

Chairperson: Steve Cady, 278-4347

Clerk: Carol Mueller 278-4228

**SPECIAL MEETING OF THE
SELECT COMMITTEE ON DEFERRED COMPENSATION**

Monday, January 10, 2011 – 9:45 a.m.

(Recess for lunch)

Milwaukee County Courthouse - Room 203-P

MINUTES

PRESENT: Grady, Walker, Ceschin, Russell* and (Chair) Cady

*Ms. Russell was not present at roll call but appeared shortly thereafter.

SCHEDULED ITEMS:

1. 11DC02 From Hewitt Ennis Knupp and Associates, a report recommending lower cost share classes for the Vanguard Total Bond Market Index and the Vanguard Small Cap Index Funds.

APPEARANCES:

Laurel Nicholson, Ennis Knupp and Associates

Kevin Vandolder, Ennis Knupp and Associates

Chairman Cady received a communication from Vanguard in December that two funds were eligible for lower cost share classes. He also noted the corrected ticker for the Vanguard Small Cap Index should be VSCIX.

Ms. Nicholson said the lower rate classes are consistent with the Committee preference for low cost investment structure. This will result in an expense ratio change from an admiral share class to the signal share class for the Vanguard Total Bond Market Index, from 0.22% to 0.12% basis points. Additionally, the Vanguard Small Cap Index will change from the signal share cost to the institutional share cost for a decrease from 0.14% to 0.08% basis points. Great West will need to be instructed to switch the share classes within the funds.

Chairman Cady reported that Great West will notify the participants of the grade changes in their fourth quarter statement. A transition date of March 3, 2011 has been established.

Questions and comments ensued.

SCHEDULED ITEMS (CONTINUED):

ACTION BY: (Ceschin) Approve the lower cost share funds for the Vanguard Total Bond Market Index and the Vanguard Small Cap Index Funds. 5-0

AYES: Grady, Walker, Ceschin, Russell, and Cady (Chair) – 5

NOES: 0

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The Committee may adjourn into closed session under the provisions of Wisconsin Statutes, Section 19.85(1)(e), for the purpose of the Committee deliberating or negotiating specified public business, whenever competitive or bargaining reasons require a closed session. At the conclusion of the closed session, the Committee may reconvene in open session to take whatever action(s) it may deem necessary.

2. 11DC03 Finalist interviews for investment Consulting Services.

ACTION BY: (Russell) Adjourn into closed session under the provisions of Wisconsin Statutes, Section 19.85(1)(e), for the purpose of the Committee deliberating or negotiating specified public business, whenever competitive or bargaining reasons require a closed session. At the conclusion of the closed session, the Committee may reconvene in open session to take whatever action(s) it may deem necessary5-0

AYES: Grady, Walker, Ceschin, Russell, and Cady (Chair) – 5

NOES: 0

The Committee convened into closed session at 9:57 a.m. The Committee took a recess for lunch at 12:11 p.m. and reconvened into closed session at 1 p.m. The Committee did not reconvene into open session.

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3. 11DC01 Next regularly scheduled meeting of the Select Committee on Deferred Compensation: **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

- February 7, 2011
- May 9, 2011
- August 1, 2011
- November 14, 2011

Reminder that the next scheduled meeting is February 7, 2011, at the regular time and place.

SCHEDULED ITEMS (CONTINUED):

This meeting was recorded. Committee files contain copies of the subject reports, communications, resolutions, and ordinances, which may be reviewed upon request to the Chief Committee Clerk. The official copy of these minutes, along with the audio recording of this meeting, is available in the County Board Committee Services Division.

Length of meeting: 9:48 a.m. to 4:15 p.m.

Adjourned,

Carol Mueller

Chief Committee Clerk

Select Committee on Deferred Compensation

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.

Chairperson: Steve Cady, 278-4347

Clerk: Carol Mueller 278-4228

SELECT COMMITTEE ON DEFERRED COMPENSATION

Monday, February 7, 2011 – 9:00 a.m.
Milwaukee County Courthouse - Room 203-P

MINUTES

PRESENT: Mark Grady, Susan Walker*, Rick Ceschin, Jackie Russell, and Steve Cady (Chair)

* Susan Walker was not present at roll call but appeared shortly thereafter.

