

2019



Legislative Reference Bureau

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DEFERRED COMPENSATION



2019 Proposed Plan and Executive Budget Review

Prepared by: Aaron Michelson, Legislative Fiscal Analyst
Budget Hearing: 1:30 pm on Wednesday, October 10, 2018
Last Updated: October 5, 2018

Version 1.0



\$476,483

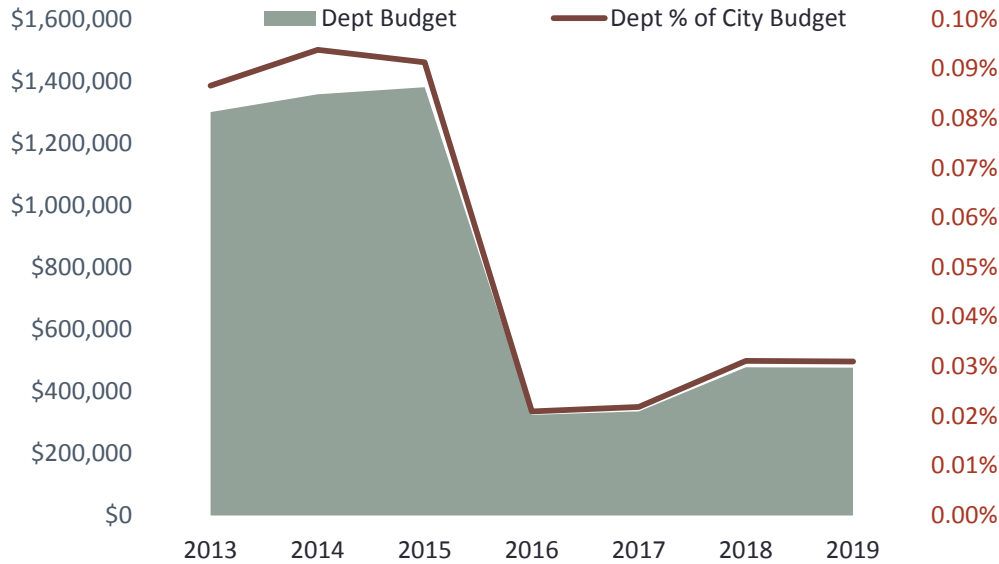
Proposed 2019 Budget

-\$1,281

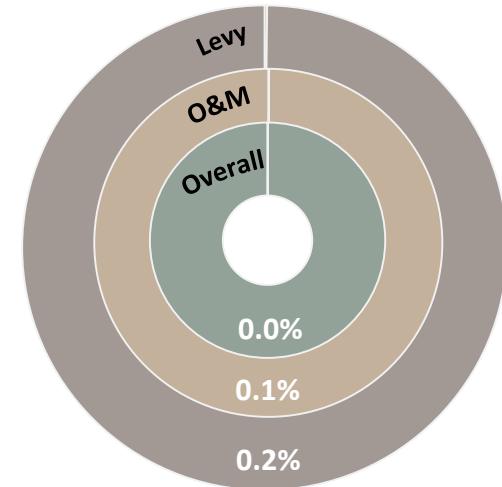
Change in Proposed Budget

-0.3%

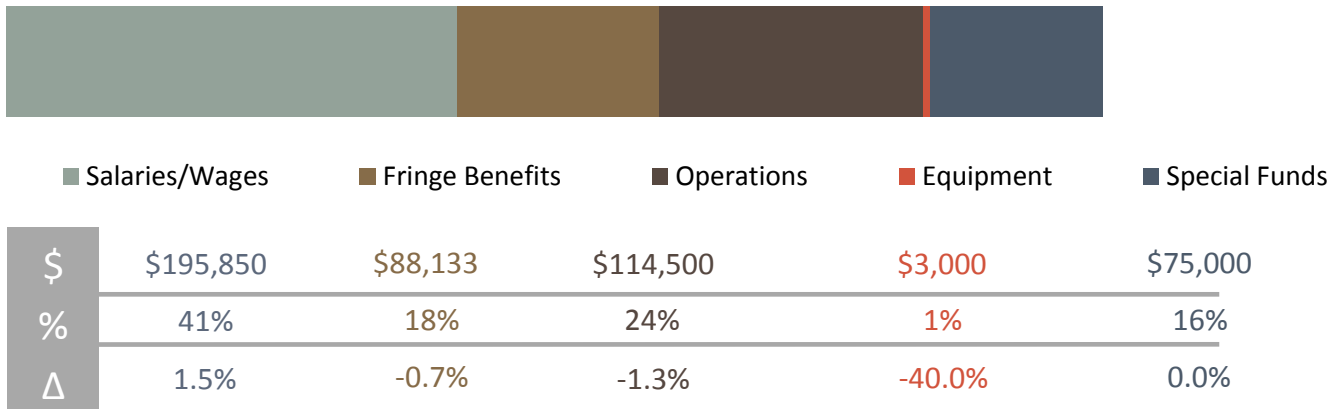
% Change in Proposed Budget



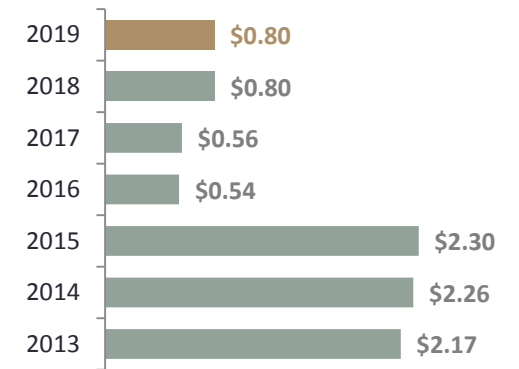
Departmental Budget Impact



Departmental Budget Appropriation Category



Budget per Capita



+\$2,219

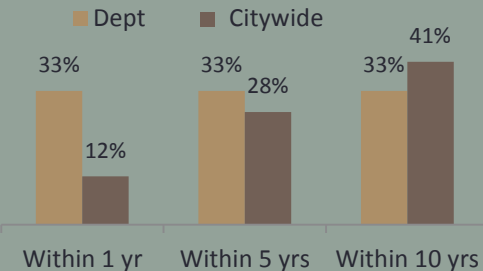
Increase in Salaries and Wages for the department, up 1.5% from the amount allocated in 2018.

\$75,000

Contingency Special Fund -

Reserve of Plan funds to cover any unexpected expenses. Funds can only be expended upon Deferred Compensation Board approval.

