

**CITY OF MILWAUKEE
MINUTES OF THE DEFERRED COMPENSATION BOARD
MEETING OF THURSDAY, MAY 16, 2019
2:00 P.M. - ROOM 405, CITY HALL**

MEMBERS/DESIGNEES PRESENT:

Mr. Jerry Allen, Board Chair
Mr. Thomas Bell
Ms. Renee Joos
Ms. Paula Kiely
Mr. James Klajbor, Vice Chair
Mr. Steven L. Mahan
Mr. Stuart Mukamal

EXCUSED/ABSENT:

Alderwoman Milele Coggs – excused
Ms. Molly King – excused
Mr. Shawn Lauda – excused

OTHER PLAN PROVIDERS and STAFF PRESENT:

Mr. John Angliss, J.P. Morgan
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
Ms. Kimberly Kuehn, Administrative Assistant II, Deferred Compensation
Mr. Brian Merrick, Voya Financial
Mr. Tyler Murphy, J.P. Morgan
Mr. Brian Osbourne, Invesco
Mr. Jacob Recker, J.P. Morgan
Mr. Ben Taylor, Callan Associates LLC

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 [00:14]

2. Approval of Meeting Minutes of February 21, 2019 [01:18]

[01:28] Motion by Mr. Klajbor to approve the meeting minutes of February 21, 2019. Seconded by Mr. Mukamal. No objections.

3. Expansion of Wellness Seminar Education Topics [01:38]

Mrs. Cleary reported that this item is on the Agenda to potentially be referred to the EFC.

[02:52] Motion by Mr. Klajbor to refer the Expansion of Wellness Seminar Education Topics to the EFC. Seconded by Ms. Joos. No objections.

4. EFC Report [03:21]

a. Approval of Amendment to Operational Procedures [03:24]

Mr. Klajbor stated that concerns were raised regarding who was eligible to participate in the Plan, especially those who might have retired and returned to City service, or have retired and are now serving on a Board or Commission. Ms. Cleary, along with legal counsel, found a simple solution to the dilemma by updating the summary of Operating Procedures to define eligibility as authorized under the Master Agreement. The EFC is recommending approval of this amendment to the Operating Procedures. This new definition allows the Plan to be in sync with the ERS' eligibility criteria regarding similar scenarios (*e.g.*, someone working fewer than 20 hours per week, a member of a City Board or Commission, someone hired under provisional, emergency or temporary appointment under Civil Service rules, or an election worker). If a participant retires and returns as an eligible individual, than s/he is considered active once again.

[06:37] Motion by Mr. Klajbor to approve the amendment to the Operational Procedures. Seconded by Ms. Kiely. No objections.

b. Approval of 2020 Budget Request [06:45]

Mr. Klajbor stated that the EFC is recommending approval of the budget with the suggestion that, in the future, page two of the BMD-10 include some of the Plan's metrics. Mr. Bell stated that the Plan should work with its Budget Analyst to include these metrics. Ms. Cleary explained that, in addition to the submitted City budget, the Plan also has an external budget that reflects expenditures paid directly from the Trust. The proper City budget does not reflect all of the Plan's expenses in terms of vendors and services; rather, it reflects categories of expenditures that are paid and recognized through the City. Mr. Klajbor requested that an updated version of the BMD-10 page two with plan metrics be provided to the EFC for review.

[09:22] Motion by Mr. Mukamal to approve the 2020 Budget Request. Seconded by Mr. Klajbor. No objections.

c. Analysis of Retro outreach [10:04]

Mr. Merrick stated that Voya did an outreach at the end of last year to multiple employee groups who were receiving a retro pay, including an outreach to the MPA/MPD regarding retroactive payments made earlier this year. The outreach was to explain to participants how the retro payments impacted their contributions and the process to make any desired contribution adjustments. Voya did not place any proactive phone calls out to the MPA members, per its request. Overall, as a result of the MPD retro payments, the Plan saw a net increase in contributions of \$333,000.

d. Summary of Investment Management and Services Presentations [12:07]

