

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

SELECT COMMITTEE ON DEFERRED COMPENSATION

Wednesday, November 13, 2013 - 9:00 a.m.
Milwaukee County Courthouse - Room 203-P

MINUTES

PRESENT: Rick Ceschin, Jennifer Folliard, Mark Grady, Kelly Solomon, and Steve Cady (Chair)
EXCUSED: 0

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 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.

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2. 13-DC22 Financial Update on Administration of Milwaukee County's Deferred Compensation Plan. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

00:15 The Chairman presented an update on the third quarter in which he indicated there were 4,529 participants in the Plan and Mutual Fund reallocation fees in the amount of \$66,500 were received. The administrative fee holiday has been in place since the second quarter of 2007 and runs through the end of 2013. Discussion ensued regarding the forfeiture fund and the potential to have lower administrative costs in 2014 with the commencement of a new recordkeeper contract.

ACTION BY: (Ceschin) A motion was made by Mr. Ceschin to extend the current administrative fee holiday through all of 2014. 4-0

SCHEDULED ITEMS (CONTINUED):

AYES: Ceschin, Grady, Solomon and Cady (Chair) - 4

NOES: 0

EXCUSED: Folliard – 1

3. 13-DC23 From Hewitt Ennis Knupp, Third 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

00:45 Ms. Nicholson relayed that her role will be changing as she has accepted another position within her firm. She introduced Mr. Glenn R. Sapa who has 30 years of experience and will be the main contact beginning in 2014.

06:48 Mr. Sapa provided Third Quarter Performance data and relayed there was dislevel in the market due to concerns with the Federal Reserve tapering the bond buy and the Syria scare. Small Caps outperformed Mid Caps and Large Caps, as of October up to almost 25%. Growth stocks continue to outperform Value stocks. Bonds made a small gain of .58% but were overall down 2%. From an international perspective, the third quarter was very strong and the European market saw improvements. The overall market is 50/50; United States versus the rest of the world. Emerging markets are the highest performer on the equity side of the market place.

12:14 Ms. Nicholson indicated the Vanguard Index Fund has a large component within the emerging market and market weight is at 21%. The EuroPacific Growth Fund also has a big chunk in emerging markets.

12:56 Mr. Sapa cautioned that the Gross Domestic Product was 2.5% in the second quarter and 2.5% in the third quarter. The fourth quarter projection is 1.75% so there is a tapering down of GDP. Unemployment is at 7.3% and ticked up the last quarter.

17:38 Mr. Sapa provided information on the Vanguard Target Date series. They are performing very well and expense ratios are extremely low with 16 to 18 basis points depending on the fund. 6% of total assets are in the Vanguard Target Date funds.

19:16 Mr. Sapa went over the Index Funds. Most are doing well but the Mid Cap Index is missing the mark and the FTSE is underperforming. They will keep an

SCHEDULED ITEMS (CONTINUED):

eye on both and are not recommending any changes at this time.

21:42 Mr. Sapa went over Active Funds and advised that the Committee may no longer want to continue offering the North Shore Savings option. The Stable Value Fund is doing very well and about 50% of total assets are in the fund. Mr. Sapa provided further updates on Active Funds: PIMCO Total Return, Washington Mutual Investors, T. Rowe Price, William Blair, Lord Abbett, Heartland Value and EuroPacific Growth.

William Blair is on yellow status but no change is recommended.

The Committee took no action on this informational report.

4. 13-DC24 From Hewitt Ennis Knupp, Annual Program Review.

APPEARANCES:

Laurel Nicholson, Hewitt Ennis Knupp and Associates
Glenn R. Sapa, Associate Partner, Hewitt Ennis Knupp and Associates
Sue Oelke, Great-West Financial
Kathy Croak, Great-West Financial

00:30 Ms. Nicholson indicated that the plan is well-constructed and diversified. The current three tier structure is common and good practice. Key recommendations include automatic enrollment and automatic re-enrollment, an automatic deferral escalator, reduction or elimination of the revenue sharing component, offering Target Date Retirement Funds as an alternative to managed accounts, communicating plan fees to participants, considering a change in the resolution that requires an FDIC insured investment option in the plan, the addition of a Treasury Inflation Protected Securities (TIPS) fund to mitigate risk and any necessary changes to the investment policy statement.

07:46 There is currently \$307.6 million in the plan and 4,460 total participants with an average investment of \$67,000. Milwaukee County's participation rate is 53% and the average deferral rate is 7.9%.

22:39 Ms. Oelke relayed that 10-12 plans (not Milwaukee County) have done rebalancing and at re-enrollment participants were moved into Target Date Funds. Participants that were in managed accounts were allowed to stay in those plans if they wanted to.