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. 10DC25 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. 11DC04 Financial Update on Administration of Milwaukee County's Deferred Compensation Plan. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

The Chair provided a brief update noting that the Plan's 2010 operating budget deficit was \$60,000 that reflects the fee holiday and an off-setting revenue settlement of \$83,000 from Strong. The quarter had a growth in participation. The 2010 actual results were used for the 2011 structure. The fee holiday was extended through the fourth quarter of 2011, at the November 2010 meeting.

The Committee took no action on this informational report.

3. 11DC05 From Reinhart Boerner Van Deuren, recommended amendments to the Plan Governance Document for the Pension Protection Act and Other Law.

APPEARANCE(S):

Ben Choice, Attorney, Reinhart Boerner Van Deuren

Mr. Choice provided an overview of the amendments to the Plan regarding Pension Protection Act and other law. This included the definition of

SCHEDULED ITEMS (CONTINUED):

compensation deferred from the last paycheck even if an employee is terminated. The IRS asked for clarity of the date through which the participant was employed. No post employment benefits are eligible to be deferred.

The second amendment relates to Military services. If the employee is paid while serving in the armed services, they are allowed to defer money into the Plan.

The third amendment deals with the rules of age 70 and one half. There is a new site to reference these rules.

The fourth amendment is addressing rollover provisions including a non-spouse beneficiary rollover and the right to defer and consequences of not deferring.

The fifth amendment is regarding Military service provisions under HEART. The benefits payable to participants who die while employed are the same benefits that apply if a participant dies in military service.

The final amendment defines what is considered compensation.

Questions and comments ensued.

Further discussion pertained to Roth contribution options and the education component. The Committee requested an amendment regarding Roth options for the next meeting.

Additionally, there is a Roth conversion option that allows converting some or all of the assets into a Roth account. There are current issues with Wisconsin law not recognizing this option approved by the Federal government.

ACTION BY: (Grady) Approve the amendments into the Plan governance document. Additionally, add the wording "upon request" after shall receive notice to section 4.7. 4-0

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

NOES: 0

EXCUSED: Walker - 1

4. 11DC06 From Baker Tilley, 2010 Plan Review. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

APPEARANCE(S):

Wayne Morgan, Baker Tilley

Anne Blakely, Baker Tilley

This is a final report for the 2010 Plan Review. This review focused on IRS code

SCHEDULED ITEMS (CONTINUED):

and the fiduciary obligation of the plan specifically, compliance review and payroll processes were examined.

Mr. Morgan discussed compliance results that have been upgraded from “code red” to “yellow”. One item pertained to quarterly reports mailed later than 15 days past the end of the quarter. Another item pertains to timeliness on retirement or termination withdrawals that were not processed within 5 business days. Both of these items are good goals in compliance component. There were no issues on any critical component of the policy.

Ms. Blakely focused on payroll process reviews. There were multiple findings regarding the flow of data from Ceridian to the Great West. These included termination date errors, modification to eligibility and eligibility dates not reliable. Items that need watching included consolidation of departmental codes, deduction hierarchies built into Ceridian, data feeds from Ceridian to Great West and catch up contributions.

A lengthy discussion ensued on clarity of eligible employees to the Plan, regarding part time, seasonal, part time seasonal and pool nurses. Additional discussion pertained to the use of on-line reports.

Any suggestions of additional future goals and reviews should be forwarded to Mr. Morgan or Chairman Cady.

The Committee took no action on this informational item.

5. 11DC07 From Great-West Retirement Services, Fourth Quarter Report.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

APPEARANCE(S):

Sue Oelke, Great-West Retirement Services

Ms. Oelke gave an overview of the fourth quarter programs and services. Discussion covered new employee enrollment seminars, open enrollment, onsite visits, the Did You Know campaign, enrollment and contributions, account activity, distributions, rollovers into Plan, website activity, service center calls and emergency withdrawals.

Questions and comments ensued.

Great-West is seeing a greater percentage of individual service requests.

The Committee took no action on this informational item.

