

**CITY OF MILWAUKEE
MINUTES OF THE DEFERRED COMPENSATION BOARD
MEETING OF THURSDAY, AUGUST 15, 2019
2:00 P.M. - ROOM 405, CITY HALL**

MEMBERS/DESIGNEES PRESENT:

Mr. Jerry Allen, Board Chair
Aldерwoman Milele Coggs – via conference call
Ms. Renee Joos
Ms. Paula Kiely
Mr. James Klajbor, Vice Chair
Mr. Shawn Lauda – via conference call
Mr. Steven L. Mahan
Mr. Stuart Mukamal

EXCUSED/ABSENT:

Ms. Molly King – excused
Mr. Thomas Bell – excused

OTHER PLAN PROVIDERS and STAFF PRESENT:

Ms. Elaine Bieszk, Plan Coordinator, Deferred Compensation
Mr. Jim Carroll, Assistant City Attorney – via conference call
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
Ms. Darlene Middleman, Baker Tilly
Mr. Wayne Morgan, Baker Tilly
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 [00:04]**
- 2. Approval of Meeting Minutes of May 16, 2019 [00:37]**

[00:48] Motion by Mr. Klajbor to approve the meeting minutes of May 16, 2019. Seconded by Ms. Joos. No objections.

3. Approval of 2018 Financial Statements and Audit [01:01]

Ms. Middleman stated that Baker Tilly presented at the July 18, 2019 EFC meeting, which included a detailed review of the financial statements, the audit opinion, as well as the required communications. As part of the audit, Baker Tilly is required to communicate certain communications at the front end of the audit, which occurred in January, and at the back end of the audit, which occurred at the July EFC meeting. Ms. Middleman stated that investment returns were down; however, this reflected Baker Tilly's expected rate of returns based off of the Plan's investment portfolio. Mr. Morgan stated that there were no reportable conditions or items that needed to be brought to the attention of the Board. Ms. Middleman stated that she had presented at the July EFC that there were some reconciliations taking place and further information needed regarding year-end reconciliations. In the time between the EFC meeting and this Board meeting, Baker Tilly did finalize its conclusion, which resulted in a passed adjusting journal entry. This relates to the timing of reconciliation of when contributions enter the Plan—Voya records the contribution the day it is received and Northern Trust has a day lag, which resulted in a timing issue at the end of 2017. Ms. Middleman noted that there were no such timing issues that impacted the reconciled contributions at the end of 2018, based off of when the year-end calendar dates fell.

[06:18] Motion by Mr. Mukamal to accept the Financial Statements and Audit and place on file. Seconded by Mr. Klajbor. No objections.

4. Approval of City Attorney's attendance at the 2019 NAGDCA conference [06:42]

Mr. Allen stated that the approximate budget is \$1,950, and the rules require that the Board approve this request.

[07:27] Motion by Mr. Klajbor to approve the City Attorney's attendance at the 2019 NAGDCA conference. Seconded by Ms. Joos. No objections.

5. Approval of Board Administrative Rule II. A. Amendment [8:14]

Mr. Klajbor stated that the EFC is the working committee of the Board and meets on nearly a monthly basis. With increasing workloads and conflicting schedules, the Committee wanted to ensure that it has a quorum for its meetings. The proposed Board Rule allows for either the Board Chair or Vice Chair to appoint someone to serve on the Committee so it has a working quorum. Mr. Mukamal asked for clarification regarding the term "temporary basis." Mr. Klajbor stated "temporary" means for that particular meeting, only.

[11:31] Motion by Mr. Klajbor to approve the Board Administrative Rule II. A. Amendment. Seconded by Ms. Kiely. No objections.

[12:12] Motion by Mr. Klajbor to convene in closed session for Item 6 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. Closed session not recorded.

6. J.P. Morgan SmartRetirement Passive Blend DRE Funds [12:07]

[15:31] Motion by Mr. Mukamal to transition to the J.P. Morgan SmartRetirement Passive Blend DRE Fund and defer the mechanics of the change to the EFC with the City Attorney's approval. Seconded by Mr. Klajbor. No objections.

7. EFC Report [16:34]

a. Recommend Approval of 2019-20 Fiduciary Insurance Renewal [16:35]

Mr. Klajbor reported that the EFC met with Hays to review the proposed Fiduciary Liability Insurance renewal for 2019-20, which it recommends for Board approval. The coverage would remain at \$40 million with an annual premium of \$78,198, which is an increase of 11.5% over last year, but 2% of the increase is due to exposure changes. Mr. Klajbor stated that, in 2016, the coverage was only for \$30 million at a cost of \$74,129 and since then, the Plan assets have grown by 19% and the number of Plan participants has grown by 29%. Mr. Klajbor stated that the insurance renewal that is being recommended is both reasonable and cost effective. Mr. Allen asked Mr. Klajbor to clarify for the Trustees what "exposure" means. Mr. Klajbor stated that the risk grows as the Plan assets and number of Plan participants grow. Mr. Klajbor asked for Mr. Carroll's opinion. Discussion ensued.