25:02 Ms. Nicholson's specific recommendations were for the Committee to consider the merits and challenges of auto enrollment and automatic re-enrollment, utilize an automatic deferral escalator feature, review fees and expenses

SCHEDULED ITEMS (CONTINUED):

regularly, understand how fees are structured, consider opportunities to reduce fees, document the due diligence process and increase communication with participants relative to fees.

- 29:23 Mr. Sapa advised that the best practice is to reduce or preferably eliminate revenue sharing down to zero and charge the true cost of record keeping back to participants as a quarterly record keeping fee that is equal or pro rata based on balances.
- 34:50 Ms. Nicholson went over the Investment Option Structure and advised Committee members to consider reducing the number of investment options and change the core fund tiers to offer asset class and objective based menus.
- 59:29 Ms. Nicholson gave an overview of the Investment Policy Statement. There are minor red line changes that make the policy clearer.
- 01:16:24 Mr. Sapa will provide additional information on TIPS prior to the February 2014 meeting.

Ms. Nicholson will provide an updated Investment Policy Statement reflecting the changes on pages 49, 50 and 62.

ACTION BY: (Grady) A motion was made by Mr. Grady to approve the red line investment policy statement without the changes on pages 49, 50 and 62. 5-0

AYES: Ceschin, Folliard, Grady, Solomon and Cady (Chair) – 5
NOES: 0

5. 13-DC25 From Hewitt Ennis Knupp, 2013 Universe Benchmarks **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

APPEARANCES:

Laurel Nicholson, Hewitt Ennis Knupp and Associates

- 00:16 Ms. Nicholson indicated this report is the summary of a very large survey that was taken on plans and participants.

The Committee took no action on this informational report.

6. 13-DC26 From Great-West Financial, Third Quarter Report. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

SCHEDULED ITEMS (CONTINUED):

APPEARANCES:

Sue Oelke, Great-West Financial

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

- 00:15 Ms. Oelke relayed that enrollment seminars at the House of Correction have been a great success, Joint Retirement Workshops were held twice in 2013 to explain benefits prior to employees leaving service and there are constant enrollments coming in as part of their ongoing outreach efforts.
- 03:28 Ms. Oelke stated that they are tracking enrollments and 60 participants have chosen the Target Date Funds, 49 have chosen the managed account service, 37 selected the Stable Value Fund and 34 are managing on their own. Great-West meets with almost all new enrollees with only 5-10% of new hires choosing to enroll online.
- 05:41 Ms. Oelke indicated that Inforce is over 100%. The plan has grown even though there have been numerous full distributions. There are a lot of roll overs into the plan as well. The corporate office has taken over emergency withdrawals and there were no unusual withdrawals in the third quarter. During the fourth quarter Great-West focused on "National Save for Retirement Week." Outreach efforts included a new webpage, the launch of mobile web applications, and a direct mail piece to those without beneficiary designations on file.
- 11:24 Ms. Oelke relayed that Great-West is still awaiting clarification from the Department on Labor relative to disclosing fees to participants. Once the document is finalized it will be provided to the Committee for review.
- 13:35 Ms. Oelke will have Darryl Collier and/or Bill Thornton provide information on the Stable Value Fund at the February 2014 meeting.

The Committee took no action on this informational report.

7. 13-DC27 From Advised Assets Group, Third Quarter Stable Value Fund 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

- 00:17 The Chairman provided a summary on the returns of the Stable Value Fund and

SCHEDULED ITEMS (CONTINUED):

relayed that the actual annualized interest rate holdings in the fourth quarter were 2.45%, and down 10 basis points from the 2.55% third quarter annual credited rate.

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 the 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).

ACTION BY: (Ceschin) A motion was made by Mr. Ceschin to enter Closed Session to discuss item #8. 5-0

AYES: Ceschin, Folliard, Grady, Solomon and Cady (Chair) – 5

NOES: 0

The Committee was in Closed Session from 11:37 a.m. to 11:56 a.m.

The Committee adjourned directly from Closed Session.

8. 12-DC28 Discussion of Request for Proposals (RFP) for Recordkeeping Services.

This item was discussed in Closed Session.

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9. 13-DC2 Next regularly scheduled meeting of the Select Committee on Deferred Compensation. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

- Monday, February 10, 2014

00:15 The Chairman will provide meeting dates for 2014 at a future date.

SCHEDULED ITEMS (CONTINUED):

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 County Clerk.

Length of meeting: 9:04 a.m. to 11:56 a.m.

Adjourned,

Janelle M. Jensen

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.