

**CITY OF MILWAUKEE
MINUTES OF THE DEFERRED COMPENSATION BOARD
MEETING OF THURSDAY, FEBRUARY 18, 2016
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. Steven L. Mahan, Community Development Grants Administration
Mr. Stuart Mukamal, Assistant City Attorney
Mr. Mark Nicolini, Budget Director – arrived at 2:34 p.m.
Ms. Sandra Rotar, Health Operations Administrator

EXCUSED/ABSENT:

Mr. Nicholas Kovac, Alderman – excused

OTHER PLAN PROVIDERS and STAFF PRESENT:

Mr. Andy Apostol, Invesco
Ms. Dyice Ellis-Beckham, Invesco
Mr. Jeff Deetsch, Invesco
Ms. Elaine Bieszk, Administrative Assistant, Deferred Compensation
Ms. Margaret Daun, Executive Director
Ms. Paula Kiely, Library Director
Ms. Molly King, Budget Management Special Assistant
Mr. Levi Lathen, Nationwide Retirement Solutions
Mr. Ben Taylor, Callan Associates Inc.

OTHERS PRESENT:

Ms. Emily Lockwood – Empower
Mr. Jeffrey Miller – MATC student

2:04 p.m. A quorum being present, Mr. Allen, Chairman of the Deferred Compensation Board, called the meeting to order.

1. Election of Board Officers – Chairperson and Vice Chairperson [02:12]

[02:20] Mr. Allen asked for nominations. Mr. Klajbor nominated Mr. Allen for Chair. Mr. Buetow seconded. Any further nominations. Mr. Klajbor moved unanimous consent. No objections. Motion carried.

[03:04] Mr. Allen asked for nominations for Vice Chairperson. Mr. Buetow nominated Mr.

Klajbor, Mr. Allen seconded. Any further nominations. Mr. Mukamal moved unanimous consent. No objections. Motion carried.

2. Election of Hardship Appeal Committee [03:53]

Ms. Daun stated the current Committee members are: Ms. Joos, Ms. Rotar, Mr. Mahan, Mr. Klajbor and Mr. Buetow. Mr. Allen asked if any of the members were not willing to serve in that capacity. [04:26] Mr. Allen entertained a motion for the Board to re-elect as a slate the current members. Motion by Mr. Mukamal seconded by Ms. Rotar. No objections. Motion carried.

3. Appointment of Additional Executive Finance Committee Members [04:58]

Mr. Allen informed the Board the Committee will continue with the present members in their current capacity as appointed by the Chair. No vote required.

4. Appointment of Additional Personnel Committee Members [06:05]

Mr. Allen stated the Personnel Committee is comprised of the Board Chair, the Director of Employee Relations, Chairperson of Common Council Finance and Personnel Committee or designee (Alderman Kovac), the City Attorney or designee, and the EFC Chair (and, if necessary, additional persons appointed by the Board Chair). No vote required.

5. Approval of the Regular Board Meeting Minutes of November 19, 2015 [06:58]

[07:02] Motion by Mr. Klajbor to approve the minutes for November 19, 2015. Seconded by Mr. Buetow. No objections. Motion carried.

6. Plan Participant Benefit Approvals and Denials for period October, November and December 2015 [07:17]

[07:38] Motion by Mr. Klajbor to approve the first time distributions report, the rollover payments report, and the unforeseeable emergency payments report. Mr. Buetow seconded. No objections. Motion carried.

[08:49] Motion by Mr. Klajbor to convene in closed session for Item 7 and 8, pursuant to Section 19.85(1)(e) and (g). Seconded by Mr. Buetow. Roll call vote taken. No objections. Motion carried.

02:14 p.m. Board enters closed session. [09:22]

7. Update re Transition of Custodial Bank [10:20]

8. Investment Management Agreement Negotiations [11:30]

[27:52] Motion by Mr. Klajbor to convene in open session. Seconded by Mr. Mukamal. Roll call vote taken. No objections. Motion carried.

02:28 p.m. Board enters open session. [28:18]

9. Reserve Account [28:23]

- a. City Attorney's opinion re Administrative Rule Revisions [28:24]

Mr. Allen stated the Board will accept and place on file the City Attorney's opinion.

[30:45] Motion by Mr. Klajbor that we amend our Administrative Rules to include a new Section 13. Reserve Account. Mr. Buetow seconded. No objections. Motion carried.

- b. Expenditure Planning and Investment Guideline Revision – Callan [31:19]

[31:33] Motion by Mr. Klajbor to refer to the EFC the expenditure planning for the Reserve Account and an Investment Guideline revision in conjunction with input from Callan Associates for the Reserve Account. Ms. Rotar seconded. No objections. Motion carried.

10. Executive Finance Committee Report [32:00]

[32:41] Motion by Mr. Klajbor to convene in closed session for Item 10 (a, b and c), pursuant to Section 19.85(1)(e) and (g). Seconded by Mr. Buetow. Roll call vote taken. No objections. Motion carried.

02:32 p.m. Board enters closed session. [33:37]

- a. Recommendation of Outside Counsel for Investment Manager Agreements [34:04]
- b. Recommendation of Firm to prepare 2015 Financial Statements and Conduct 2015 Audit [38:28]
- c. Recommendation of Third Party Administrator [41:40]

[56:28] Motion by Mr. Klajbor to convene in open session. Mr. Buetow seconded. Roll call vote was taken. Motion carried.

