

**CITY OF MILWAUKEE
MINUTES OF THE DEFERRED COMPENSATION
EXECUTIVE FINANCE COMMITTEE
MEETING OF THURSDAY, APRIL 17, 2025
2:00 P.M. – VIRTUAL MEETING**

MEMBERS/DESIGNEES PRESENT:

Mr. Richard Bare
Ms. Molly Christianson
Mr. James Klajbor
Mr. Stuart Mukamal
Mr. Robin Pederson

EXCUSED/ABSENT:

OTHER PLAN PROVIDERS and STAFF PRESENT:

Mr. Jerry Allen, Deferred Compensation Board Member
Mr. Tyler Calligaro, Budget Department
Ms. Adria Campbell, Voya Financial
Ms. Dawn Conlin, Voya Financial
Ms. Beth Conradson Cleary, Executive Director, Deferred Compensation
Mr. Jeff Deetsch, Invesco
Mr. Travis Gresham, City Attorney
Mr. Mike Joecken, Callan LLC
Ms. Kimberly Kuehn, Plan Coordinator, Deferred Compensation
Mr. Jack Malone, Callan LLC
Ms. Tea Norfolk, Deferred Compensation Board Member
Ms. Marion Audrey Shippel, Northern Trust
Mr. Ben Taylor, Callan LLC
Mr. Michael Wilkins, Northern Trust

2:00 p.m. A quorum being present, Mr. Klajbor, Chairman, called the meeting to order.

1. Roll call and Introductions [00:21]

2. Approval of Meeting Minutes of March 20, 2025 [1:32]

Motion by Mr. Mukamal to approve the meeting minutes of March 20, 2025. No objections.

3. Northern Trust Presentation re. Network Management [02:17]

Ms. Shpigel provided a brief overview and introduction. Ms. Cleary asked Ms. Shpigel to explain what Network Management entails at Northern Trust. Ms. Shpigel explained that as a global custodian operating in over 100 markets worldwide, Network Management is responsible for establishing and maintaining the network of custodians, ensuring the strength and safety of the custody structure.

Ms. Shpigel reported that Northern Trust holds over \$13 trillion in assets under custody, with over \$11 trillion of those in self-custody. Self-custody refers to direct market access, such as accounts at the Federal Reserve and DTC. Markets with self-custody include Belgium, Canada, France, Germany, Ireland, The Netherlands, Saudi Arabia, the UK, and the US. In markets without self-custody, Northern Trust relies on external sub-custodians. Approximately \$2 trillion in assets fall into this category. ICSDs (International Central Securities Depository) like Euroclear and Clearstream are also utilized to handle international securities settlement.

She explained that 79% of NT's AUC is within the Americas, primarily the US and Canada, and 85% of AUC falls under self-custody. Ms. Shpigel noted that Network Management prioritizes client asset safety through risk management assessments, credit monitoring, and compliance with local regulatory frameworks. A contingency network is in place to ensure continuity if a sub-custodian fails. Legal protections are also in place across the structure.

Northern Trust has 23,000+ employees globally, with 38 full-time employees in Network Management across seven locations, including teams in Chicago, Boston, and Jersey City. Risk assessments are conducted for both sub-custodians and self-custody markets using due diligence questionnaires, meetings, and updates on regulatory changes. Cybersecurity questionnaires are part of its regular assessments.

Network Management identifies network expansion opportunities proactively or via client request. The firm maintains service-level agreements and fee arrangements with all sub-custodians. Compliance is monitored through its information products and control team, and market communications are issued through its internal bulletin system.

Governance includes regulatory compliance, sub-custodian selection via RFPs, credit evaluations, controls, risk assessments, and onsite due diligence visits when possible. Sub-custodian relationships are tiered, with detailed oversight and annual risk reviews using a 400+ question DDQ. Results are shared with the sub-custodian oversight committee quarterly.

Mr. Klajbor asked whether language is a barrier. Ms. Shpigel responded that the main relationship managers at each sub-custodian must speak English. Performance reviews are conducted annually, or twice a year for top relationships, incorporating internal feedback.

Northern Trust has a dedicated resiliency team. For the top 25 markets, the firm has contractual relationships with alternative providers covering 98% of AUC. For another 1.8%, NT has identified alternates without contracts, and for the remaining 0.2%, no alternate provider is available.