SCHEDULED ITEMS (CONTINUED):

6. 11DC08 From Great-West Retirement Services, 2010 Annual Plan Review.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

APPEARANCE(S):

Sue Oelke, Great-West Retirement Services

Ms. Oelke gave a recap on how 2010 compared in the areas of participation, asset allocation and diversification, asset retention and reality investing.

Further discussion ensued on the right diversification for each individual, educational need of participants and stable fund participation.

The Committee took no action on this informational item.

7. 11DC09 From Great-West Retirement Services, 2011 Plan Enhancement Program.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

APPEARANCE(S):

Sue Oelke, Great-West Retirement Services

Ms. Oelke reviewed Great-West's 2011 concepts to focus on. They included the creation of plan enhancements programs, target initiatives, strategy and the annual plan report card.

Overall Milwaukee County deferred compensation plan is very successful especially without an employer match compared to other 457 Plans.

The Committee took no action on this informational item.

8. 11DC10 From Advised Assets Group, Fourth Quarter Stable Value Fund Report.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

The Chair informed the Committee that the Stable Value fund credited rates dropped slightly from 4.25% in the fourth quarter of 2010 to 4% for the first quarter of 2011.

The Committee took no action on this informational item.

9. 11DC11 From Hewitt Ennis Knupp, Fourth Quarter Market Recap presentation.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE

SCHEDULED ITEMS (CONTINUED):

COMMITTEE)

APPEARANCE(S):

Laurel Nicholson, Hewitt Ennis Knupp and Associates
Dan Polish, Hewitt Ennis Knupp and Associates

Ms. Nicholson spoke on the performance of the market. Capital markets were positive for the year. U.S. bonds were negative in the fourth quarter whereas, emerging market stocks outperformed developed non-U.S. equities. Overall it is a very slow recovery.

Stock market returns rallied 86% with small cap stocks the strongest performer. Growth stocks outperformed value stocks during the fourth quarter. All economic sectors finished the year in positive territory. The long term plan is to remain diversified.

The Committee took no action on this informational item.

10. 11DC12 From Hewitt Ennis Knupp, Fourth Quarter 2010 Performance Report.

APPEARANCE(S):

Laurel Nicholson, Hewitt Ennis Knupp and Associates
Dan Polish, Hewitt Ennis Knupp and Associates

This report has a different look and feel. The company is going toward a web based system. Plan assets stood at \$253 million which is an increase of \$14 million from the third quarter.

The target date retirement (TDR) funds are approximately 5% of the Plan. The three T. Rowe Price funds were rolled into these. These are an alternative to managed accounts. They are similar because they have professional best allocation of assets between different options within Vanguard. Hewitt Ennis Knupp supports the Committee's wish to promote these accounts within the Plan. It is important that participants know how to use them and the pros and cons of these accounts. The returns averaged between 9 and 15%. The 2055 fund has been added. Every seven years the oldest TDR fund rolls into an income fund.

A quarter of the plan is in index funds which is fairly high. The total stock market fund has low participation. Milwaukee County continues to have 50% of the plan invested in the Stable Value Fund (SVF). This account has weathered the drop in the economy well.

Discussion ensued on the SVF, the North Shore Savings Fund and money market accounts.

SCHEDULED ITEMS (CONTINUED):

The Committee took no action on this informational item.

11. 11DC13 From Hewitt Ennis Knupp, Deferred Annuities memo. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

APPEARANCE(S):

Laurel Nicholson, Hewitt Ennis Knupp and Associates
Dan Polish, Hewitt Ennis Knupp and Associates

Mr. Polish spoke on the Deferred Annuities. They have expensive fees and an insurance that guarantees a future income. There is risk associated with these funds, because they are tied together with a single insurance company for 40-60 years. This is not being recommended now, but the Committee may want to look at annuities in the future.

The Committee took no action on this informational item.

12. 11DC14 From Hewitt Ennis Knupp, update on Growth Fund of America. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

APPEARANCE(S):

Laurel Nicholson, Hewitt Ennis Knupp and Associates
Dan Polish, Hewitt Ennis Knupp and Associates

This fund has underperformed for the last four years. The risk on return still looks good but still needs watching. At this time Hewitt Ennis Knupp is not recommending termination of the fund.

The Committee took no action on this informational item.

