

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

**SELECT COMMITTEE ON DEFERRED COMPENSATION**

**Monday, February 10, 2014 - 9:00 a.m.**  
**Milwaukee County Courthouse - Room 203-P**

**MINUTES**

**PRESENT:** Rick Ceschin, Jennifer Folliard, Matt Fortman, Mark Grady, and Steve Cady (Chair) 5  
**EXCUSED:** 0

Mr. Cady advised the Committee that Kelly Solomon is no longer serving on the Select Committee on Deferred Compensation. Her replacement is Mr. Matt Fortman, Fiscal and Management Analyst III, Office of Performance, Strategy, and Budget, Department of Administrative Services. He has been appointed by Mr. Don Tyler, the Director of the Department of Administrative Services.

**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 considering financial, medical, social or personal histories related to 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 Adjourn into Closed Session.**

1. 14-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.**

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2. 14-DC3 Financial Update on Administration of Milwaukee's County's Deferred Compensation Plan. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

**APPEARANCE:**

Steve Cady, Chairman

00:00:30 Mr. Cady relayed that there were 4,576 participants in the 4<sup>th</sup> Quarter and this is the highest mark since the 1<sup>st</sup> Quarter of 2012. He further indicated that

## SCHEDULED ITEMS (CONTINUED):

\$172,243.37 was drawn down on the forfeiture fund. The administrative fee holiday was previously authorized by the Select Committee to extend through the end of 2014.

**The Committee took no action on this informational report.**

### **Item #s 3 and 4 were considered together**

3. 14-DC4 From Great-West Financial, Fourth Quarter Report and Annual Plan Review. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

#### **APPEARANCES:**

Sue Oelke, Great-West Financial  
Charmaine Martin, Great-West Financial

- 00:00:35 Ms. Oelke provided a summary of the 2013 Scorecard.
- 95% of In-Force accounts were met in 2012, and there was a 6.6% increase over the 2013 goal ending with 4,521 In-Force accounts.
  - Roll-In dollars coming into the plan are from back drops and this figure will continue to decrease this year.
  - Great-West Financial partnered with Employees Retirement System on retiree outreach efforts.
  - Participants are being informed of asset allocations and are being provided information on Target Date and Managed Account funds so they are aware of the alternatives.
  - Great-West Financial held 64 group meetings, serviced 1,512 plan participants through individual appointments, and conducted 45 New Employee Orientations.
  - There were 222 full distributions compared to 522 in 2012.
  - The number of participants without a beneficiary designation on file decreased to 642.
- 00:05:22 Mr. Cady inquired as to the next step in reaching out to plan participants that do not have beneficiary designations on file. He suggested that a formal letter from the Committee may be a consideration.
- 00:05:29 Ms. Oelke stated that Great-West Financial has disseminated information in newsletters each quarter, sent direct mailings, and staff is checking beneficiary designations during individual appointments. Great-West Financial staff committed to placing 50 direct calls per month, for a two-month period, and

## SCHEDULED ITEMS (CONTINUED):

will provide a report detailing the success of the initiative.

00:09:08 Ms. Oelke asked the Committee for feedback and approval of the 2014 Strategic Plan and provided an overview of Employee and Participant Education encompassing the following four areas:

- Participation - Maintain 100% of 2013 In-Force accounts and adjust Roll-Ins to \$3 million from \$7 million (reduction due to decrease in backdrops). Enhancements include holding early morning seminars and continuation of new employee orientations.
- Asset Allocation - Improve understanding of Target Date Funds, increase number of distinct web users by 5%, and educate participants of possible fund changes. Enhancements include the mobile website, Target Date outreach, E-learning seminars, flyers and postcards, fund change meetings, and usage expansion of the Retirement Income Control Panel.
- Education - There are four themes that will be used throughout the year. The 1<sup>st</sup> Quarter will focus on Participation, 2<sup>nd</sup> Quarter on Asset Allocation, 3<sup>rd</sup> Quarter on Education, and 4<sup>th</sup> Quarter on Retention/Retiree Outreach. A focus will be placed on adult learners and group meetings. Enhancements include the mobile website, e-Learning seminars, and the National Save for Retirement Week campaign in October.
- Retiree Outreach - Maintain the same level of distributions, continuation of the partnership with Employees Retirement System in the Joint Retirement Workshops, and outreach to participants to increase the number of beneficiary designations.

00:18:18 Mr. Cady suggested that outreach efforts could be enhanced via the new Outlook Web Application email system to target specific segments of participants.

00:20:00 Mr. Grady inquired as to whether Great-West Financial gets a lot of questions on Roth versus Non-Roth from participants.

00:20:14 Ms. Martin relayed that Great-West Financial makes an ongoing effort to educate participants and distributes flyers that highlight the differences at enrollment seminars.

