

2020



Legislative Reference Bureau

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# DEFERRED COMPENSATION



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## 2020 Proposed Plan and Executive Budget Review

Prepared by: Alex Highley, Legislative Fiscal Analyst  
Budget Hearing: 1:30 pm on Wednesday, October 9, 2019



**\$473,700**

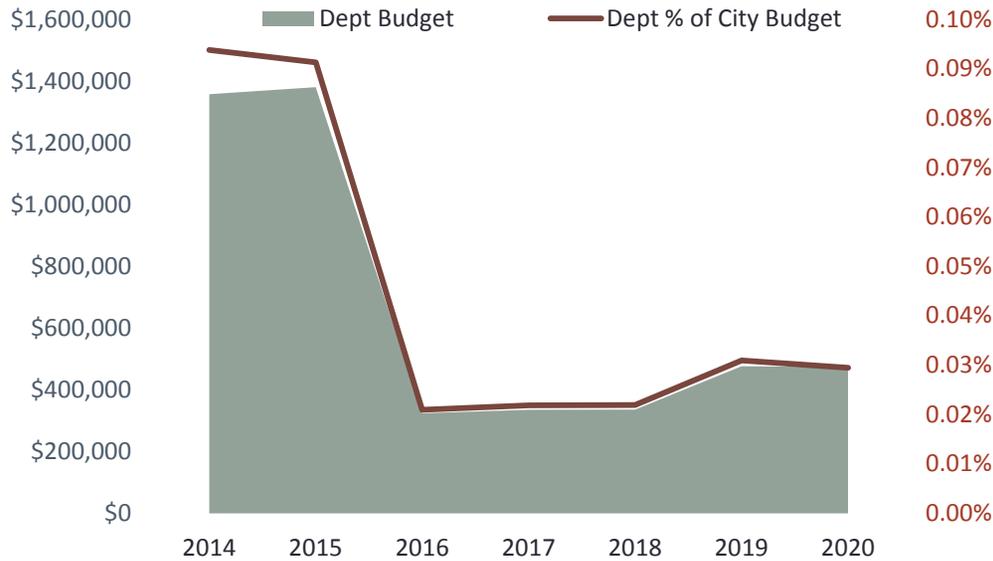
Proposed 2020 Budget

**-\$2,783**

Change in Proposed Budget

**-0.6%**

% Change in Proposed Budget



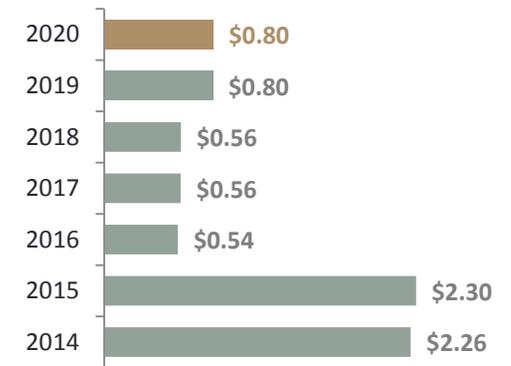
**Departmental Budget Impact**

This department is funded almost entirely through invested assets, therefore, does not have a noticeable impact on the Tax Levy or General Budget.

**Departmental Budget Appropriation Category**



**Budget per Capita**



	Salaries/Wages	Fringe Benefits	Operations	Equipment	Special Funds
\$	\$202,100	\$81,000	\$112,600	\$3,000	\$75,000
%	43%	17%	24%	1%	16%
Δ	3.2%	-8.1%	-1.7%	0.0%	0.0%

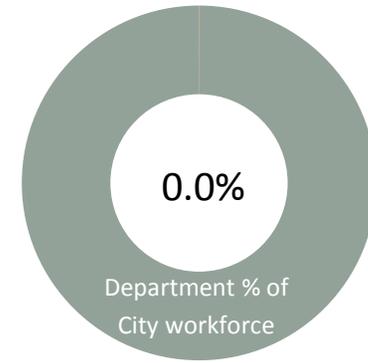
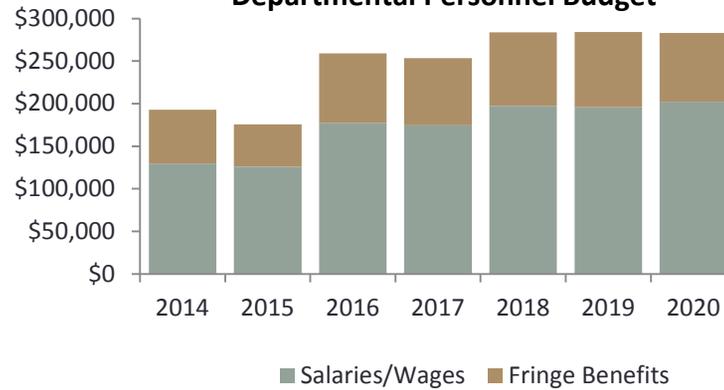
**\$6,250**

Increase in Salaries and Wages for the department, up 3.2% from the amount allocated in 2019.

**\$75,000**

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

**Departmental Personnel Budget**



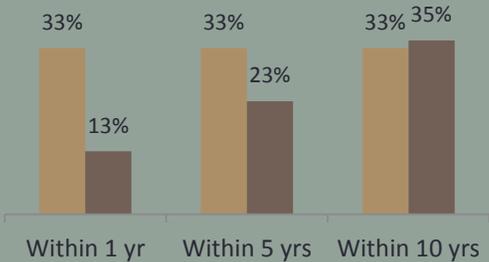
**Staffing Vacancies**

No staffing vacancies at this time.