13. 11DC15 From Hewitt Ennis Knupp, update on PIMCO. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

APPEARANCE(S):

Laurel Nicholson, Hewitt Ennis Knupp and Associates
Dan Polish, Hewitt Ennis Knupp and Associates

PIMCO is down due to the bond market also being down. There will be a change by the end of March to allow preferred stock investment. There are some cash holding issues. At this time Hewitt Ennis Knupp is not recommending termination of the fund.

SCHEDULED ITEMS (CONTINUED):

The Committee took no action on this informational item.

14. 11DC16 From Hewitt Ennis Knupp, Legislative/Regulatory Newsletter. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

The Committee took no action on this informational item.

15. 11DC17 From Hewitt Ennis Knupp, update on Plan Fee Review. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

The Committee took no action on this informational item.

16. 11DC18 From Hewitt Ennis Knupp, March 1st Educational Conference.

APPEARANCE(S):

Laurel Nicholson, Hewitt Ennis Knupp and Associates
Dan Polish, Hewitt Ennis Knupp and Associates

ACTION BY: (Ceschin) Approve Committee members' attendance at any Hewitt Ennis Knupp conferences in 2011, with expenses covered by the Plan. 5-0

AYES: Grady, Walker, Ceschin, Russell, and Cady (Chair) – 5

NOES: 0

17. 11DC19 From Hewitt Ennis Knupp, Proposal Letter for Global Equity Fund search.

APPEARANCE(S):

Laurel Nicholson, Hewitt Ennis Knupp and Associates
Dan Polish, Hewitt Ennis Knupp and Associates

This fund would allow active managers additional tools. Hewitt Ennis Knupp will bring forth a recommendation of the best group for the Committee's review.

ACTION BY: (Ceschin) Lay the item over for the next meeting to be discussed with the status of Growth Fund of America. Being no objection, it was so ordered.

18. 11DC20 Investment Consultant Request for Proposal vendor discussion.

The Chair reviewed the RFP process. He stated that there was a great response. It is the Committee's decision after meeting with the four finalist, to enter into a new contract with Hewitt Ennis Knupp and Associates.

ACTION BY: (Ceschin) Enter into a new three year contract with Hewitt Ennis Knupp and Associates with 2 one-year extension options. 5-0

SCHEDULED ITEMS (CONTINUED):

AYES: Grady, Walker, Ceschin, Russell, and Cady (Chair) – 5
NOES: 0

19. 11DC01 Next regularly scheduled meeting of the Select Committee on Deferred Compensation: **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

The next meeting will discuss an on-site review of Great West in Denver for June or July this includes meeting with vendors and discussion of the hardship process.

- May 9, 2011
- August 1, 2011
- November 14, 2011

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.

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 reallowances 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

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.

Chairperson: Steve Cady, 278-4347

Clerk: Carol Mueller 278-4228

SELECT COMMITTEE ON DEFERRED COMPENSATION

Monday, August 1, 2011 – 9:30 a.m.

Milwaukee County Courthouse - Room 203-P

MINUTES

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

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. 11DC33 Financial Update on Administration of Milwaukee County's Deferred Compensation Plan. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

The current administrative fee holiday is authorized through the fourth quarter of 2011. It began with the second quarter of 2007. Discussion ensued on extending the administrative fee holiday for a portion or all of 2012.

ACTION BY: (Grady) Approve extending administrative fee holiday through the fourth quarter of 2012. 5-0

AYES: Grady, Walker, Ceschin, Russell and Cady (Chair) – 5

NOES: 0

3. 11DC34 From Great-West Retirement Services, Second Quarter Report. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

APPEARANCE(S)

Sue Oelke, Great-West Retirement Services

SCHEDULED ITEMS (CONTINUED):

This quarter Great-West focused on meeting with new Sheriff and County Correctional Facility South employees at the training academy. They also made a presentation at the Employee Retirement Workshop discussing backdrop and vacation payout deferrals. Many new enrollments are by employees that have not participated in the deferred compensation plan but wish to take advantage of the tax advantages with the plan.

Vacation payouts can be deferred up to 80% leaving 20% for payroll taxes. This is an administrative policy and not an IRS requirement so as to avoid a "negative" payroll check.

