

Chairperson: Steve Cady, 278-4347

Clerk: Carol Mueller 278-4228

SELECT COMMITTEE ON DEFERRED COMPENSATION

Monday, May 9, 2011 – 9:00 a.m.

Milwaukee County Courthouse - Room 203-P

REVISED MINUTES

Present: Grady, Walker, Ceschin and Cady (Chair)

Excused: Russell

SCHEDULED ITEMS:

The Committee may adjourn into closed session under the provisions of Wisconsin Statutes, Section 19.85(1)(f), for the purpose of discussing the following matter(s). The Committee may reconvene into open session to take whatever action(s) it may deem necessary on the said matter(s).

1. 11DC21 Appeal(s) from deferred compensation participant(s) of decisions regarding request(s) for hardship withdrawal(s) of funds from Milwaukee County's Deferred Compensation Plan.

There were no appeals.

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2. 11DC22 Financial Update on Administration of Milwaukee County's Deferred Compensation Plan. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

Mr. Cady noted that the number of plan participants have increased despite the fact that the number of employees has decreased. The fee holiday has previously been extended to the end of 2011, so no decision has to be made at this meeting as to whether it should be extended. Mutual fund realloances have decreased because the Plan has qualified for lower cost share classes, which reduces costs to participants. These fees are not itemized on the quarterly statements, but are reflected in the "net" returns of each investment option.

The Committee took no action on this informational item.

3. 11DC23 From Great-West Retirement Services, First Quarter Report. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

APPEARANCE(S)

Sue Oelke, Great-West Retirement Services

The focus for the first quarter has been on retirees. A new workshop presentation

SCHEDULED ITEMS (CONTINUED):

focused on encouraging retirees to rollover backdrop monies to the Plan. Two hundred and fifty-seven scheduled appointments for retirements were conducted along with 70 walk-ins. Participants prefer the one-on-one meeting.

There were 23 new retiree enrollments in the quarter which is unusual. They are related to backdrops being rolled over into the Plan. An increase in deferral amounts for final paychecks have also occurred due to vacation, personal days and overtime payouts being permitted to be deferred into the Plan.

The majority of new enrollees for this quarter are from the Office of the Sheriff.

Full distributions are up this year but total dollars paid out are down from \$2.3 million last year to \$1.9 million this year. In-force accounts are maintained at 99%. Emergency withdrawals have shown a slight decrease from 37 last year to 31 this year.

The Committee took no action on this informational item.

4. 11DC24 From Reinhart Boerner Van Deuren, recommended amendment to the Milwaukee County Plan of Deferred Compensation related to the distribution of De Minimis accounts.

Mr. Cady provided some background on De Minimis accounts noting that the participant balance is less than \$1,000 and the account has deferred no contributions within the last twenty-four months. Currently there are 159 accounts that meet the criteria. Each account reflects an annual administrative charge of \$82.50 paid by the Plan. The current language in the Plan Governance Document only applies De Minimis criteria to current employees and not those who have separated from County service. An amendment to the plan would allow for the Committee, at its discretion, to cash out these accounts for all participants.

5. 11DC25 From Great-West Retirement Services, recommended procedures to pay out De Minimis accounts as provided for in the Milwaukee County Plan of Deferred Compensation.

Notifications would be sent out approximately every 18-24 months to participants approximately 45 days prior to a payout of De Minimis accounts.

Great West will run a De Minimis report and forward it to the plan administrator. The plan administrator would sign and date the report authorizing payment. Once Great West receives the signed instructions, distributions will be processed.

SCHEDULED ITEMS (CONTINUED):

ACTION BY: (Grady) Approve Plan amendment and publish in accordance to the plan guidelines. 4-0

AYES: Grady, Walker, Ceschin and Cady (Chair) – 4

NOES: 0

6. 11DC26 From Advised Assets Group, First Quarter Stable Value Fund Report.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

The rate of the Stable Value Fund for the second quarter is 3.9% annualized. The fund continues to have a high volume as retirees are attracted to the relatively high crediting rate and investment security during their transitional period from active to separated.

It is unique that this fund has money flowing in. If issues arise on large transfers out of the fund transfer restrictions could be implemented if necessary to protect the fund from having to liquidate unusually large amounts of holdings.

The Committee took no action on this informational report.

7. 11DC27 From Hewitt Ennis Knupp, First Quarter Market Recap presentation.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

APPEARANCE(S):

Laurel Nicholson, Hewitt Ennis Knupp and Associates

Chris Riley, Global Head of Equity Manager Research, Hewitt Ennis Knupp and Associates

Ms. Nicholson gave an overview of the various markets. Capital markets are showing a lot of recovery from the 2008-09 volatility. There are still concerns over real estate, affects of overseas disasters, commodities, food prices and inflation. US stocks have out performed others. The small cap and growth funds out performed large cap and value funds respectively.