- Dimensional Fund Advisors
- Schroders Investment Management

5. J.P. Morgan SmartRetirement Funds Presentation Members [12:29]

Mr. Recker provided an update on changes to the J.P. Morgan team. Mr. Recker reported that J.P. Morgan has made some changes to the participant data that is input to the glide path. He stated that the firm has not seen any major changes with this additional data. Mr. Allen asked what the average retirement age is across their population. Mr. Recker stated that people start taking significant withdrawals around the age of 63. Mr. Allen asked if they have seen that number go up or down. Mr. Recker stated that this age has been very static for the last five years. Discussion ensued. Mr. Recker provided a high-level overview of the glide path performance. Ms. Cleary asked if there had been any changes to net expense ratio of the fees. Mr. Recker stated there were no changes to the net expense ratio when it comes to the DRE funds and that J.P. Morgan continues to acknowledge the waivers that were signed by the Board. Ms. Cleary asked if they would receive updated fund fact sheets to reflect that. Mr. Recker and Mr. Angles said yes. Mr. Angles gave a quick overview on the firm's cyber security policy. Mr. Angles reported that J.P. Morgan is developing a passive blend with direct real estate, which is a version of what the Plan currently has now, but with passively managed large cap equities, active fixed income and a continued 7% allocation to private real estate. If there is interest, the firm will provide follow-up information.

6. Executive Director Report [37:40]

a. Update re 2018 Financial Statements and Audit [37:54]

Ms. Cleary reported that the financial statements have been prepared with the assistance of Experis and have gone on to Baker Tilly for review as part of the financial audit process. Ms. Cleary reported that Baker Tilly started field work last week and that the audit process is on schedule. Staff has been working with Northern Trust, Voya and other vendors to provide the necessary data for the audit. Ms. Cleary acknowledged the stellar work of her staff in coordinating with vendors and collecting the necessary data during the preparation phase of the audit process.

b. Update on Schroder International Multi-Cap Value Trust [38:40]

Ms. Cleary reported that Schroder recently lowered its fee from 60 to 55 basis points for

the class 1 of its Schroder International Multi-Cap Equity Trust, of which the Plan is a member. She indicated that this new fee is reflected in the Callan report on page 12.

c. Update on local Voya Team office space [39:24]

Ms. Cleary reported that she has been notified by DPW that the Plan will need to relocate its local Voya office from the ninth floor of the Zeidler Municipal Building, due to new security restrictions that will prevent participant access to the floor. This project is anticipated to occur this fall. DPW will work with the Plan to locate a new office space. Ms. Cleary will continue to report on this.

d. Plan Survey [42:10]

Ms. Cleary referenced the materials provided for Agenda Item 6d as a draft of this year's Plan survey, which is similar to last year's with a few additional questions. The goal is to benchmark the responses from year to year. An added question relates to participants' awareness of certain services, such as the Roth after-tax contribution option, the option to rollover contributions from other qualified savings plans, the ability to remain in the Plan after separation of service and options to earn Healthy Rewards points. Other new questions inquire about participant confidence regarding retirement preparedness and participant satisfaction with various aspects of the Plan. Ms. Joos asked if we track this information by department. Ms. Cleary stated that we are currently not doing this. Mr. Merrick stated that we could solicit that information and add it to the survey. Ms. Cleary stated that the Plan is continually trying to request participant e-mail addresses for various outreach efforts (*e.g.*, beneficiary updates, etc.). Mr. Klajbor asked if the survey would be distributed via an e-notify blast. Ms. Cleary stated that it would.

e. Report on attending the 2019 Voya Retirement Summit [45:52]

Ms. Cleary reported that she had the opportunity to attend the 2019 Voya Retirement Summit, which was held in New York City. She was invited to attend the Client Advisory Committee meeting, which provided an opportunity to gain valuable insight about customer service updates and processes, and for Ms. Cleary to provide feedback regarding IT improvements and the updated online experience. Ms. Cleary stated it was very helpful to have discussions with other clients from both the private and the tax-exempt sectors. She also appreciated having access to the leadership at Voya, who were very receptive to the feedback that she and other clients provided. Ms. Cleary reported that she had significant discussions with the Director of the Call Center regarding customer service and our participant experience. (As an aside, Ms. Cleary reported that she has been diligently working with Voya on ongoing call monitoring efforts, and that anytime the office received an escalated call, we request that the call be pulled and reviewed to so that we can better understand any concerns, diagnose potential issues, provide constructive feedback, and identify possible learning opportunities for continued service and process improvements.) Ms. Cleary reported that she had the opportunity to present on a client panel that featured various plans' successful financial wellness program, including ours. Mr. Mukamal asked if the Plan's Financial Wellness seminars could be preserved on the Voya website as podcasts. Ms. Cleary stated that she is