Individual appointments by retiring employees have increased which has resulted in an increase in enrollments and buyouts for vacation and backdrop monies.

Sick pay rollover is not eligible at this time. The Plan Administrator will look at the Milwaukee County General Ordinances to see if this is policy or an administration requirement, due to timing on the election to defer when the exact payroll payout is unknown.

Ms. Russell gave kudos to the Great West staff for their flexibility to meet with retirees at individual retirement meetings.

Full plan distributions are still happening but usually on accounts with smaller balances and now with more informed decisions. The negative number regarding rollovers in June was caused by a large check being deposited in May which was not the intent of the employee and was therefore reversed in June.

Great West will target ten departments to market enrollment seminars toward new hires.

In January of 2012, some employees of the Department of Human Services- will become State employees. Changes in State law will be addressed in regards to deferred compensation for these employees.

The Committee took no action on this informational item.

4. 11DC35 From Great West Retirement Services, a communication regarding the implementation of an interactive voice response system for participant calls.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

APPEARANCE(S)

Sue Oelke, Great-West Retirement Services

SCHEDULED ITEMS (CONTINUED):

The voice system will go into effect on August 8, 2011. The phone number is 877-457-6459. The new automated voice system will allow participants to access specific portions of their account information, such as obtaining a new personal identification number in order to use the web site. These changes will allow customer service representatives to focus on more complex inquiries to the call center.

The Committee took no action on this informational item.

- 5. 11DC36 From Great-West Retirement Services, recommended participants and procedures to pay out "De Minimus" accounts as provided for in the In-Service Distribution (Section 10K) of the Milwaukee County Plan of Deferred Compensation.

APPEARANCE(S)

Sue Oelke, Great-West Retirement Services

Deminimus accounts are those that are less than \$1,000 and no contribution or distribution has been made in the last two years. The report of current deminimus accounts was provided by Great-West Retirement Services. The procedures to pay out these deminimus accounts will start with a letter to each participant letting them know that a payout will occur unless they take another action such as: 1) restarting deferrals, or 2) rolling over the balance to another qualified retirement account.

Accounts that Great West is unable to locate the participant, will remain in the Plan. Deferred Compensation money does not usually go into unclaimed property because of the techniques that the record keeper has to locate individuals regarding their account balances. Discussion ensued as to how often this process should be performed. Ms. Oelke said that typically deminimus accounts are processed every 18 months. The Chairman suggested that he will have Great-West run another report in one year to determine if the amount of accounts warrants an earlier review.

ACTION BY: (Ceschin) Approve the list to payout De Minimus accounts. Review and update the cover letter to ensure that eligible participants are provided an opportunity to restart their deferrals. 5-0

AYES: Grady, Walker, Ceschin, Russell and Cady (Chair) – 5

NOES: 0

- 6. 11DC37 From Great-West Retirement Services, recommending a plan of action to communicate and educate employees on a Roth 457 option.

APPEARANCE(S)

Sue Oelke, Great-West Retirement Services

SCHEDULED ITEMS (CONTINUED):

The education timeline is September/October. The goal is to have the option available for discussion during open enrollment in 2011. The rules related to a Roth 457 plan are more complex than a regular Roth individual retirement account (IRA). Contributions would need to be on a percentage basis or a flat dollar amount. Monitoring will be done through the Ceridian payroll system so the participant does not exceed the Federal contribution limit. It is expected that the Roth 457 option will be available beginning with the pay period starting December 11, 2011. Participants will need to make the deferral changes, per IRS code, in the preceding month (or earlier) for the changes to be applicable for the first eligible pay period. The Roth 457 requires that contributions must be held for five years for earnings to be considered tax free. If the participant contributes at least \$1 in 2011, that will satisfy the requirement for all contributions deferred during the five-year period. It will also satisfy one full year of the five-year requirement regardless when in 2011 the deferral is made. There are other tax provisions and requirements that will be shared with Plan participants regarding the benefits of the Roth 457 option and how they differ from the normal 457 pre-tax contributions and earnings.

ACTION BY: (Grady) Approve. 5-0

AYES: Grady, Walker, Ceschin, Russell and Cady (Chair) – 5

NOES: 0

7. 11DC38 From Reinhart Boerner Van Deuren recommended amendments to the Milwaukee County Plan of Deferred Compensation to authorize a Roth option.