00:21:11 Ms. Oelke indicated that Ms. Martin is offering Tax Savers Credit training seminars and they have been very successful.

**The Committee took no action on this informational report.**

4. 14-DC5 From Great-West Financial, 2014 Strategic Marketing Plan and 2013 Scorecard.

**SCHEDULED ITEMS (CONTINUED):**

**Item #s 3 and 4 were considered together.**

**ACTION BY: (Ceschin) A motion was made by Mr. Ceschin to approve the 2014 Strategic Marketing Plan. 5-0**

**AYES:** Ceschin, Grady, Folliard, Fortman, and Cady (Chair) - 5

**NOES:** 0

5. 14-DC6 From Hewitt Ennis Knupp, Fourth Quarter Performance Report.  
**(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

**APPEARANCES:**

Laurel Nicholson, Hewitt Ennis Knupp and Associates

Glenn R. Sapa, Associate Partner, Hewitt Ennis Knupp and Associates

00:00:33 Ms. Nicholson provided background information on Hewitt Ennis Knupp and relayed that they have worked with the Select Committee on Deferred Compensation for the past 12 years.

00:01:52 Mr. Sapa indicated the 4<sup>th</sup> Quarter was very good due to the increase in consumer confidence. Quantitative Easing was reduced by \$10 billion and an additional \$10 billion was added to the reduction after the 1<sup>st</sup> of the year indicating that support from the Federal Reserve is scaling back.

The Gross Domestic Product was amended to 4.1% in the 3<sup>rd</sup> Quarter and the preliminary estimate for the 4<sup>th</sup> Quarter is 3.2%. The unemployment rate was at 10% in 2008/2009 and was reported at 6.7% in the last quarter and subsequently amended to 6.6%. Housing did well in the beginning of the year and sputtered during the second half of the year due to increased interest rates.

00:04:52 On the equities side, the Standard & Poors Index had a 10.5% increase over the quarter and was up 32.39% for the whole year. Large Cap growth outperformed all others on the domestic side of the market. Emerging markets saw a decrease of 2.6% for the year, but overall the 4<sup>th</sup> Quarter was solid.

00:09:37 Mr. Sapa indicated the Vanguard Target Retirement Funds are doing well and have low fees of 16 to 18 basis points. The Vanguard Index Funds are performing very well and across the board are low-cost with 4 to 12 basis points in expense ratios. He relayed that the North Shore Savings Fund is performing poorly and returns almost nothing but does have the Federal Deposit Insurance Corporation guarantee.

## SCHEDULED ITEMS (CONTINUED):

There are 43.7% of total plan assets in the Stable Value Fund and it is performing extremely well.

The PIMCO Total Return Institutional Fund had a rough year when looking at percentile rankings, but when looking at the Barclay's Aggregate Index, it was only off .1% for the year. One of the Co-Chief Executive Officers resigned but will serve as a consultant.

The Washington Mutual Investors Fund has done fine, the T. Rowe Price Large Cap Growth Fund has had excellent percentile rankings, and the William Blair Mid Cap Growth Fund qualifies as fair and is currently on yellow status. Hewitt Ennis Knupp and Associates will keep a close eye on it.

00:19:40 Ms. Nicholson relayed that this is a highly reviewed fund and there is a lot of confidence in it.

00:20:59 Mr. Sapa shared that the Lord Abbett Developing Growth Fund had a rough quarter but has seen single digits across the board. There are some issues with the Heartland Value Institutional Fund. It is an average fund and did underperform the index slightly.

00:22:38 Ms. Nicholson stated that the Heartland Value Institutional Fund is flagged as red status. Hewitt Ennis Knupp will bring an in-depth review in May, and a decision on the action plan can be made at that time.

00:26:27 Mr. Sapa stated that the EuroPacific Growth Fund has done well.

**The Committee took no action on this informational report.**

6. 14-DC7 From Hewitt Ennis Knupp, a report on Treasury Inflation Protection Securities (TIPS).

### **APPEARANCES:**

Glenn R. Sapa, Associate Partner, Hewitt Ennis Knupp and Associates  
Laurel Nicholson, Hewitt Ennis Knupp and Associates

00:01:00 Mr. Sapa suggested that Treasury Inflation Protection Securities (TIPS) could be added to the plan to serve as a diversifier as participants are nearing retirement and are concerned with inflation. TIPS have an anticipated inflation rate of 2.3% built in and the percentage rate is fixed when the bond is issued.

00:06:11 Ms. Nicholson relayed that this report was provided as a follow up to the

**SCHEDULED ITEMS (CONTINUED):**

Program Review in November 2013. She recommended the addition of a TIPS fund to the plan. She further stated that this topic could be tabled and reviewed again next November.

00:13:43 Mr. Grady inquired whether it is more important to add a Global Equity Fund or a TIPS fund.