Retirement Eligible



0

Change in Positions

0.0%

% Change in Positions

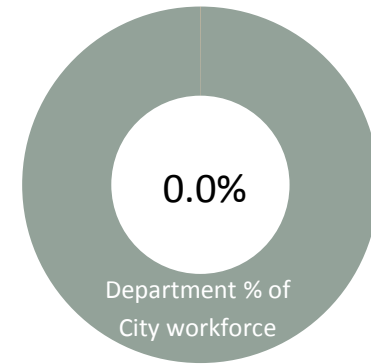
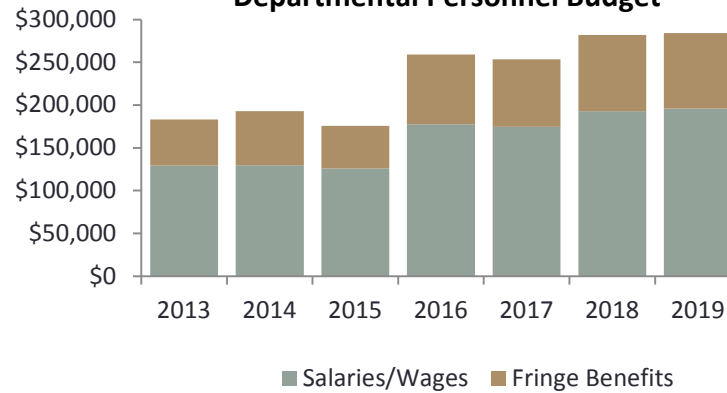
0

Current Vacancies

0

Voluntary Separations

Departmental Personnel Budget



Staffing Vacancies

No staffing vacancies at this time.

Staffing Update

No staffing changes proposed in 2019.

Administrative Assistant II position was added in 2018 to handle increased Plan participation.



**Department Positions
2013-2019**

8,757

Total active and retired Deferred Compensation Plan participants as of December 31, 2017.

84.5% vs. 81%

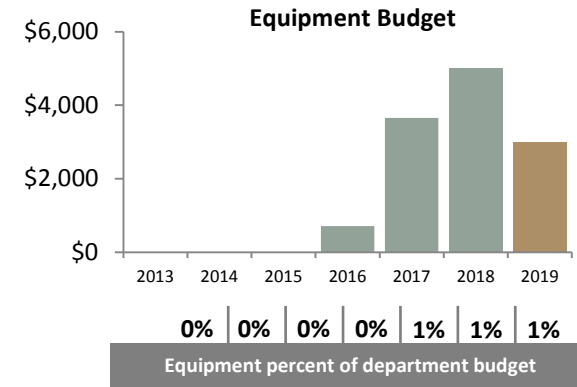
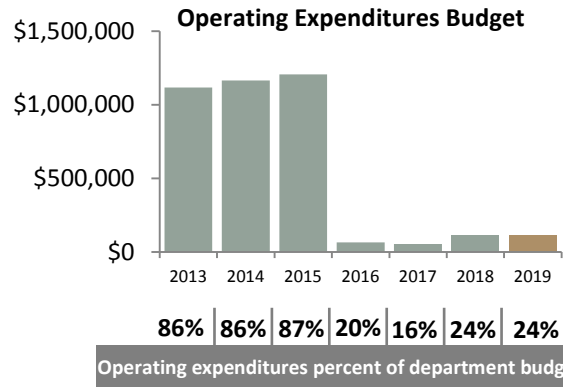
2017 and 2016 Plan participation rate, respectively. Prior to implementation of "Opt-Out" participation strategy in Fall 2016, participation rate was 65%.

\$940 million

Plan assets as of December 31, 2017, a 12.5% increase from 2016.

