

**CITY OF MILWAUKEE  
MINUTES OF THE DEFERRED COMPENSATION BOARD  
MEETING OF THURSDAY, AUGUST 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. Stuart Mukamal, Assistant City Attorney  
Ms. Sandra Rotar, Health Operations Administrator

**EXCUSED/ABSENT:**

Alderman Milele Coggs, Finance & Personnel Chair – excused  
Ms. Paula Kiely, Milwaukee Public Library Director – excused  
Mr. Steven L. Mahan, Community Development Grants Administration – excused  
Mr. Mark Nicolini, Budget Director – excused

**OTHER PLAN PROVIDERS and STAFF PRESENT:**

Mr. Jeff Deetsch, Invesco  
Ms. Elaine Bieszk, Administrative Assistant, Deferred Compensation  
Ms. Margaret Daun, Executive Director  
Mr. Brian Merrick, Voya Financial  
Ms. Ellen Tangen, Assistant City Attorney  
Mr. Ben Taylor, Callan Associates Inc.  
Ms. Wendy Wilson, Cleary Gull Advisors

**OTHERS PRESENT:**

02:08 p.m. A quorum being present, Mr. Allen, Chair of the Deferred Compensation Board, called the meeting to order.

**1. Meeting Minutes of May 19, 2016 and Special meeting minutes of June 15, 2016 [00:45]**

[00:43] Motion by Mr. Klajbor to approve the minutes with some small grammatical edits for May 19, 2016 and June 15, 2016. Seconded by Mr. Buetow. No objections.

**2. Plan Participant Benefit Approvals and Denials for period April, May and June 2016 [01:53]**

[02:08] Motion by Mr. Klajbor to approve or ratify the second quarter first time distributions, rollover payments and unforeseen emergency payment reports. Seconded by Ms. Rotar. No objections.

Ms. Daun spoke to Mr. DiNicola of Voya and Ms. Tangen about the potential for obviating the need to approve these. We have operating procedures; the Plan is governed by the applicable IRS rules and distributions. Mr. Allen interjected and we have an Administrator. Ms. Daun agreed and as soon as we move to the new platform and the new operating procedures are approved we will hopefully not have these on the agenda again.

**3. Update on transition and communication materials [03:03]**

Ms. Daun explained the data challenges that continue to be sorted through and ferreted out. Discussion ensued. Ms. Daun reported the HRMS database is in the midst of an upgrade which is huge so the bandwidth from our internal ITMD folks is exhausted. ITMD asked for her to approve spending approximately \$3,000 to \$5,000 for ITMD to use an IT subcontractor. Ms. Daun gave that approval. She requested that the Board ratify for formality purposes. She stated there is nothing in front of you because it is under a contract that ITMD has on a standing basis.

[06:45] Motion by Mr. Klajbor to approve the expenditure between \$3,000-\$5,000 to assist ITMD in the completion of our systems integration with Voya. Seconded by Mr. Buetow. No objections.

Discussion ensued regarding departmental visits, enrollment website, quiet period and target date fund limitations.

[34:11] Motion by Mr. Klajbor to convene in closed session for Item 4, pursuant to Section 19.85(1)(e) and (g). Seconded by Mr. Buetow. Roll call vote taken. No objections. Motion carried.

02:40 p.m. Board enters closed session.

**4. Managed accounts solutions contract negotiation / fee provisions [34:50]**

[57:48] Motion by Mr. Klajbor to convene in open session. Seconded by Mr. Mukamal. Roll call vote was taken. Motion carried.

03:04 p.m. Board enters open session. [57:50]

**5. Executive Finance Committee Report [58:08]**

- a. Ratification of:  
- Amendment to John Nixon contract [58:16] Discussion ensued.  
[59:37] Motion by Mr. Klajbor to ratify the third amendment to the Duane Morris contract which authorized an additional \$5,000. Seconded by Mr. Buetow. No objections.