00:14:04 Ms. Nicholson opined that adding the TIPS fund is a higher priority. Hewitt Ennis Knupp has a research paper coming out on Defined Contribution Plans versus Defined Benefit Plans and will provide it for discussion and consideration.

00:23:11 Mr. Grady requested that Beta information be provided at the May meeting.

**The Committee took no action on this informational report.**

7. 14-DC8 From Advised Assets Group, Fourth Quarter Stable Value Fund report.  
**(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

**APPEARANCE:**

Steve Cady, Chairman

Mr. Cady relayed that the credited rate is 2.30%, down from 2.45% in the 4<sup>th</sup> Quarter.

**The Committee took no action on this informational report.**

**\*\*CLOSED SESSION\*\***

**The Committee may adjourn into closed session under the provisions of Wisconsin Statutes, Section 19.85(1)(e), for the purpose of deliberating the investing of public funds or conducting other specified business whenever competitive or bargaining reasons require closed session. The Committee may reconvene into open session to take whatever action(s) it may deem necessary on the said matter(s).**

8. 14-DC9 Discussion of responses to recordkeeping Request for Proposals (RFP) including analysis by Hewitt Ennis Knupp.

**APPEARANCE:**

**SCHEDULED ITEMS (CONTINUED):**

Linda Boarman, Associate Partner, Hewitt Ennis Knupp and Associates

00:00:40 Ms. Boarman introduced herself and provided a summary of the Vendor Oversight Process and explained that the goal was to find the best possible scenarios in the marketplace for participants in the 457(b) Plan.

The review focused on three different components: services, flexibility of investments, and fees.

Hewitt Ennis Knupp managed the Request for Proposals (RFP) process and put together an RFP that was published. They further provided review of services and fees, review of alternative investment option offerings, and are available to assist in the interview of finalists.

The RFP was published via E-notify, the Daily Reporter, various money management publications, and was posted to the County's procurement website on December 3, 2013. An overview document, lengthy questionnaire, preferred investment lineup list, and a list of minimum qualifications were also published.

Ms. Boarman provided the timeline of the process indicating it started in October, and bids were due in January. Finalist selections could be made in early March with a decision at the end of March.

00:07:24 Mr. Grady inquired on the total number of responses received.

00:07:26 Ms. Boarman relayed that six vendors met the minimum qualifications, and one did not due to the on-site representative requirement.

**ACTION BY: (Grady) A motion was made by Mr. Grady to Adjourn into Closed Session to discuss Item #8. 5-0**

**AYES:** Ceschin, Grady, Folliard, Fortman, and Cady (Chair) - 5  
**NOES:** 0

The Committee was in Closed Session from 10:36 a.m. to 12:45 p.m. Upon reconvening in Open Session at 12:45 p.m., a roll call was taken and all Committee members were present.

00:00:17 Mr. Grady shared that Great-West Financial has thousands of County participants and has the ability to handle the current investments and do so with very competitive fees. On-site representatives are very helpful and half of participant assets are in the Stable Value Fund with Advised Assets Group, a wholly-owned subsidiary of Great-West Financial. He opined that he didn't feel

**SCHEDULED ITEMS (CONTINUED):**

there was a reason to change to a different vendor, and finalist interviews were not necessary because all information was included in the proposals that were received as part of the RFP.

**ACTION BY: (Grady) A motion was made by Mr. Grady to issue a Notice of Intent to award the recordkeeping contract to Great-West Financial. 5-0**

**AYES:** Ceschin, Grady, Folliard, Fortman, and Cady (Chair) - 5  
**NOES:** 0

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9. 14-DC2 Upcoming Regular Meeting Dates of the Select Committee on Deferred Compensation. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

- Monday, February 10, 2014
- Monday, May 5, 2014
- Monday, August 4, 2014
- Monday, November 24, 2014

**APPEARANCE:**

Steve Cady, Chairman

00:00:06 Mr. Cady reviewed future meeting dates with the Committee for planning purposes.

- Monday, May 5, 2014
- Monday, August 4, 2014
- Monday, November 24, 2014

**The Committee took no action on this informational report.**

The foregoing items were not necessarily considered in agenda order.

This meeting was recorded. Committee files contain copies of any subject reports and communications, which may be reviewed upon request to the Committee Clerk. The official copy of these minutes, along with the audio recording of this meeting are available in the Office of the Milwaukee County Clerk.

**SCHEDULED ITEMS (CONTINUED):**

Length of meeting: 9:07 a.m. to 12:52 p.m.

Adjourned,

*Janelle M. Jensen*

Chief Committee Clerk

Select Committee on Deferred Compensation

*ADA accommodation requests should be filed with the Milwaukee County Office for Persons with Disabilities, 278-3932 (voice) or 711 (TRS), upon receipt of this notice.*