

Chairperson: Steve Cady, 278-4347
Clerk: Janelle M. Jensen, 278-4228

SELECT COMMITTEE ON DEFERRED COMPENSATION

Monday, August 5, 2013 - 9:00 a.m.
Milwaukee County Courthouse - Room 203-P

MINUTES

PRESENT: Jennifer Collins, Kelly Solomon, and Steve Cady (Chair)
EXCUSED: Rick Ceschin and Mark Grady

SCHEDULED ITEMS:

****CLOSED SESSION****

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).

The Committee did not go into Closed Session.

1. 13-DC1 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.

2. 13-DC16 Financial Update on Administration of Milwaukee's County's Deferred Compensation Plan. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

00:12 The Chairman presented an update on the quarterly report in which he indicated there were 4,524 participants at the end of last quarter. He stated we are on target for the projected spending plan and the administrative fee holiday has been authorized through the end of 2013.

The Chairman suggested that any extension of the administrative fee holiday be revisited at the November meeting when the full committee is anticipated to be present.

The Committee took no action regarding this informational report.

SCHEDULED ITEMS (CONTINUED):

3. 13-DC17 From Great-West Financial, Second Quarter Report **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

APPEARANCES:

Sue Oelke, Great-West Financial
Charmaine Smith, Great-West Financial
Laurel Nicholson, Hewitt Ennis Knupp and Associates

00:11 Ms. Oelke reviewed the Second Quarter Report by providing a summary of what has been done, discussing goals compared to the strategic marketing plan and giving an overview of projections for the next quarter.

Highlights of the report included information on participation in enrollment seminars, the "Did You Know?" direct mail campaign, Federal Taxpayers Credit, Retirement Income Control Panel, retiree outreach efforts, enrollment and contributions, investment options and new enrollment participant asset allocations, distributions, rollovers into the plan, website activity and service center calls, emergency withdrawals, managed account information, e-learning seminars, direct mail piece for account reviews, the partnership with ERS in providing the Joint Retirement Workshop in September and an update on the beneficiary project.

07:42 Ms. Collins requested a snapshot of the current plan participants and how many have managed accounts, how many have selected Target Date Funds as well as utilization of other investment options. The said report will be provided by Great-West Financial at the November meeting.

The Committee took no action regarding this informational report.

4. 13-DC18 From Hewitt Ennis Knupp, Second Quarter Performance Report. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

APPEARANCE:

Laurel Nicholson, Hewitt Ennis Knupp and Associates

00:13 Ms. Nicholson indicated the market was strong in the first quarter and the second quarter was quite temperate in the United States and negative overseas. US stocks were up 2.8% and, non-US stocks declined 3%. The Quantitative Easing Program may possibly end in 2014. She stated there are continued concerns in Europe and that Greece and other emerging markets cause investors concern and hesitation. She went on to state the best performing markets were Financials and Consumer Discretionaries and the worst performing markets were Energies, Utilities and Materials.

SCHEDULED ITEMS (CONTINUED):

Ms. Nicholson relayed that a diversified portfolio offering managed accounts, investment advice, Target Date Funds and low cost investment options is what should continue to be offered. She stated the plan has assets as of the second quarter of \$297.7 million which is an increase of \$1.0 million since the close of the first quarter and an increase of \$22.0 million from about a year ago.

Ms. Nicholson indicated the Heartland Value Fund is still on red status and has underperformed for the last several quarters. Long-term results are historically positive and they continue to have confidence in the fund. Hewitt Ennis Knupp reviewed Heartland Value Fund in May and recommended to "hold." The firm will do another review in six months if the investment option stays on red status. Ms. Nicholson stated that the Investment Policy Statement (IPS) is reviewed annually as part of the Annual Plan Review in November and any recommendations to modify the IPS will be made at that time.

The Committee took no action regarding this informational report.