[19:40] Motion by Mr. Klajbor to approve the 2019-20 Fiduciary Insurance Renewal. Seconded by Mr. Mukamal. No objections.

b. Expansion of Wellness Seminar Education Topics [19:49]

Mr. Klajbor reported that the EFC reviewed the summary of education seminars provided since the 3rd quarter of 2017, which included covered topics and attendance trends. The EFC discussed possible topics to add, including different financial-related topics offered by other City departments, as well as scheduling evening presentations to accommodate participants' schedules.

c. Updated 2020 Budget Request Budget Form BMD-10 - informational [20:43]

Mr. Klajbor reported that the EFC suggested that Page 2 of the BMD-10 include performance metrics, which was completed by Ms. Cleary and the Budget Analyst. Ms. Kiely stated that on 2020 request under Revenue, there is \$0 listed under charges for services and in the prior two years, there was an amount that equaled the total cost. Ms. Cleary stated she would double check and review with the Budget Analyst to ensure that the information is correct.

- d. Summary of Investment Management and Services Presentations [23:23]**
 - WCM Investment Managers
 - Brandes Investment Partners

8. Executive Director Report [23:59]

a. 2019 NAGDCA Participant Education & Communication Award [24:00]

Ms. Cleary reported that this is the third year in a row the Plan has submitted an application and has won a NAGDCA award. The awards received the last two years were based off submissions made specific to Plan Design; however, this past year's award recognized the Plan in the category of Participant Education and Communication, specifically for its Financial Wellness Program. Ms. Cleary stated that we submitted analytics that benchmarked Plan participant behavior (*i.e.*, those partaking in the Financial Wellness Program versus those who did not). The analytics demonstrated that the Financial Wellness Program made a definite impact on improved contribution and participation numbers of those who engaged in the Program. Based on these encouraging numbers, Ms. Cleary will continue to work with the City (and its Healthy Rewards Program) and Voya in finding increased opportunities for how the Plan can have an even greater impact with reaching participants via its Financial Wellness Program.

b. Update on Fees (Northern Trust Custody and JP Morgan SmartRetirement Funds) [29:27]

Ms. Cleary reported that there has been a reduction in custodial fees of approximately 50%. Ms. Cleary stated that the Plan will be seeing a three basis point fee reduction with the JP Morgan SmartRetirement Fund, which will be implemented July 2019. This will be reflected in next quarter's fund fact sheets.

c. Update on Plan Survey [30:53]

Ms. Cleary stated that an e-notify e-mail was sent requesting that employees participate in the survey. The goals of the survey are to receive participant feedback about their experience with the Plan, assess employees' knowledge of Plan features and retirement readiness, better understand points of access and engagement and receive feedback regarding what participants would like to see in the future. Last year we received feedback that participants wanted to have evening presentations, which we since have implemented. Mr. Mukamal asked if communications were considered for people who filed for service retirement to highlight how this Plan could figure in to their transition planning into retirement, particularly from a tax standpoint. Discussion ensued.

d. Update in local Voya Team office space [40:22]

Ms. Cleary reported that this is still a work in progress and she is working closely with the DPW facilities team to explore options of new office space within the City Hall complex.

e. Other [01:26:46]

Ms. Cleary reported that she would be serving on the NAGDCA Legislation Committee starting in September.

9. Vendor Reports [43:30]

a. Callan Associates Inc. Performance Report [43:34]

Mr. Taylor provided a detailed update of the Investment Managers performance over the last quarter.

b. Charles Schwab PCRA Report

c. Invesco Advisors, Inc. (SVA) Performance Report [01:03:50]

Mr. Duvall reported that Invesco has officially acquired OppenheimerFunds and that the acquisition has no impact on the Plan. The firm now oversee about \$1.2 trillion in assets under management; prior to the acquisition Invesco oversaw about \$950 billion in assets. Mr. Deetsch provided a detailed overview of the quarterly report. Mr. Deetsch reported that Transamerica lowered its wrap contract fee to 17 basis points in July and that Invesco is seeing some traction in the market and expects that more wrap providers will follow the trend.

d. J.P. Morgan SmartRetirement Funds Report

e. Northern Trust Performance Report

f. Voya Financial [01:16:29]

Mr. Merrick provided a brief summary of the quarterly report. Mr. Merrick reported that a summary on the demographic makeup of participants who utilize the VRA services has been added, as requested in a prior meeting. Ms. Conlin reported on the first Voya Cares presentation. Each attendee had a different need related to the Voya Cares program and will subsequently meet with Anna Gorman from Voya who specializes in the Voya Cares program. The next presentation on Voya Cares will be held in September. Ms. Conlin also reported that there has been an uptick in one-on-one appointments.

- 2019 Annual Elections and Enrollment Period Update

10. Informational [01:25:35]

a. 2nd Quarter newsletter

Informational only.

4:02 p.m. Meeting adjourned. [01:27:05]