[59:51] Motion by Mr. Klajbor to have a fourth amendment to the contract authorizing an additional \$5,000 to allow Mr. Nixon to deal with that firm's inquiry. Seconded by Mr. Joos. No objections.

- b. Final Master Agreement [01:00:42]

Informational. Reporting this is the final Master Agreement approved by the Common Council, signed by the Mayor.

- c. Administrative Rules [01:01:06]

[01:01:26] Motion by Mr. Klajbor to approve the Administrative Rules. Seconded by Mr. Mukamal. No objections.

- d. Investment Guidelines [01:01:46]

Distributed are the revised Investment Guidelines. Mr. Klajbor pointed out Invesco has a proposal later in the agenda which then would conform to our new Investment Guidelines so then there would be no need for us to approve what Invesco is proposing once we adopt these Investment Guidelines.

Mr. Taylor commented that in discussion with Invesco and Mr. Deetsch, Callan is comfortable with this other piece which is a slight modification. Mr. Deetsch stated within the investment policy statement there is a 50% subadvisor cap in the stable value section. When Invesco was hired the previous consultant had recommended there be a 25% manager cap that is not something that is Invesco's normal standard investment. Invesco's normal process would be around two-thirds Invesco management and one-third sub-advised and that is split among five or six different advisors. He went through the recommendations Invesco could make. Discussion ensued. Mr. Taylor stated that Callan evaluated the proposed recommendation and they are comfortable with it and have no concerns about those guidelines.

Mr. Klajbor directed the Members to Page 15 of 17, Item #6 where it says 50% we would change that to 65%.

[01:07:09] Motion by Mr. Klajbor to approve the Investment Guidelines with that change to 65%. Seconded by Mr. Buetow. No objections.

## **6. Vendor Reports [01:07:40]**

- a. Northern Trust Performance Report  
Placed on file.
- b. Callan Associates Inc. Performance Report  
Placed on file.
- c. Cleary Gull Advisors Inc. Performance Report [01:07:47]  
Mr. Allen recognized Cleary Gull for their service they have been with our Plan for decades. He thanked Ms. Wilson and her predecessors. Ms. Daun thanked Ms. Wilson, Ms. Oster and Mr. Andrew. Mr. Taylor thanked Ms. Wilson also.  
[01:11:25] Ms. Wilson gave a quick overview of the performance report.
- d. INVESCO Advisers, Inc. (SVA) Performance Report [01:37:28]  
Mr. Deetsch gave a brief overview. He reported much hasn't changed since the last quarter. The market to book ratio is 102.25%, duration 3.13%, crediting rate 1.70% and yield to maturity 1.38%.  
Mr. Klajbor asked if he would spend some time going through their proposed Stable Value Fund changes. Mr. Deetsch – Page 7 – current allocation versus their proposed allocation, Invesco-managed segment would increase from approximately 24% to 56% under proposed portfolio structure. The weighted average sub advisory fees would decrease from approximately 7.7 to 4.3 basis points. (see booklet). Discussion ensued.  
[01:49:38] Defined Contribution Plan, Capital Preservation Options. Andy Apostol put together this piece that Invesco has used for other people to illustrate the benefits of having stable value versus a money market.
- e. Nationwide Retirement Solutions – Plan Report
- f. Charles Schwab PCRA Report

[01:50:17] Motion by Mr. Klajbor to accept and place on file all of the vendor reports under Item #6. Seconded by Mr. Mukamal. No objections.

## **7. Executive Director Report [01:51:22]**

- a. Department Head meetings  
Discussed in Item #3 above.
- b. Scheduling of departmental meetings  
Discussed in Item #3 above.
- c. Update on IMA agreements [01:51:27]  
Ms. Daun reported this is ongoing with Callan's guidance.

## **8. Informational**

- a. Invesco Stable Value Flyer – Defined Contribution Plan Capital Preservation Options discussed above in Item 6d.

4:03 p.m. Meeting adjourned. [01:55:34]