

CITY OF MILWAUKEE
MINUTES OF THE DEFERRED COMPENSATION BOARD
MEETING OF THURSDAY, AUGUST 20, 2015
2:00 P.M. - ROOM 405, CITY HALL

MEMBERS/DESIGNEES PRESENT:

Mr. Jerry Allen, ERS Director, Chair
Mr. Mark Buetow, Milwaukee Police Association
Ms. Renee Joos, Fiscal & Risk Manager
Mr. James Klajbor, Deputy City Treasurer, Vice Chair
Mr. Nicholas Kovac, Alderman – arrived at 2:15 p.m.
Mr. Stuart Mukamal, Assistant City Attorney
Mr. Mark Nicolini, Budget Director
Ms. Sandra Rotar, Health Operations Administrator

EXCUSED/ABSENT:

Mr. Steven L. Mahan, Community Development Grants Administration – excused

OTHER PLAN PROVIDERS and STAFF PRESENT:

Mr. Charles Batchelor, Cleary Gull Advisors
Mr. Brian Baumgart, CliftonLarsonAllen
Mr. Joe Belanger, Brattle Group (via conference call)
Ms. Elaine Bieszk, Administrative Assistant, Deferred Compensation
Ms. Lynda Borucki, Brattle Group (via conference call)
Ms. Margaret Daun, Executive Director
Mr. Jeff Deetsch, Invesco (via conference call)
Mr. Gary Guibert, Northern Trust (via conference call)
Mr. Michael Joecken, Callan Associates Inc.
Ms. Molly King, City of Milwaukee Budget Analyst
Mr. Levi Lathen, Nationwide Retirement Solutions
Mr. Jake Lenell, CliftonLarsonAllen
Mr. Erik Sickler, Northern Trust (via conference call)
Ms. Wendy Stojadinovic, Cleary Gull Advisors
Ms. Debbie Sweeney, Hays Companies
Mr. Jeff Szafran, Floyd Advisory (via conference call)
Ms. Ellen Tangen, Assistant City Attorney
Mr. Ben Taylor, Callan Associates Inc.
Mr. Barry Wegrzyn, Northern Trust (via conference call)

OTHERS PRESENT:

Mr. Trampus Bright, VOYA Financial Advisors, Inc.
Mr. Paul Nacario, ICMA Retirement Corp.
Mr. Chris Solimine, EMPOWER Retirement

2:03 p.m. A quorum being present, Mr. Allen, Chairman of the Deferred Compensation Board, called the meeting to order.

1. Meeting Minutes of May 21, 2015 and June 16, 2015 [01:29]

Motion by Mr. Klajbor to approve the minutes of May 21, 2015 and June 16, 2015. Seconded by Ms. Rotar. No objections.

2. 2014 Audit – CliftonLarsonAllen [03:08]

Clifton distributed the draft audit documents and a high level summary to the Board. Mr. Lenell walked through the components of the audit, including the auditor's opinion, management representation letters, the audited financial statements, note disclosures, internal control letter, and agreed upon procedures report. Discussion ensued.

The internal control letter is not typically included. It was included this year because Clifton prepared and audited the Financial Statements.

There were two items of note in the AUP, consistent with what has been reported in the past. First, there is a difference between contributions as recorded by the City versus Nationwide's records. The second difference is between the values of mutual fund holdings as reported by Nationwide versus the fund houses. These differences are the result of transaction processing timing differences and posting among these different parties.

No other significant matters to report, no disagreements or difficulties involved performing the audit, no additional matters to note.

[14:59] Motion made by Mr. Buetow to accept the auditor's report and related documents and place on file. Seconded by Mr. Mukamal. No objections.

[24:05] Motion by Mr. Klajbor to convene in closed session for Item 3, pursuant to Section 19.85(1)(e) and (g) of Wisconsin Statutes. Seconded by Ms. Rotar. Roll call vote taken. No objections.

2:29 p.m. Board enters closed session. [25:20]

3. Update re Transition of Custodial Bank [25:57]

[34:23] Motion by Mr. Klajbor to convene in open session. Seconded by Mr. Buetow. Roll call vote taken. No objections.

2:39 p.m. Board enters open session. [34:54]

4. Fiduciary Liability Insurance [16:05]

Ms. Sweeney presented the Hays Company's fiduciary insurance recommendations also explained in the summary document distributed to the Board. Discussion ensued regarding continuing coverage of \$25 million and possible additional coverage of \$5 million.

Mr. Klajbor stated that the EFC recommended the Board agree to the additional \$5 million in coverage for a total of \$30 million in liability coverage, with an annual premium of \$74,129. The EFC also recommended approval of execution of the excess limits warranty.

[23:00] Motion by Mr. Nicolini to approve the recommendations of the EFC. Seconded by Mr. Buetow. No objections.

5. Plan Restructuring [01:41:25]

Motion by Mr. Klajbor made to convene in closed session at 3:46 p.m. on the following Item 5a, on proper motion and action pursuant to Section 19.85(1)(e) and (g), Wisconsin Statutes. Seconded by Mr. Buetow. Roll call vote taken. No objections.

3:46 p.m. Board enters closed session. [01:42:25]

a. Approval of Selected Investment Managers [01:42:31]

3:59 p.m. Motion by Mr. Klajbor to reconvene in open session. [01:56:05] Seconded by Mr. Buetow. Roll call vote taken. No objections. Board enters open session.