The amendment to the Plan was drafted to be effective December 11, 2011. However, the Committee discussed that participant education materials would be distributed beginning around September. Also, it was unclear if participants could make their election to defer a portion of their salary to the Roth 457 option (which by IRS code must be done at least in the month prior to when the deferral will begin) if the option wasn't effective until December 11, 2011. To avoid confusion, the Committee amended the effective date to August 1, 2011 with the understanding that the first date participants will be able to defer monies into the Roth 457 option will be December 11, 2011.

ACTION BY: (Grady) Approve with references to start date changed from 12/11/11 to 8/1/11. 5-0

AYES: Grady, Walker, Ceschin, Russell and Cady (Chair) – 5

NOES: 0

8. 11DC39 From Advised Assets Group, Second Quarter Stable Value Fund Report.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

SCHEDULED ITEMS (CONTINUED):

The Stable Value Fund rate for the second quarter was 3.9% annually. The new third quarter rate is 3.8% annually. The account has a higher market value than the book value.

The Committee took no action on this informational item.

9. 11DC40 From Hewitt Ennis Knupp, Second 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 Associates

The market had mixed results. The domestic stocks were flat. The possibility of the U.S. debt default or downgrade could affect the market. Other affects on the market result from a low gross domestic product, high unemployment and depressed home prices.

The 2025 Target Date Fund is the most use fund and has a low expense ratio. More education is needed for these funds. These investment options may be a better choice for participants than the managed accounts option when comparing the fees and results. The Chairman said that there is no doubt, however, that the managed account service has attracted many employees to enroll in the Plan because they do not want to select and manage their own investment options.

The Committee took no action on this informational item.

- 10 11DC41 From Hewitt Ennis Knupp, report on Equity Large Cap Growth Fund Search.

APPEARANCE(S):

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

Hewitt Ennis Knupp provided the Committee, from their search to replace the Growth Fund of America, with their assessments of four mutual funds that would be appropriate candidates for the Plan. The following large cap funds were suggested as possible replacements:

SCHEDULED ITEMS (CONTINUED):

<u>Manager</u>	<u>Product</u>
Jennison Associates	Harbor Capital Appreciation Fund
PRIMECAP Management Co.	Odyssey Growth Fund
T. Rowe Price	Large Cap Growth Fund
Winslow Capital Management	Mainstay Large Cap Growth Fund

Mr. Riley went through each fund and provided details on the strengths, weaknesses and environmental analysis of each fund. The overall rankings were based on factors of business, staff, investment process, investment risk, operation due diligence, performance analysis, and terms and conditions. Each fund was a recommended "buy" option by Hewitt Ennis Knupp and each fund could be added by Great-West to the platform of funds they record keep.

After much discussion and comparison the Committee selected T. Rowe Price Institutional Large Cap Growth Fund (Ticker TRLGX) for their overall performance, low investment fees and name recognition. Assets currently held in the Growth Fund of America (RGAFX) will be mapped to the new investment option when the change occurs in the next few months. Affected participants will be notified and given an opportunity, if they so choose, to select an alternative investment option prior to the fund replacement and asset mapping.

ACTION BY: (Ceschin) Approve replacing T. Rowe Price Institutional Large Cap Growth Fund for Growth Fund of America. 5-0

AYES: Grady, Walker, Ceschin, Russell and Cady (Chair) – 5

NOES: 0

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

- November 14, 2011
- February 6, 2012
- May 7, 2012
- August 6, 2012

Chairman Cady asked the members and consultants to review the 2012 dates and communicate any conflicting dates that may need changing. These dates fall in line with the 2011 dates that typically provide adequate time for previous quarter reports to be assembled and distributed to Committee members.

The Committee took no action on this informational report.

SCHEDULED ITEMS (CONTINUED):

This meeting was recorded. The foregoing items were not necessarily considered in agenda order. Committee files contain copies of the subject reports, communications, resolutions, and ordinances, which may be reviewed upon request to the Chief Committee Clerk. The official copy of these minutes, along with the audio recording of this meeting, is available in the County Board Committee Services Division.