02:58 p.m. Board enters open session. [57:00]

d. Ratification of Nationwide Contract Extension via Amendment

Ms. Daun reported she was able to negotiate a significant fee reduction which has been noted to the Board on prior occasions. The agreement has been fully executed subject to a prior delegation to the EFC and the Board Chair needs to simply take a motion to ratify the contract as included the trustees' packets.

[57:46] Motion by Mr. Klajbor to approve and he thanks Nationwide for their cooperation and the pricing. Mr. Buetow seconded. No objections. Motion carried.

e. Results of Participant Survey [58:08]

Ms. Daun stated the survey was sent out by email. Total responses were approximately 1,500, which much higher than typical. Approximately, 19% of participants replied. Ms. Daun presented a high summary of the survey results. Discussion ensued.

[01:03:23] Motion by Mr. Klajbor to receive and place on file the survey results and the summary. Mr. Nicolini seconded. No objections. Motion carried.

f. Fee Disclosure Mailing and Feedback [01:03:48]

Mr. Klajbor stated the new fee disclosure was sent out in February to all participants. He stated that he believes it was well received, well done, it explains clearly what the administrative costs are versus what the investment costs are. This is something that will be done on an annual basis going forward.

Ms. Daun explained key highlights between the new fee disclosure and past disclosures (i.e., "fact sheets" and the quarterly newsletters). Discussion ensued.

[01:09:03] Motion by Mr. Klajbor that we authorize the Executive Director to submit the fee transparency piece to NAGDCA for consideration for communications awards. Ms. Daun made a friendly amendment which would be NAGDCA and/or P&I and any other institute. Mr. Klajbor so moved. Mr. Buetow seconded.

[01:09:23] Mr. Mukamal suggested that in future fee disclosures, to include a formula or other illustration indicating how a participant can calculate total fees paid or an example of how to approximate that number. Ms. Daun agreed.

Mr. Allen asked for additional comment. None provided. Mr. Allen then asked for any objections to the pending motion. No objections. Motion carried.

- g. Recommendation re Executive Director Conference Attendance in April and May [01:09:59]

Mr. Klajbor informed the Board that the Executive Director has asked to attend two forums in Chicago. The EFC Committee recommends Board approval. Ms. Daun noted that the Institutional Investor Forum asked her to join the Advisory Board for the May conference and to lead a workshops and discussion groups regarding DC plan fee litigation and fiduciary duties.

[01:10:50] Motion by Mr. Mukamal to approve. Mr. Buetow seconded. No objections.

Mr. Allen informed the Board that NAGDCA will be holding their 2017 Annual Conference here in Milwaukee. Ms. Daun stated hopefully she will be on the planning committee from NAGDCA.

11. Personnel Committee Report [01:11:48]

Ms. Joos reported the Personnel Committee met in January and at this point there will be further review and revisions of the Administrative Rules and the evaluation forms for personnel to try to better align those with some of the pay for performance guidelines that were released by DER in January. Once the Committee has those revisions complete they expect to bring them back to the Board.

- a. Personnel performance evaluations
- b. Additional changes to Administrative Rules

12. INVESCO Advisers, Inc. – Stable Value Account []

- a. Presentation on Stable Value / Fixed Income [01:13:56]

Ms. Beckham, Mr. Apostol and Mr. Deetsch presented the report. Discussion ensued.

- b. 4th Quarter Update [01:43:29]

Ms. Beckham, Mr. Apostol and Mr. Deetsch presented the report. Discussion ensued.

[01:50:07] Motion by Mr. Klajbor to receive both reports and place on file. Mr. Buetow seconded. Motion carried.

13. Nationwide Retirement Solutions – 4th Quarter Update

14. Cleary Gull Advisors Inc. – 4th Quarter Report

15. Northern Trust – 4th Quarter Report

16. Charles Schwab PCRA – 4th Quarter Report

[01:50:24] Mr. Allen stated we have a number of report items to accept and place on file.

[01:57:49] Motion by Mr. Klajbor to receive and place on file Nationwide's 4th quarter Plan update, Cleary Gull Advisors Inc. 4th quarter report, Northern Trust's 4th quarter report and Charles Schwab 4th quarter report. Mr. Buetow seconded.

[01:58:14] Ms. Daun pointed out that according to the Schwab report, the brokerage window currently holds \$46 million total assets and average assets per participant in the Schwab account is around \$122,000 keep. She further emphasized the every trade in the brokerage window generates a transactional fee in addition to retail investment management fees and annual fees to remain in the brokerage window. Discussion ensued.

Ms. Daun explained that she hopes to include education regarding the brokerage window and advisory services as part of the communications package in advance of the transition.

17. Callan Associates Inc. – 4th Quarter Report [01:50:38]

Mr. Taylor summarized Callan's quarterly review for the Board. Discussion ensued.

[01:57:10] Motion by Mr. Klajbor to receive and place on file. Mr. Buetow seconded. Motion carries.

18. Informational

4:06 p.m. Meeting adjourned. [02:04:21]