working with Voya to get the voiceover presentations available online. Ms. Cleary asked Ms. Joos to speak about the City's Healthy Rewards program, in general. Ms. Joos stated that the City's program is unique and comprehensive, which is not typically seen in other programs. Ms. Cleary reported that the Voya Cares component of Voya services continues to be developed. Mr. Merrick provided an overview of Voya's new partnership with a company called Wellthy, in an effort to provide solutions for caregivers in the workplace. Discussion ensued. Mr. Klajbor asked Mr. Merrick if the Call Center is divided into teams for specific clients. Mr. Merrick stated that they are not necessarily divided into groups for clients, but rather markets. Discussion ensued. Ms. Kiely asked if we collect any demographics in the survey. She stated it might be helpful to get an idea of where people are in their career as they are responding to the Plan survey and to see if there is any correlation to how confident they are in their retirement plans throughout their career. Ms. Cleary stated that a question can be added regarding department and demographics.

f. Due Diligence Visit Update (Schroders Investment Manager) [1:02:30]

Ms. Cleary stated that, while in New York, she was able to meet with representatives for Schroders Investments, which included receiving a tour of the firm's office and meeting with key staff working on our account. She appreciated learning more about its investment strategies, which is very comprehensive.

g. Other

Ms. Cleary stated that the investment educational training provided by Mr. Joecken from Callan qualifies as the required annual training.

7. Vendor Reports [01:07:27]

a. Callan Associates Inc. Performance Report [01:07:47]

Mr. Taylor provided information regarding the positive improvements being made to the Voya Call Center due to the diligence of Ms. Cleary and the local staff. Mr. Taylor stated that Ms. Cleary might be nominated for a vacancy on the NAGDCA Board. Discussion ensued. Mr. Taylor gave an overview of the Secure Act and the impact it would potentially have on a DC Plan. Discussion ensued. Mr. Taylor provided an overview of the 1st quarter performance. Mr. Klajbor asked if the benchmarking provided is appropriate. Mr. Taylor stated that, going forward Callan will provide dual benchmarking, which will include the style-specific benchmarking, as well as broad benchmark. Discussion ensued.

b. Charles Schwab PCRA Report

c. Invesco Advisors, Inc. (SVA) Performance Report [01:29:16]

Mr. Osbourne reported that the Stable Value assets under management is \$59 billion, which is an all-time high. Mr. Osbourne provided a brief overview of the quarter's performance.

d. J.P. Morgan SmartRetirement Funds Report

e. Northern Trust Performance Report 01:35:31]

Ms. Cleary reported that, due to the recent changes in the fee schedule, the first quarter invoice for custodial services reflected savings of approximately \$40,000.

f. Voya Financial [01:43:26]

Mr. Merrick gave a high-level overview of the Voya quarterly report. Participation rate is around 85%.

- Distribution/Installment Trends Report [01:36:04]

Mr. Merrick reported that this report was requested by the EFC. Voya prepared an analysis to show the total number of distributions, the dollar amount and distribution types over the past five quarters. Voya received about 2,000 distribution requests per quarter and 60% of those were installments, meaning regular periodic payments. Mr. Allen asked how they are doing on timing, as there had been some issues with when participants received their installments. Mr. Merrick stated that those issues were at the beginning of the implementation period and reflected a timing transition from the previous record keeper. There has not been an issue with that in the last two years. Voya has been tracking rollovers out of the Plan; roughly half of the money taken out of the Plan is being rolled into other Plans. Discussion ensued.

- Hypothetical Auto-Escalation Analysis [01:42:17]

Mr. Merrick stated that this is the second year in which Voya has compiled this report as part of the annual elections period review process. As of March 31, 2019, 518 participants would be subject to this if they initiated the elections period now. If the Board would make the decision to increase the auto-enroll amount from 3% to 5% there would be an additional 588 employees included in that process.

- NAGDCA Award submission

8. Informational [01:45:40]

a. 1th Quarter newsletter

b. NAGDCA 2019 Annual Conference registration deadline July 15, 2019

c. Legislative Update – the SECURE Act

Informational only.

3:49 p.m. Meeting adjourned. [01:46:01]