

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: November 24, 2021

To: Marcelia Nicholson, Chairwoman, Milwaukee County Board of Supervisors

From: Steve Cady, Chairman, Select Committee on Deferred Compensation

Subject: From the Milwaukee County Select Committee on Deferred Compensation, requesting approval to execute an agreement with RVK, Inc, for investment consulting services for a three-year period with two optional one-year extensions beginning January 1, 2022

File Type: Action Report

REQUEST

The Milwaukee County Select Committee on Deferred Compensation ("Select Committee") requests approval to execute an agreement with RVK, Inc. for a three-year period with two optional one-year extensions beginning January 1, 2022 in an amount of \$234,000 for the first three-years. Payments are made by funds collected through Milwaukee County Deferred Compensation Plan ("Plan") administrative fees.

POLICY

The Select Committee on Deferred Compensation was established by the County Board of Supervisors to administer the County's voluntary 457(b) retirement plan for the benefit of participants, including active and separated employees.

BACKGROUND

The Select Committee retains the services of Empower Retirement (File No. 19-301) to serve as recordkeeper for the Plan and a separate investment consultant to help select investment options from which participants can choose to direct their contributions to build a diverse portfolio that suits their risk tolerance. The Plan has 14 investment options¹ helping approximately 4,250 participants manage more than \$449 million in retirement savings.

The investment consultant is critical in helping the Select Committee manage the Plan in accordance with best practices that align with the fiduciary responsibility of administering the retirement benefit. Services include investment selection and monitoring, investment policy statement (IPS) development and adherence, fiduciary education, and special issues such as automatic enrollment/automatic escalation. They regularly review and advise the Select Committee on participant fees and investment fees and expenses. The investment consultant also reviews services provided by the recordkeeper to ensure they provide value to the Plan participants.

¹ The twelve Vanguard Target Date Retirement Funds are considered one investment option.

The Select Committee solicited the assistance of the Department of Administrative Services – Procurement Division for the issuance of a request for proposals (RFP) for investment consulting. Seven investment consulting firms responded to the RFP and, based on the scoring by the Select Committee as overseen by DAS-Procurement, R.V. Kuhns & Associates, Inc. (DBA RVK, Inc.) was the highest scoring proposal. RVK, Inc. has served the Select Committee as investment consultant since 2016.

RVK, Inc. will provide investment consulting services for an annual retainer of \$78,000 per year for the first three years, and \$80,000 and \$83,000 for the optional fourth and fifth years, respectively. The total cost for the three-year agreement is \$234,000, with a maximum cost of \$397,000 if the agreement extends five years. No public funds are used to operate the Milwaukee County 457(b) Plan of Deferred Compensation. Expenses will be paid by administrative fees charged to Plan participants.

ALIGNMENT TO STRATEGIC PLAN

A robust and effective Plan of Deferred Compensation, which is strongly aided by the investment consultant, aligns with the County's strategic plan. This includes ensuring Plan decisions are seen through a racial equity lens, especially on how to increase voluntary enrollment of employees of color. The Select Committee will be seeking authorization in a subsequent file to implement automatic enrollment of employees and automatic escalation of contributions to increase participation in the Plan.

Financial wellness for employees is a key goal of the Select Committee, as the County's defined pension benefit and social security are likely not sufficient to sustain employees in retirement. Supplemental savings/investments are key to ensuring employees can achieve a secure retirement. Retirees with access to supplemental savings/investments are more likely to achieve fiscal health and sustainability, thereby helping to dismantle barriers to diverse and inclusive communities.

FISCAL EFFECT

The total cost for the three-year agreement is \$234,000, with a maximum cost of \$397,000 if the agreement extends five years. No public funds are used to operate the Milwaukee County 457(b) Plan of Deferred Compensation. Expenses will be paid by administrative fees charged to Plan participants.

TERMS

The agreement is for three years with two optional one-year extensions beginning January 1, 2022. The initial term expires December 31, 2024 and if both extensions are exercised the agreement would end December 31, 2026.

VIRTUAL MEETING INVITES

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PREPARED BY:

Steve Cady, Director of Research and Policy, Office of the Comptroller

APPROVED BY:

Steve Cady, Chairman, Select Committee on Deferred Compensation

ATTACHMENTS:

Resolution and Fiscal Note

cc: Kelly Bablitch, Chief of Staff, Milwaukee County Board of Supervisors
Janelle M. Jensen, Legislative Services Division Manager, Office of the County Clerk