Length of meeting: 9:35 am to 12:37 pm

Adjourned,

Carol Mueller

Chief Committee Clerk

Select Committee on Deferred Compensation

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.

Chairperson: Steve Cady, 278-4347
Clerk: Carol Mueller 278-4228

SELECT COMMITTEE ON DEFERRED COMPENSATION

Monday, November 14, 2011 – 9:00 a.m.

Milwaukee County Courthouse - Room 203-P

MINUTES

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

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.

Appearance:

Steve Cady, Fiscal and Budget Analyst, County Board

There were 62 requests for hardship withdrawals that were reviewed by Great-West Retirement Services to determine if they met the applicable guidelines. Of the individuals that were denied, none decided to appeal the decision to the Select Committee.

The Committee took no action.



2. 11DC42 Financial Update on Administration of Milwaukee County's Deferred Compensation Plan. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

Appearance:

Steve Cady, Fiscal and Budget Analyst, County Board

The forfeiture fund is within the budget for 2011. Anticipated expenditures and revenues (including the administrative fee holiday that was in effect all of 2011) resulted in a reduction in the forfeiture account holdings, as expected. The administrative fee holiday was previously approved through the fourth quarter of

SCHEDULED ITEMS (CONTINUED):

2012. The Select Committee will revisit the fee holiday again 2012.

The Committee took no action on this informational report.

3. 11DC43 From Great-West Retirement Services, Third Quarter Report. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

Appearance:

Sue Oelke, Great-West Retirement Services

Ms. Oelke informed the Committee that they have partnered with the Department of Human Resources to provide informational kits on Deferred Compensation.

Great-West is working with the State to hold seminars for the 350 employees that transfer to the State from October 2011 through January 2012 to inform them of their options related to their 457 Plan holdings.

Great-West is also partnering with the Employee Retirement System to communicate the ability to rollover all or part of any lump sum payout (excluding unused sick leave) upon retirement.

There have been 49 individual retirement meetings this quarter producing four new enrollments of retiring employees, eight increased their salary deferrals for their final paycheck with vacation / personal days / overtime payouts and 24 completed back drop rollover forms.

Appointments for meetings continue to be heavy with 183 scheduled and 137 walk-ins. New enrollments from 2010 have been maintained at 70%. Full distributions increased 12% over 2010. There are about 4,800 accounts in force. Requests for emergency withdrawals continue to be high due to the difficult economy.

Future focus will be for 457(b) Roth seminars. There has been a high volume of inquiries regarding the Roth option. The Roth option, which allows participants to defer after-tax monies, begins with the first payday in December 2011. Another initiative to start in November of 2011 is the DeMinimis distribution of accounts with a balance below \$1,000. The Select Committee authorized that any account that held less than \$1,000, and no deferrals have been made in the previous two years, would be paid out in a lump-sum. A communication from Great-West to these affected participants would let them know that they could restart contributions to allow them to retain their account. Individuals no longer employed by the County will have the option to rollover the monies to another qualified retirement account.

SCHEDULED ITEMS (CONTINUED):

The Committee took no action on this informational report.

4. 11DC44 From Reinhart Boerner Van Deuren, recommended amendments to the Milwaukee County Plan of Deferred Compensation.

Appearances:

Steve Cady, Fiscal and Budget Analyst, County Board

Darryl Collier, Assistance Vice President National Accounts Government Markets

- a. To outline the forms of distributions available to Plan Participants
- b. Required Minimum Distributions

Both amendments were discussed at one time. Itemized distributions will be added to the Plan Governance document along with language to show that some participants took advantage of temporary changes in the Required Minimum Distribution (RMD) rules in 2009. The RMD changes must be included in the Plan Governance document by the end of 2011 to meet Internal Revenue Code guidelines.

ACTION BY: (Grady) Approve both proposed amendments for incorporation into the Plan before the end of 2011. 5-0

AYES: Grady, Walker, Ceschin, Russell and Cady (Chair) – 5

NOES: 0

5. 11DC45 From Advised Assets Group, Third Quarter Stable Value Fund Report. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

The Stable Value Fund fourth quarter rate is 3.65%.

The Committee took no action on this informational item.

