

**CITY OF MILWAUKEE
MINUTES OF THE DEFERRED COMPENSATION BOARD
MEETING OF THURSDAY, FEBRUARY 21, 2019
2:00 P.M. - ROOM 405, CITY HALL**

MEMBERS/DESIGNEES PRESENT:

Mr. Jerry Allen, Board Chair
Mr. Thomas Bell
Ms. Molly King
Mr. James Klajbor, Vice Chair
Mr. Steven L. Mahan
Mr. Stuart Mukamal

EXCUSED/ABSENT:

Alderdwoman Milele Coggs – excused
Ms. Renee Joos – excused
Ms. Paula Kiely – excused
Mr. Shawn Lauda – excused

OTHER PLAN PROVIDERS and STAFF PRESENT:

Ms. Elaine Bieszk, Plan Coordinator, Deferred Compensation
Mr. Jim Carroll, Assistant City Attorney
Ms. Dawn Conlin, Voya Financial
Ms. Beth Conradson Cleary, Executive Director
Mr. Jeff Deetsch, Invesco
Mr. Chas Duval, Invesco
Mr. Mike Joecken, Callan Associates LLC
Ms. Kimberly Kuehn, Administrative Assistant II, Deferred Compensation
Mr. Brian Merrick, Voya Financial
Mr. Ben Taylor, Callan Associates LLC – conference call

OTHERS PRESENT:

02:03 p.m. A quorum being present, Mr. Allen, Chair of the Deferred Compensation Board, called the meeting to order.

1. Roll call and Introductions [00:02]

2. Election of Board Officers – Chairperson and Vice Chairperson [00:37]

Election of Chair. Mr. Allen passed the gavel to Mr. Mukamal. Mr. Mukamal asked for nominations for Board Chairperson. It was moved by Mr. Klajbor to nominate Mr. Allen for Chair. There being no further nominations, nominations were closed and a unanimous vote was cast for Mr. Allen as Chair of the Milwaukee Deferred Compensation Board.

Election of Vice-Chair. Mr. Allen asked for nominations for Board Vice Chairperson. It was moved by Mr. Allen to nominate Mr. Klajbor for Vice Chair. There being no further nominations, nominations were closed and a unanimous vote was cast for Mr. Klajbor as Vice Chair of the Milwaukee Deferred Compensation Board.

3. Election of Hardship Appeal Committee [02:41]

Mr. Allen explained that there was a pool of five people for this Committee. Mr. Allen stated, for the record, that the current Hardship Appeals Committee consists of Ms. Joos, Mr. Klajbor, and Mr. Mahan. In addition to the current members, Mr. Allen nominated Mr. Bell and Ms. King to also serve on the Committee. With no further nominations, Mr. Allen moved unanimous consent.

4. Appointment of Executive Finance Committee [04:21]

This Committee consists of three members that are *ex officio* appointments – City Attorney, Treasurer and Comptroller offices. Those designees are Mr. Mukamal, Mr. Klajbor and Mr. Lauda. Mr. Allen appointed Mr. Bell and Ms. King to also serve on the EFC. No objections.

5. Appointment of Personnel Committee Members [05:47]

This Committee consists of all *ex officio* members – the Board Chair, City Attorney, Department of Employee Relations, EFC Chair and the Finance & Personnel Chair. This panel will be reappointed as it currently exists, due to its *ex officio* membership.

6. Fiduciary Training [06:16]

Mr. Carroll provided a detailed presentation on Fiduciary Responsibility for the Board, which he co-authored along with Callan.

7. Approval of Meeting Minutes of November 15, 2018 [01:05:53]

[04:58] Motion by Mr. Klajbor to approve the meeting minutes of November 15, 2018. Seconded by Mr. Mukamal. No objections.

8. EFC Report [01:12:40]

a. Approval of Northern Trust Amendment

Mr. Klajbor reported that the EFC is recommending approval of the Second Amendment to the Northern Trust Company Agreement, which amends the fee schedule by reducing the transaction fee from \$85.00 to \$25.00 and the outgoing wire fee from \$30.00 to \$15.00. The annual charge for compliance monitoring is being eliminated, as this service will be replaced with another option that will fulfill the Board's fiduciary responsibility. The EFC is recommending approval of the contact amendment.

[01:13:35] Motion by Mr. Bell to approve the Northern Trust Amendment. Seconded by Mr. Allen. No objections.

b. Analysis of Retro outreach [01:13:57]

Mr. Klajbor reported that MPD Emergency Communications Operators, Local 215 and MFD Sworn Management recently experienced retro payments, due to either career ladder restructures or contract settlements, resulting in Voya conducting special reach-out efforts to these participants. Mr. Merrick reported that Voya worked with staff to identify the population that was impacted and then conducted a letter and email communication campaign that explained the options, process and timelines regarding the retro payments and Deferred Compensation contributions. Additionally, the local Voya team reached out to these participants on an individual basis. Ms. Conlin reported that her team made phone calls and left voicemails for anyone who was unavailable, referencing the mailed communications and offering one-on-one follow-up appointments to anyone who might have questions. The team received a lot of positive feedback regarding the outreach efforts. Mr. Klajbor stated that the net increase in payroll contributions was over \$60,000 for the Local 215 participants. Discussion ensued.