**Staffing Update**

No staffing changes proposed in 2020.

**Retirement Eligible**    ■ Dept    ■ Citywide



**0**

Change in Positions

**0.0%**

% Change in Positions

**0**

Current Vacancies

**0**

Voluntary Separations



**Department Positions  
2014-2020**

**8,981**

Total active and retired Deferred Compensation Plan participants as of December 31, 2018.

**85% vs 84.5%**

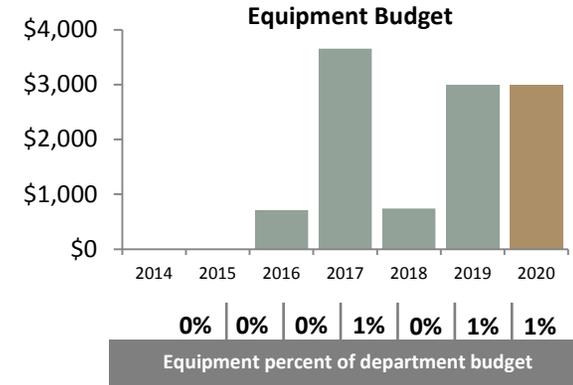
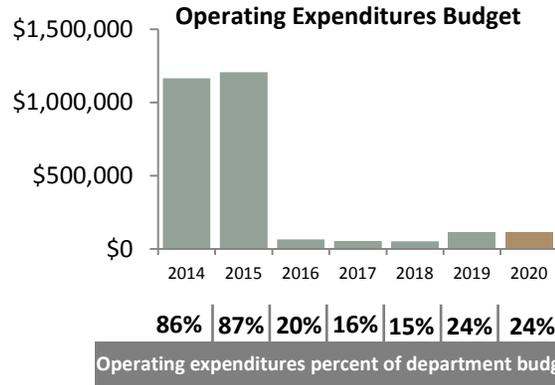
2018 and 2017 Plan participation rates, respectively. Prior to implementation of "Opt-Out" participation strategy in Fall 2016, participation rate was 65%.

**\$869 million**

Plan assets as of December 31, 2018, a 7.6% decrease from 2017.

**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**

Revenues are expected to be \$473,700 in 2020, which is a 0.6% decrease from 2019. Department revenues match total department expenditures.

Department expenditures, including salaries and operating, are paid for through the Plan and participant fees. There is 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.

# 1,561

Plan participant loans from individual accounts as of December 31, 2018.

## Auto-Enrollment and Re-Enrollment

The Plan strives to provide a comprehensive education and notification campaign for anyone subject to the annual re-enrollment process. Participants have choice and control throughout the process, even after the enrollment has taken place.

## Financial Wellness

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

## Achievements in 2018

- Received 2018 National Association of Governmental Deferred Compensation Administrators Award for Plan Design and Administration.
- Implemented the second year of automatic enrollment for new hires.
- Conducted a third annual re-enrollment campaign.
- Annual contribution from members who previously contributed less than 3% was increased to 3%, unless they chose to opt out.
- Fourth consecutive year of decreases in Plan operating expenses.

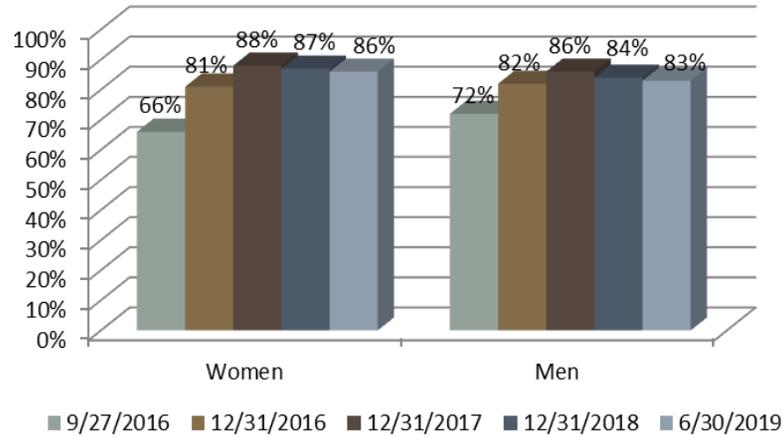
## Individual Member Account Options

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 declined significantly since implementation of the Plan's loan program.

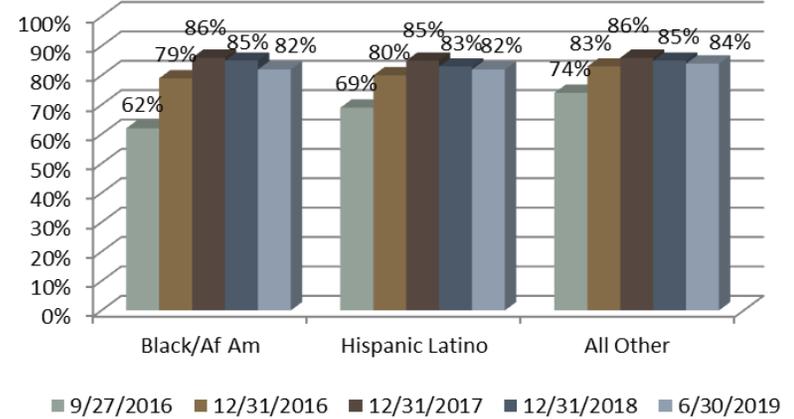
## Plan Operating Expenses

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.

**Participation Rate - by Gender**



**Participation Rate - by Race**



**Participation Rate - by Age**