6. 11DC46 From Hewitt Ennis Knupp, Third Quarter Performance Report. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

Appearance:

Laurel Nicholson, Hewitt Ennis Knupp and Associates

Ms. Nicholson provided an overview of the Plan performance, stating that equity markets were disappointing. The DOW Index had four consecutive 400 point swings and were down 15.2% during the quarter due to fears of a weaker than expected economic environment. Government was the top performing sector in Fixed Income Markets with a 5.8% gain in the third quarter. There are three

SCHEDULED ITEMS (CONTINUED):

indicators of a recession which includes the willingness to lend money, inventory build-up and corporate profits. The signs are not showing an indication of a recession.

The Plan has \$255 million in assets, an increase of \$31 million from one year ago. Index funds make up 20% of the Plan with the Stable Value Fund holdings comprising 50% of the Plan. Many other plans have closed their stable value funds, while Milwaukee County has a strong performing Stable Value Fund in the Plan. PIMCO under performed significantly but over the long term remains one of the stronger funds. JP Morgan Mid Cap Growth Select is consistently underperforming. At this time it doesn't warrant a yellow status, but does require a more in-depth look at this fund. The Select Committee discussed the fund monitoring system to make sure that funds that need to be reviewed for potential replacement are appropriately flagged. The Select Committee is operating within its Investment Policy Statement (IPS) for monitoring its investment options.

The Committee took no action on this informational item.

7. 11DC47 From Hewitt Ennis Knupp, report on Active Manager Ratings.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

Appearance:

Laurel Nicholson, Hewitt Ennis Knupp and Associates

The managers and ratings have a buy or hold status. JP Morgan Mid Cap Growth Select fund is close to falling out of the hold status and has fewer positive marks. This fund has not triggered a yellow (watch) status yet. There may be something in the fund monitoring system that needs more quantitative factors. This will be looked at and discussed at the February 2012 meeting along with a full review of the JP Morgan Mid cap Growth Select fund.

The Committee took no action on this informational item.

8. 11DC48 From Hewitt Ennis Knupp, Annual Plan Review.

Appearance:

Laurel Nicholson, Hewitt Ennis Knupp and Associates
Darryl Collier, Assistance Vice President National Accounts Government Markets

The Plan is well constructed and has diversified options and competitive fees. The following items should be reviewed and considered by the Committee: merit of an automatic savings escalator option, developing and adopting a Committee Charter, self-assessment on a periodic basis, presenting Targeted Date Retirement

SCHEDULED ITEMS (CONTINUED):

funds as an alternative to managed accounts, education that explains the three tier structure of the plan, adding a global equity plan and working with Great-West on disclosing fees to participants.

Mr. Collier added that auto escalation plans would use a level approach. Additionally, the average deferral rate along with the contribution the participants make to their pensions may be available through Ceridian and these other deferrals could have an impact on the low participation.

A review of governance best practices should be considered. They include the creation of a governance document that defines roles and responsibilities; establish and periodically review a Statement of Investment Policy; follow a conflict of interest policy; conduct regular meetings to review all aspects of Plan; distribute meetings materials in advance of meetings; review and approve meeting minutes; establish a documented process for hiring , firing and monitoring investment managers; periodically compare Plan features with comparable plans for benchmarking; periodically review all fees; engage in periodic committee self-assessment and promote on-going education and training of members The Plan is conforming with almost all of the recommended practices and will examine the adoption of a Committee Charter, for example, to codify procedures related to the governance of the Plan.

The Committee took no action on this informational item.

9. 11DC01 Next regularly scheduled meeting of the Select Committee on Deferred Compensation: **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

- February 6, 2012
- May 7, 2012
- August 6, 2012

The Committee took no action on this informational item.

This meeting was recorded. Committee files contain copies of the subject reports, communications, resolutions, and ordinances, which may be reviewed upon request to the Committee Clerk. The official copy of these minutes, along with the audio recording of this meeting, is available in the County Board Committee Services Division.

Length of meeting: 9:10 a.m. to 10:45 a.m.

Adjourned,

SCHEDULED ITEMS (CONTINUED):

Carol Mueller

Chief Committee Clerk

Select Committee on Deferred Compensation

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.