[01:56:29] Motion made by Mr. Klajbor to adopt the recommendation of the EFC for contracting with selected investment managers. Seconded by Mr. Buetow. No objections.

b. Recordkeeping RFP for Approval [36:20]

Mr. Taylor gave a high level overview of the Recordkeeping RFP. Discussion ensued. Mr. Klajbor stated that the EFC recommended approval of the RFP and the associated timetable, with the Executive Director to work with Callan to fill in the missing data points.

[40:07] Motion by Mr. Buetow to accept the EFC's recommendation. Seconded by Mr. Rotar. No objections.

Further discussion ensued regarding the RFP process.

c. Re-Enrollment options [46:57]

A memorandum prepared by Callan distributed to the Board for informational purposes.

Mr. Klajbor recommends referral to the EFC to investigate further. Discussion ensued.

[48:41] Motion by Mr. Buetow to referred exploration of enrollment options to the EFC. Seconded by Ms. Rotar. No objections.

d. Tibble Briefing [48:59]

This item taken together with Item 5e, Discussion of SDBA/RFP (Investment Advice Options)

Board received a memorandum summarizing analysis of this Supreme Court decision and its implications for the Plan from outside counsel, Duane Morris, and an executive summary by the Executive Director. Discussion ensued.

The Executive Director and the City Attorney's Office recommended continuing the engagement with Duane Morris with an additional not to exceed of \$13,500 to specifically analyze fiduciary risk and the current contract structure with Schwab. Further discussion ensued.

[53:39] Motion by Mr. Klajbor to approve the contract amendment for Duane Morris. Seconded by Buetow.

Further discussion ensued.

[56:39] Vote on the motion taken. No objections.

e. Discussion of SDBA/RFP (Investment Advice Options)

See Item 5d.

6. Callan Contract Extension [57:00]

Mr. Klajbor stated that the EFC recommended the Board approve the Callan two-year contract extension, as well as an increase to their annual rate to \$180,000 per year.

[57:25] Motion by Mr. Klajbor to approve the recommendation of the EFC. Seconded by Mr. Buetow. No objections.

7. Vendor Reports [57:42]

a. Northern Trust Performance Report [57:55]

[58:21] Motion by Mr. Klajbor to receive and place on file. No objections.

b. Callan Associates Inc. Performance Report [58:35]

[58:44] Motion by Mr. Klajbor to receive and place on file. No objections.

c. Cleary Gull Advisors Inc. Performance Report [58:58]

[01:17:15] Motion by Mr. Klajbor to receive and place on file. No objections.

d. Invesco Advisers, Inc. [01:17:24]

i. Stable Value Account (SVA) Performance Report

ii. Letter of July 7, 2015 regarding change from Group Trust fixed income funds to newly-created Invesco Fixed Income Trust private placement funds.

Discussion ensued. Invesco emphasized that the change would not materially impact Plan costs or management/strategy. Mr. Klajbor informed the Board that this change requires no change to Invesco's contract.

[01:21:02] Motion by Mr. Klajbor to receive and place on file the performance report and the letter. Seconded by Mr. Buetow. No objections.

e. Nationwide Retirement Solutions [01:21:16]

i. Plan Participant Benefit Approvals and Denials for period April, May and June 2015.

[01:21:55] Motion by Mr. Klajbor to approve as recommended. No objections.

ii. Plan Report.

[01:22:08] Motion by Mr. Klajbor to receive and place on file. No objections.

f. Charles Schwab PCRA Report [01:22:18]

[01:22:22] Motion by Mr. Klajbor to receive and place on file. No objections.

8. Referral of Possible Administrative Rule Changes [01:22:34]

Discussion ensued.

[01:23:15] Motion by Mr. Klajbor to refer items a –d and to f to the EFC and to refer item e to the Personnel Committee. Seconded by Mukamal. No objections.

- a. Suspension of Rules
- b. Proxy voting
- c. Closed session recordings
- d. Minutes
- e. Personnel Policies/Evaluation Metrics
- f. Educational reqs/recommendations for Board

9. Executive Director Report [01:23:53]

- a. Fee Accrual Methodology Update / Fee Reimbursement Status Update [01:24:06]
- b. Fee Disclosure [01:25:55]
- c. Revised 2015 Budget / 2016 Budget [01:26:59]
- d. Updated CAO Opinion/Assistance List [01:27:16]
- e. Upcoming Educational Sessions [01:28:27]
 - i. Callan Breakfast on Tibble & Fees, Milwaukee, Sept 9
 - ii. Institutional Investor Conference on DC Plans, San Francisco, Sept 15-16
 - iii. NAGDCA, Indianapolis, Sept 27-30
- f. Participant Inquiries [01:30:39]
- g. Ongoing Projects [01:34:03]
 - i. Record Retention Policy / Organization
 - ii. Ethics/Conflicts Policy
 - iii. Communications/Press Policy
 - iv. Fiduciary Training [01:4:49]
Board agreed to wait until Board fully constituted before scheduling training.
 - v. Orientation Materials
 - vi. Pending Open Records Requests
 - vii. Audit of Plan Documents / Audit of Contracts
 - viii. Master Agreement Amendments
 - (A) Trusts as beneficiaries
 - (B) Timing of contribution deposits and disclosure to participants
 - (C) Minors as participants
 - (D) RMD withholdings and opt out rights / disclosures
 - ix. Website Revisions

10. Personnel Committee Report [01:39:10]

Ms. Joos updated the Board regarding recent actions regarding performance guidelines for staff, as well as updates to job competencies, responsibilities, and related goals, as well as a regularized timeframe for periodic reviews and reporting to the Board. Discussion ensued.

11. Information Items

4:01 p.m. Meeting adjourned. [01:56:00]