

**COUNTY OF MILWAUKEE**  
**Interoffice Memorandum**

DATE: March 4, 2019

TO: Supervisor Theodore Lipscomb Sr., Chairman, Milwaukee County Board of Supervisors

FROM: Milwaukee County Select Committee on Deferred Compensation  
Steve Cady, Research and Policy Director, Office of the Comptroller  
Tim Coyne, Director, Retirement Plan Services, Human Resources  
Margaret Daun, Corporation Counsel  
Jennifer Folliard, Director of Audits, Office of the Comptroller  
Lisa Wozny, Budget and Management Analyst, DAS-PSB  
*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 EMPOWER RETIREMENT FOR THIRD-PARTY ADMINISTRATION OF THE MILWAUKEE COUNTY PLAN OF DEFERRED COMPENSATION (FILE NO. 19-301)**

**REQUEST**

The Select Committee on Deferred Compensation is requesting approval to enter into 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, 2019.

**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 public funds are used in the operation of the deferred compensation program.<sup>1</sup> 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. The Select Committee, however, has used a custom Stable Value Fund provided by Empower that is exclusively for Milwaukee County Plan participants that, coupled with recordkeeping services, helps to lower overall fees.

As of the date of this report, the Plan has 4,371 participants with approximately \$360.9 million in assets, including \$146.5 million invested in the stable value fund. Participants can either be active employees or retired/separated employees. Only active employees may deposit funds through payroll deductions. Approximately 41 percent of active employees participate in the deferred compensation plan.

The Select Committee issued a request for proposals (RFP) for third-party administration in August 2018 with the assistance of RVK, Inc., the independent financial advisor to the deferred compensation plan. A total of six companies responded to the RFP. RVK, Inc. 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, Empower Retirement (“Empower”) (previously Great-West Financial), was clearly the best choice to administer the Milwaukee County Deferred Compensation Plan. Empower provided competitive fees with recordkeeping costs of just under \$27 per participant per year.

Another key reason that Empower 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

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<sup>1</sup> Empower Retirement will also reimburse 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 Empower employees.

\$146.5 million, or 41 percent, of the total assets in the Deferred Compensation Plan. Their custom Stable Value Fund provided exclusively for Milwaukee County Plan participants has ranked in the top one percent as compared to its benchmark over the past three, five, or ten-year periods. The custom managed fund also provides participants significant protections against the loss of the book value of their deposits that are backed by Empower through a wrap contract that significantly lowers the investment risk to the participant.

Based on the thorough evaluation of the RFP responses, the Select Committee voted 4-0 to enter into a contract with Empower Retirement.

The key terms of the agreement are as follows:

- Term: Five years (April 1, 2019 through March 31, 2024) with two possible one-year extensions.
- Scope: Recordkeeping, communications, and education related to the 457(b) Plan of Deferred Compensation. Management of the Stable Value Fund exclusively for Milwaukee County participants as the Plan's only fixed investment option.
- Fees: \$26.92 per participant per year for recordkeeping. Stable Value Fund to have total fees of 0.30% for investment management and wrap fees.

The proposed contract is being reviewed by the Select Committee's outside legal counsel and will ultimately be approved 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.

### **TBE PARTICIPATION/LOCAL PRESENCE**

Empower has agreed to sub-contract with a local printer certified by the Community Business Development Partners office to meet its TBE participation goal. The Select Committee has sought TBE participation even though no public funds are used to provide this employee benefit. In an added "indirect" community benefit, Empower operates one of three national call centers in downtown Milwaukee serving thousands of retirement plans, including the Milwaukee County plan. There are more than 325 full-time jobs at the 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

an agreement with Empower Retirement for recordkeeping services and management of the custom Stable Value Fund as the Plan's fixed investment option.

Respectfully submitted,

*Stephen J. Cady*

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Steve Cady, Chairman  
Milwaukee County Select Committee on Deferred Compensation

cc: County Executive Chris Abele  
Teig Whaley-Smith, Director, Department of Administrative Services  
Margaret Daun, Corporation Counsel