c. Update on Edits to Master Agreement [01:17:40]

Mr. Klajbor reported that Ms. Cleary and Mr. Carroll are currently working on the edits with Groom Law Group. They would like to have this complete and ready to present at the May Board meeting.

d. Baker Tilly pre-audit communications [01:18:14]

Mr. Klajbor reported that Baker Tilly is required by certain protocols to provide certain information to the Board before the firm begins its audit. Baker Tilly will begin the audit process in May.

e. Summary of Investment Management and Services Presentations [01:18:36]
- Northern Trust Investment, Inc.
- AllianceBernstein

Mr. Klajbor reported that the EFC met with Northern Trust in December and AllianceBernstein in January. As a reminder, all Board members are welcome to join the EFC meetings for presentations by Investment Managers.

9. Executive Director Report [01:19:34]

a. Due Diligence Visit Update (Northern Trust, AllianceBernstein, JP Morgan) [01:19:40]

Ms. Cleary reported that she and the staff visited the Chicago Northern Trust offices in November, both for training and a due diligence visit. Staff received training on Northern Trust's Passport database. This visit opened up the conversation to revisit the fee schedule. Ms. Cleary stated that Callan was a great partner in assisting her analyze the invoices for Northern Trust and see where fee adjustments could be considered. The projected annual savings, based on the recently approved fee schedule changes, is projected to be \$100,000. Ms. Cleary stated that she had two impromptu due diligence meetings (JP Morgan and AllianceBernstein) recently occur when she was in New York visiting during an initial non-work trip (*i.e.*, her flight home had been canceled twice, due to inclement weather, resulting in the opportunity to meet with these two vendors during her additional days in the city). Both visits proved to be beneficial.

b. 2018 Annual Account Election and Enrollment Period Summary [01:23:43]

Ms. Cleary reported that there were 664 people impacted by the enrollment period, which does not include Fire or Police and did not include employees hired before October, 2018. Each year, staff and Voya strives to improve this process. Mr. Merrick stated that Voya intentionally did not conduct as many meetings, since this was the third year of annual elections and prior attendance had been trending low.

c. Upcoming Retro Outreach Efforts [01:25:46]

Ms. Cleary reported that the MPA has a retro payment occurring in early April, due to an anticipated contract settlement. After speaking with trustee and MPA president, Mr. Lauda, it was determined that the local Voya team would not be conducting a telephonic reach-out effort to these participants, as this population values its privacy. Rather, hard copy and e-mail communications, similar to the other retro payment communications campaigns, will be sent to these participants, notifying them of their options, the process and that they are welcome to reach out to the local Voya team, should they have any questions. This group includes over 2,000 employees.

d. 2020 Budget [1:27:46]

Ms. Cleary stated that she will work with the EFC on the Budget as she did last year. Mr. Allen stated that the Trustees are welcome to attend the EFC meetings.

e. Other [01:28:30]

Ms. Cleary reported on the updated fee disclosure, which is distributed annually with the fourth quarter statements. The 2018 administrative and professional fees were 0.12% (12 basis points), which is slightly lower than the 2017 fees of 0.125% (12.5 basis points). Ms. Cleary also highlighted several investment fees that have decreased.

10. Vendor Reports [33:21]

a. Callan Associates Inc. Performance Report [01:47:12]

Mr. Joecken provided a detailed overview of the fourth quarter, capital market summary.

b. Charles Schwab PCRA Report

c. Invesco Advisors, Inc. (SVA) Performance Report [1:32:20]

Mr. Duval reminded the Board that Invesco had, as of last year, made the decision to acquire OppenheimerFunds and that this action is scheduled to close around May of this year.

As a reminder, Invesco currently manages around \$950 billion of assets globally; OppenheimerFunds manages between \$200 and \$250 billion. This acquisition will not have an impact on stable value, as OppenheimerFunds does not contain any stable value assets. Discussion ensued. Mr. Deetsch provided a detailed update on the Stable Value portfolio.

d. J.P. Morgan SmartRetirement Funds Report

e. Northern Trust Performance Report

f. Voya Financial [02:00:07]

Mr. Merrick reported that Voya launched its financial wellness tool in May without a lot of promotion, yet participants were able to find it on their own. Out of the 4,300 participants that logged on to the website, 900 found the link, 282 started the assessment and 86% (*i.e.*, 243) completed it. The purpose of this tool is to create awareness of participants' overall financial health and provide links to resources. Mr. Klajbor asked questions regarding communication efforts to notify participants about tools like this. Discussion ensued. Mr. Merrick reported that the overall participation rate in the Plan is 85%. Mr. Merrick summarized the participant demographics. The overall participant savings rate is 7%, which has been consistent each year.

- Retirement Evaluation Campaign Results

- Voya – Year End Summary

- 11. Informational [02:13:55]**
- a. 4th Quarter newsletter**
 - b. Updated Fee disclosure**

Informational only.

4:17 p.m. Meeting adjourned. [02:14:26]

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