The Committee took no action on this informational report.

8. 11DC28 From Hewitt Ennis Knupp, First Quarter Performance Report.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

APPEARANCE(S):

Laurel Nicholson, Hewitt Ennis Knupp and Associates

Chris Riley, Global Head of Equity Manager Research, Hewitt Ennis Knupp and

SCHEDULED ITEMS (CONTINUED):

Associates

Market gains overall today have performed within benchmarks. One quarter of participants are invested in index funds. Active funds are mixed but have strong outcomes over the long term except Growth Fund of America. PIMCO performed exceptional for the long run and the Stable Value Fund continues to out perform.

The Committee took no action on this informational report.

9. 11DC29 From Hewitt Ennis Knupp, update on Growth Fund of America.

APPEARANCE(S):

Laurel Nicholson, Hewitt Ennis Knupp and Associates

Chris Riley, Global Head of Equity Manager Research, Hewitt Ennis Knupp and Associates

This fund has been moved from yellow to red status over the last quarter. Hewitt Ennis Knupp's formal position paper for all clients recommends a "hold" for the Growth fund of America. However, Ms. Nicholson is recommending that for various reasons which are outlined in her memo (hereto attached to file), a new fund search should be initiated for the Milwaukee County 457 Plan.

ACTION BY: (Grady) Initiate a search for a replacement to the Growth Fund of America and provide a list for the August meeting for the Committee's consideration. 4-0

AYES: Grady, Walker, Ceschin and Cady (Chair) – 4

NOES: 0

10. 11DC30 From Hewitt Ennis Knupp, participant fee disclosure memo.

APPEARANCE(S):

Laurel Nicholson, Hewitt Ennis Knupp and Associates

Chris Riley, Global Head of Equity Manager Research, Hewitt Ennis Knupp and Associates

A ruling by the Department of Labor (DOL) requires plan sponsors to provide information to participants of 401(k) type savings. The Milwaukee County Deferred Compensation Plan is not subject to the new rule, but has always been committed to transparency regarding all fees charged within the Plan. As a best practice any fee disclosure should be included as part of an annual report. A further review of how Great West presents this information to participants will be reviewed at the August meeting with a format or customization discussed.

The Committee took no action on this informational report.

SCHEDULED ITEMS (CONTINUED):

11. 11DC31 From Hewitt Ennis Knupp, Roth 457 option memo.

Items 11 and 12 were discussed together. See Item 12 for the Committee action.

12. 11DC32 From Reinhart Boerner Van Deuren recommended amendments to the Milwaukee County Plan of Deferred Compensation to authorize a Roth option.

APPEARANCE(S):

Laurel Nicholson, Hewitt Ennis Knupp and Associates
Chris Riley, Global Head of Equity Manager Research, Hewitt Ennis Knupp and Associates

Roth options have recently been allowed as a provision of a 457 plan. The biggest difficulty is the education of participants.

Contributions could be either pre or post tax with a five year hold of the plan and withdrawal after the age of 59 ½. In August look at the roll out for the Roth 457 to commence in January of 2012. The Committee asked questions about the ability to convert current 457 Plan assets into Roth 457 assets and questions arose about Wisconsin's tax treatment of this matter. Sue Oelke from Great-West Retirement Services, reported that the State 457 Plan has authorized a Roth option beginning July 1, 2011, but had not yet authorized conversions pending the outcome of tax treatment questions.

Further discussion ensued on the ability of Milwaukee County to easily administer a Roth payroll deduction and the challenge in communicating the Roth provisions to Plan participants. The consensus of the Committee was that the Roth 457 option should be approved, but should be done so in conjunction with a participant communication/education plan that Great-West will bring forward at the next quarterly meeting.

The communication from Reinhart Boerner also recommended a Plan Governance Document amendment to restate "Unforeseeable Emergency" to reflect current Plan practices and IRS regulations. The Committee agreed that this Plan amendment should be approved now.

ACTION BY: (Grady) Adopt the amendment to the plan that amends paragraph 4aa for Unforeseeable Emergencies. 4-0

AYES: Grady, Walker, Ceschin and Cady (Chair) – 4

NOES: 0

13. 11DC33 NAGDCA Conference 2011.

SCHEDULED ITEMS (CONTINUED):

ACTION BY: (Ceschin) Approve Committee members' attendance at NAGDCA conference in 2011, with reasonable expenses covered by the Plan, including reimbursement of any meals provided by Great West at the conference. 4-0

AYES: Grady, Walker, Ceschin and Cady (Chair) – 4

NOES: 0

14. 11DC01 Next regularly scheduled meeting of the Select Committee on Deferred Compensation: **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

- August 1, 2011
- November 14, 2011

<i>ADA accommodation requests should be filed with the Milwaukee County Executive Office for Persons with Disabilities, 278-3932 (voice) or 278-3937 (TTY), upon receipt of this notice.</i>