5. 13-DC19 From Hewitt Ennis Knupp, an Investment Governance Report
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

APPEARANCE:

Laurel Nicholson, Hewitt Ennis Knupp and Associates

00:13 Ms. Nicholson reviewed the Summary Presentation and Research Paper. Defined Contribution plans have underperformed Defined Benefit plans primarily due to not achieving sufficient diversified portfolios and the higher costs associated with them. Recommendations included focusing on plans that are the primary investment vehicle and that have company matching. The three main concerns are Inadequate Savings, Poor Diversification and High Cost, and Not Enough Return. The solutions are to focus on efficiency and income adequacy, move DC investment option structure forward to manage key risks, and broaden investment mandates.

Ms. Nicholson provided an overview of an asset class driven menu and an objective based driven menu. She went over a sample of menu consolidation options with Tiers 1, 2, 3 and 4. She indicated that offering pre-bundled options is a new way of thinking and a brokerage window would still be available to members who want to "construct their own."

Ms. Nicholson recommended that the Committee think about adding a Treasury Inflation-Protected Securities (TIPS) fund as there are active and passive options available and it is something that is currently not offered. Mr. Cady questioned the blending of the Capital Preservation fund.

SCHEDULED ITEMS (CONTINUED):

Ms. Nicholson indicated that it is a guaranteed investment option (FDIC insured) and if it weren't part of the plan governance document, it is something that would not be recommended.

Mr. Cady would like to revisit this item in November when the full committee is present. He anticipates there will be questions.

The Committee took no action on this informational report.

6. 13-DC20 From Advised Assets Group, Second Quarter Stable Value Fund Report. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

00:14 The Chairman provided the third quarter report on the holdings in the Stable Value Fund. The third quarter credited rate on an annualized basis is 2.55%. It is slipping as projected by Advised Assets staff as the higher earning investments are being replaced by investments with lower yields. The Market Value Assets to Book Value of Liabilities is 101.4%. The average rating is AA+ and the Stable Value Fund has consistently outperformed its benchmark.

The Committee took no action on this informational report.

****CLOSED SESSION****

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ACTION BY: (Collins) A motion was made by Ms. Collins to enter Closed Session to discuss item #7. 3-0

AYES: Collins, Solomon, Cady (Chair) – 3
NOES: 0

The Committee was in Closed Session from 10:16 a.m. to 10:39 a.m.

Upon recovering a roll call was taken and three Committee members were present.

SCHEDULED ITEMS (CONTINUED):

7. 13-DC21 Discussion of the issuance of Request for Proposals (RFP) for recordkeeping services. **(05/06/13: Laid Over to the Next Meeting)**

APPEARANCE:

Laurel Nicholson, Hewitt Ennis Knupp and Associates

00:20 The Chairman relayed that this item was laid over at the last meeting and would like to discuss the issuing of another Request for Proposals (RFP) for recordkeeping services. The current contract goes through April 1, 2014. He stated Ms. Nicholson's firm was retained the last time to help Committee members with the RFP process so she is able to provide background information if desired.

00:02

ACTION BY: (Collins) To begin the process of issuing an RFP for recordkeeping services and to authorize the Chairman to enter into negotiations/agreement for consulting services with Hewitt Ennis Knupp to aid in the development of the RFP and evaluations of vendor responses. 3-0

AYES: Collins, Solomon and Cady (Chair) – 3

NOES: 0

8. 13-DC2 Next regularly scheduled meeting of the Select Committee on Deferred Compensation: **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

- November 13, 2013

00:02 The Chairman indicated that the next regularly scheduled meeting is November 13, 2013. Dates will be assembled for 2014 and be provided at the next meeting.

This meeting was recorded. The foregoing items were not necessarily considered in agenda order. Committee files contain copies of the subject reports and communications, which may be reviewed upon request. 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: 9:09 a.m. to 10:40 a.m.

Adjourned,

Janelle M. Jensen

Committee Clerk

Select Committee on Deferred Compensation