3%

Default percentage of wages for contributions unless participants choose to "Opt-Out". The "Opt-Out" option is provided through both auto-enrollment for new hires and re-enrollment.



Revenue

Department expenditures, including salaries and operating, paid for through the Plan and participant fees. No City tax levy support.

Special Purpose Accounts

There are no special purpose accounts for this department.

Grants

This department receives no grant funding.

Capital Requests

There are no capital requests for this department.

Voya

The Deferred Compensation Plan Board currently has a 5-year contract with Voya to provide Plan participant services. This contract expires in March 2021.

16

Investment options available within the Deferred Compensation Plan, including ten (10) age-specific Target Date funds, five (5) Core funds, and the Self-Directed Brokerage Account option.

1,539

Plan participant loans from individual accounts that are currently outstanding.

Auto-Enrollment and Re-Enrollment

The Deferred Compensation Plan strives to provide a comprehensive education and notification campaign for anyone subject to the auto-enrollment and annual re-enrollment processes. Participants have choice and control throughout those processes, and even after the enrollment has taken place. The feedback from employees affected by the auto-enrollment and re-enrollment processes has been minimal.

Financial Wellness

The Board and Deferred Compensation office continually work on its efforts to increase Plan enrollment and contributions through outreach efforts. These efforts include financial wellness education and one-on-one consultations with our local Voya representatives, both of which are incentivized through the City's Healthy Rewards program.

Achievements in 2017

- Received 2017 National Association of Government Deferred Compensation Administrators (NAGDCA) Award for deferred compensation plan design and administration.
- Received Pensions & Investments 2017 "Eddy Award".
- Implemented the first year of automatic enrollment for new hires.
- Conducted a second annual re-enrollment campaign.
- Third consecutive year of decreases in Plan operating expenses.

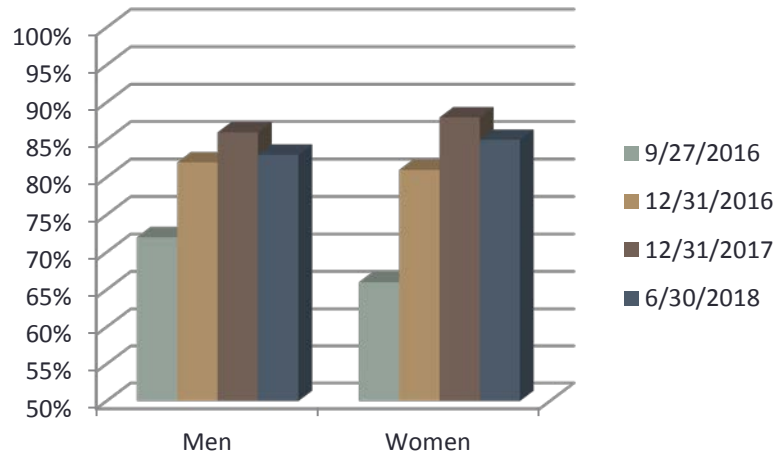
Individual Member Account Options

Plan participants may request unforeseeable emergency hardship distributions under applicable Milwaukee City Charter provisions and IRS revenue rulings. In addition, the Plan was modified in 2014 to allow participants to borrow from their individual accounts. Utilization of emergency hardship requests has significantly reduced since implementation of the Plan's loan program.

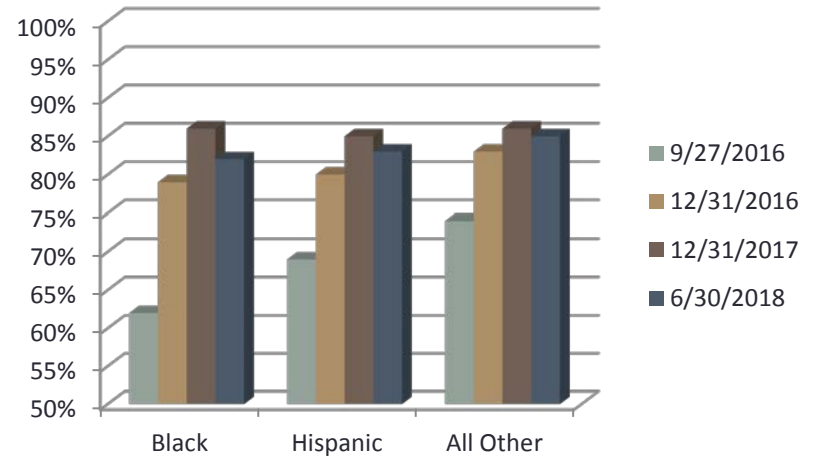
Plan Operating Expenses

The Deferred Compensation Plan does not impact the City's property tax levy. Plan operating expenses are paid entirely by Plan participants through payroll and rollover contributions, as well as fees specific to each investment option. Fees are monitored on an on-going basis and reductions take place through a variety of efforts including contract negotiations and "going to market" for vendor expenses at contract renewals.

Plan Participation Rate - by Gender



Plan Participation Rate - by Race



Plan Participation Rate - by Age

