

COUNTY OF MILWAUKEE
Interoffice Memorandum

DATE: June 12, 2014

TO: Supervisor Marina Dimitrijevic, Chairperson, Milwaukee County Board of Supervisors
Supervisor David Cullen, Co-Chair, Committee on Finance, Personnel and Audit
Supervisor Willie Johnson, Jr., Co-Chair, Committee on Finance, Personnel and Audit

FROM: Milwaukee County Select Committee on Deferred Compensation
Steve Cady, Research and Policy Director, Office of the Comptroller
Rick Ceschin, Deputy Director, Human Resources
Jennifer Folliard, Lead Auditor, Office of the Comptroller
Matt Fortman, Fiscal and Management Analyst 3, DAS-Fiscal Affairs
Mark Grady, Deputy Corporation Counsel
Prepared by: Steve Cady, Chairman, Select Committee on Deferred Compensation

SUBJECT: REQUESTING AUTHORIZATION FOR THE SELECT COMMITTEE ON DEFERRED COMPENSATION TO ENTER INTO AN AGREEMENT WITH GREAT-WEST FINANCIAL FOR THIRD-PARTY ADMINISTRATION OF THE MILWAUKEE COUNTY PLAN OF DEFERRED COMPENSATION

REQUEST

The Select Committee on Deferred Compensation is requesting approval to enter into a contract with Great-West Financial for the third-party administration of Milwaukee County's 457(b) deferred compensation plan for a five-year period beginning July 1, 2014.

BACKGROUND

Resolution File No. 82-145(a) established a Select Committee on Deferred Compensation ("Select Committee") to supervise the Milwaukee County Plan of Deferred Compensation ("Plan") and the designated County officials who are authorized to execute on behalf of the County such agreements as are formulated by the Select Committee in the implementation of the Plan. This typically includes investment advisory, legal and auditing services. County Board approval is required, however, for the selection of the third-party administration of the Plan.

The Milwaukee County Deferred Compensation Plan provides a voluntary, supplemental long-term retirement program for public employees by permitting County employees to defer payment of a portion of their compensation until death, disability, retirement or the termination of employment. The program was initiated

in 1984 and since its inception all marketing, enrollment and administration of the program have been provided by a third-party administrator. All expenses related to the operation of the deferred compensation plan, including the third-party administrator contract, are paid from funds collected through plan participant fees. No property tax levy or other County funds are used in the operation of the deferred compensation program¹. The Milwaukee County Deferred Compensation Plan is unbundled, which means that the third-party administrator manages the investment offerings that are selected independently by the Select Committee.

As of the date of this report, the Plan has 4,542 participants with approximately \$323.8 million in assets, including \$144.6 million invested in the stable value fund. Participants can either be active employees or retired/separated employees. Only active employees may deposit funds. Approximately 53 percent of active employees participate in the deferred compensation plan.

The Select Committee issued a request for proposals (RFP) for third-party administration in late 2013 with the assistance of Hewitt Ennis Knupp, the independent financial advisor to the deferred compensation plan. A total of six companies responded to the RFP. Ennis Knupp assisted the Select Committee with the evaluation of the third-party administrator proposals based on the following criteria:

- Leading capabilities in investment management, administration and recordkeeping, trustee services, employee education and communication, and plan sponsor services
- Ability to administer current investment options
- A strong stable value fund offering
- Participant services that are high quality and delivered in multiple media (i.e. Internet, phone representatives, and voice response)
- Competitive fees

After carefully evaluating the responses, the incumbent record keeper, Great-West Financial (previously Great-West Retirement Services), was clearly the best choice to administer the Milwaukee County Deferred Compensation Plan. Great-West provided competitive fees with recordkeeping costs of just under \$59 per participant per year. Moreover, Great-West reduced the cost of managed account services, a voluntary participant-selected option in which approximately 1,100 of the 4,400 participants are currently enrolled. The new managed account fees², which are approximately 25 percent less than the current fees, will allow plan participants to save much more of their money. These managed account fees were much higher in

¹ Great-West Financial also reimburses the County approximately \$6,500/year for costs related to the operation of its office located in the Courthouse which is staffed with two full-time Great-West employees.

² Account balances under \$100,000 will be charged 0.45%. The next \$150,000 (\$100K to \$250K) will be charged 0.35%. The next \$150,000 (\$250K to \$400K) will be charged 0.25% and amounts over \$400,000 will be charged 0.15%.

other RFP responses that were otherwise competitive with Great-West on recordkeeping fees.

Another key reason that Great-West Financial was selected was based on their proposed stable value fund investment option that is administered by a wholly owned subsidiary, Advised Assets Group. Milwaukee County participants enjoy a custom managed stable value fund that is only open to Milwaukee County participants and is subject to investment policy guidelines that are set by the Select Committee on Deferred Compensation. The Milwaukee County Stable Value Fund holds approximately \$145 million, or 45 percent, of the total assets in the Deferred Compensation Plan. The investment returns of the stable value fund have historically exceeded its benchmark. The custom managed fund also provides participants significant protections against the loss of the book value of their deposits that are backed by Great-West Financial.

Based on the thorough evaluation of the RFP responses, the Select Committee voted 5-0 to enter into a contract with Great-West Financial.

The proposed contract is being reviewed by the Select Committee's outside legal counsel and by Corporation Counsel, DAS - Risk Management and Community Business Development Partners. All necessary signatures will be obtained after County Board approval and prior to formal execution of the contract.

DBE PARTICIPATION/LOCAL PRESENCE

Great-West has agreed to sub-contract with Vidal and Associates, a local printer certified by the Community Business Development Partners office to meet its DBE participation goal. The Select Committee has made an effort to seek DBE participation even though no public funds are used to provide this employee benefit. In an added "indirect" community benefit, Great-West owns EMJAY Corporation in Glendale, where it operates one of three national call centers serving thousands of retirement plans, including the Milwaukee County plan. There are 265 full-time jobs at the Glendale call center.

RECOMMENDATION

Based on the evaluation and recommendation of the Select Committee on Deferred Compensation, and the contract terms outlined in this report, it is recommended that the Select Committee on Deferred Compensation be granted the authority to execute a five-year agreement with Great-West Financial for recordkeeping services.

Respectfully submitted,



Steve Cady, Chairman
Milwaukee County Select Committee on Deferred Compensation

cc: County Executive Chris Abele
Don Tyler, Director, Department of Administrative Services
Paul Bargren, Corporation Counsel
Kerry Mitchell, Director, DAS-Human Resources