr. Merrick gave a staff update and introduced Mr. Manning as a new member of the Voya local team. Mr. Blue provided a detailed summary of the Voya Retirement Summit, which Ms. Cleary also attended. Mr. Merrick detailed the timeline for the annual elections period, which is similar to last year's timeline. As of June 30, 2018, 655 employees will be included as part of the election period. Last year there were about 1,100 employees. The initial roll out of the annual elections period, in 2016, covered around 8,000 employees. The population of employees subject to this election period continues to shrink in part because the election period occurs on an annual basis and partly because new employees who are auto-enrolled into the Plan are, generally, not opting out. Mr. Mukamal commented that he did not see in the communications language stating to employees that if they are contributing more than 3% that they do not need to make an election, which should be emphasized. Mr. Merrick stated that those employees who are contributing 3% or more will not be contacted, since they are not subject to this year's annual election period. The election period will run from October 15, 2018 to November 16, 2018 to align with the City's Open Enrollment period. One of the biggest changes to this enrollment period is that Voya will not be conducting as many seminars as it had in previous years (because the team and staff found that they were unnecessary and not well attended); however, these seminars will still be available to participants. Ms. Cleary stated that a voiceover presentation will be available on the webpage for those employees who are unable to make a presentation. Mr. Klajbor asked if there was a process in place for wellness points so that employees receive their points. Ms. Bieszk stated that there is a process in place, which has recently been modified for improvements. Mr. Merrick reported that when this program was initiated, about three years ago, participation was at about 63% and is currently over 80%. Mr. Merrick provided information regarding its Voya Cares program. This program offers a range of services, particularly in financial preparation and guidance, for employees with special needs or who are caregivers of family members with special needs. There is a lot of educational support available on the website and the program continues to evolve. Resources will continue to be updated as they become available. Mr. Merrick reported that there was an error concerning the SDBA fees that began in March. The calculation should have taken out 9.8 basis points or .0098% after running the fees for two months they realized they were taking out 98 basis points of assets in the brokerage accounts. Voya found the error after an internal review of the program. Voya was able to reverse those transactions and correct the error in the participants' accounts. All impacted participants were notified of the error and its correction.

All vendor reports received and placed on file.

6. Informational [01:35:17]

- Charles Schwab & Co. – fees and compensation changes
- 2st Quarter newsletter

Informational only.

3:43 p.m. Meeting adjourned. [01:40:20]