

COUNTY OF MILWAUKEE
Interoffice Memorandum

DATE: February 21, 2025

TO: Supervisor Marcelia Nicholson, Chairwoman, Milwaukee County Board of Supervisors

FROM: Milwaukee County Select Committee on Deferred Compensation

Erika Bronikowski, Director, Retirement Plan Services, HR
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Prepared by: Steve Cady, on behalf of the Select Committee on Deferred Compensation

SUBJECT: From the Select Committee on Deferred Compensation, requesting authorization to enter into an agreement with Empower Retirement for third-party administration of the Milwaukee County 457(b) Plan of Deferred Compensation for the period effective April 1, 2025, through March 31, 2030, with two possible one-year extension options (File No. 25-209)

FILE TYPE: Action Report

REQUEST

The Select Committee on Deferred Compensation is requesting approval to enter a contract with Empower Retirement for the third-party administration of Milwaukee County's 457(b) deferred compensation plan for a five-year period beginning April 1, 2025, with two possible one-year extension options.

POLICY

Resolution File No. 82-145(a) established the Select Committee on Deferred Compensation ("Select Committee") to oversee the Milwaukee County Deferred Compensation Plan ("Plan"). The Select Committee authorizes designated County officials to execute agreements necessary for Plan implementation. This typically includes recordkeeping administration, investment advisory, and legal services. Committee on Finance review and County Board approval is required to execute a professional services agreement for third-party administration of the Plan.

BACKGROUND

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 public funds are used in the operation of the deferred compensation program. The recordkeeper will also reimburse the County approximately \$6,000 annually for the use of Room 203-K in the Courthouse, which serves as the workspace for two onsite dedicated staff.

The Milwaukee County Deferred Compensation Plan follows an unbundled structure, meaning the third-party administrator oversees investment offerings that are independently selected by the Select Committee with guidance from the investment advisory firm RVK, Inc. However, the Select Committee leverages a custom Stable Value Fund¹ provided by Empower, available exclusively to Milwaukee County Plan participants. When integrated with recordkeeping and managed account services, this structure helps minimize overall fees.

As of this report, the Plan has 5,570 participants² and holds approximately \$422.9 million in assets. Participants include both active employees and retired/separated employees, though only active employees can contribute through payroll deductions. Currently, 74 percent of active employees participate in the Plan, a significant increase following the implementation of automatic enrollment in 2024 for most fringe benefit-eligible, non-represented employees. Prior to automatic enrollment, the participation rate was 44 percent as of December 2023.

The Select Committee issued a request for proposals (RFP) for third-party administration in August 2024 with the assistance of RVK, Inc., the financial advisor to the deferred compensation plan. A total of five companies responded to the RFP. RVK, Inc. supported the Select Committee in evaluating 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
- Cybersecurity and data protection
- Participant services that are high quality and delivered in multiple media (i.e. Internet, phone representatives, and voice response)

¹ A Stable Value Fund is a low-risk investment option designed to preserve principal, provide steady returns, and offer liquidity by investing in high-quality fixed-income securities combined with insurance contracts (wraps) that protect against market fluctuations.

² Approximately 57% of the participants with a balance are active employees with the County and 43% are separated or retired.

- Onsite dedicated staff
- Competitive fees

After thoroughly evaluating the proposals and conducting in-person interviews with the two finalist firms, the Select Committee determined that the incumbent recordkeeper, Empower Retirement (“Empower”), was the strongest candidate to administer the Milwaukee County Deferred Compensation Plan. Empower ranked highest in almost all categories and provided competitive fees with recordkeeping costs of \$21.50 per participant per year. Overall, estimated fees for recordkeeping, transactional (e.g. ACH distribution setup), stable value fund management, and managed account services provided by Empower are approximately 38 percent *lower* than the other RFP finalist, Voya.

Another key factor in selecting Empower was their proposed Stable Value Fund investment option, which is administered by Empower Investments. Milwaukee County participants have exclusive access to a custom-managed Stable Value Fund, governed by investment policy guidelines set by the Select Committee. The Milwaukee County Stable Value Fund holds approximately \$117.6 million, or 28 percent, of the total assets in the Deferred Compensation Plan. The custom Stable Value Fund provided exclusively for Milwaukee County Plan participants has ranked in the top 15 percent of similar funds as compared to its benchmark over the past ten years. The fund also provides participants significant protections of their deposits through a wrap contract provided by Empower that ensures participants can withdraw or transfer funds at book value (principal plus accrued interest), even if the underlying investments have declined in market value.

After evaluating the recordkeeping RFP responses, the Select Committee unanimously voted 5-0 to award the contract to Empower Retirement.

The key terms of the agreement are as follows:

Term:

- Five years (April 1, 2025 through March 31, 2030) with two possible one-year extensions.

Scope:

- Recordkeeping, communications, and participant education for the 457(b) Deferred Compensation Plan.
- Exclusive management of the Stable Value Fund as the Plan’s sole fixed investment option for Milwaukee County participants.
- Personal investment advisory services available to participants for an additional fee.

- Two dedicated onsite Empower staff to assist participants with investment decisions, retirement readiness assessments, and administrative support.

Fees:

- Recordkeeping: \$21.50 per participant per year.
- Stable Value Fund: Total fees of 0.30%, covering investment management and wrap fees for participants who choose to invest in the fund.

The proposed contract will be prepared with the assistance of the Select Committee's outside counsel, Reinhart, the RFP consultant, RVK, Inc., and will ultimately be approved by other County required signatories prior to execution.

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 an agreement with Empower Retirement for 457(b) Plan administration. Granting this authorization ensures cost-effective, high-quality retirement plan administration, benefiting Milwaukee County employees through lower fees, strong investment options, and enhanced participant support.

Respectfully submitted,

Stephen J. Cady

Steve Cady, on behalf of
Milwaukee County Select Committee on Deferred Compensation

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