4. Economic and Markets Review/Update from Callan LLC [33:40]

Mr. Joecken reported that market activity since the April 3 tariff announcement had been volatile. Over 10 trading days, global equity markets were down 5.3%, and US bonds declined 80 basis points. He emphasized the difficulty of forecasting short-term returns and noted the historical pattern of resilience after volatility events.

He referred to previous crises (*e.g.*, Long-Term Capital Management, dot-com bubble, GFC, COVID, and the 2022 rate spike) to underscore the value of governance, asset allocation, and diversified investment options like AMIA, AMEA, and target date funds. Mr. Joecken cited research showing that many of the market's best days occur within two weeks of its worst, highlighting the risks of market timing and the importance of staying invested.

Mr. Pederson noted the update sounded alarming. Mr. Joecken clarified he wasn't predicting catastrophe but rather affirming confidence in the investment structure. Mr. Taylor added that responding to short-term risks with long-term changes can backfire, especially if the risk doesn't materialize. Mr. Joecken concluded by stating that current investor reaction is driven by policy uncertainty and global sentiment.

Mr. Deetsch provided an update on the stable value product. He explained that despite recent volatility, the fund's objective—capital preservation—remains unchanged. The fund consists of high-quality, short-duration fixed income assets, highly liquid and diversified across managers and sectors.

He explained that wrap providers guarantee dollar-in, dollar-out liquidity and that even under stress, the Plan's exposure is limited to the difference between market and book value. As of March 31, 2025, the book value was approximately \$192 million, with a market value of \$182 million. Even in a worst-case scenario where wrap providers failed, the Plan would recover \$182 million without standing in line with general creditors.

He added that feedback from a recent industry conference showed minimal concern within the stable value space. Mr. Allen inquired about the backing of wrap contracts. Mr. Deetsch confirmed the exposure is limited to the difference between market and book, not the full balance, and the contracts are not structured through subsidiaries. Discussion ensued.

Please be advised that the Committee may vote to convene in closed session on the following Items 5 and 6 on proper motion and action pursuant to Section 19.85(1)(d), Wisconsin Statue for deliberating or negotiating the purchasing of public properties, the investing of public funds, or conducting the specified public business, whenever competitive or bargaining reasons require a closed session (Items 5 & 6). Please note: A roll call is required for the Committee to enter closed session. The Committee may then vote to reconvene in open session following the closed session.

[1:22:11] Motion by Ms. Christianson to convene in closed session. No objections.

2:27 p.m. Board enters closed session

5. Update Regarding Callan Agreement

6. Update on Custodial Banking Services

7. Update on SECURE 2.0 [1:11:21]

Ms. Cleary stated she did not have updates but planned to attend the upcoming NAGDCA board meeting in Washington, D.C., which may provide more insight. Ms. Campbell stated they are still waiting for clarification on Section 603 (Deemed Roth), which remains a major source of concern due to potential changes in payroll system direction.

Ms. Cleary added they are monitoring the emergency savings provision, which currently requires technical corrections to clarify its applicability to non-ERISA plans. The new provision allowing \$1,000 withdrawals has already benefited participants in urgent situations.

8. Personnel Update [1:15:01]

Ms. Cleary stated she does not have any updates at this point.

9. Voya Report(s) and Update [1:15:19]

a. Activity Report [1:16:25]

Ms. Campbell reported that in March, the local office conducted 61 one-on-one appointments and 52 outreach contacts via phone or in-person meetings. The most common discussion topics were account reviews, investment information, and loans.

b. Rollover Report [1:17:46]

Ms. Campbell provided a brief summary of rollover activity.

c. VRA Report [1:18:44]

Ms. Campbell noted that nearly 25% of participants have used the service. The VRA call center received 23 calls in February. Eight new participants enrolled in the free monthly online service. There was a net change of three participants in the paid professional management service, with 976 participants now enrolled, representing \$141 million in assets and an average account balance of \$144,000.

d. Loan Outreach Update [1:01:14]

Ms. Campbell reported that Ms. Martin contacted 11 participants in March, representing \$83,000 in total outstanding loan balances. She reached nine participants, and one indicated they planned to resume repayments. There are currently 1,087 loans in the Plan totaling \$12.4 million. Mr. Klajbor requested that future reports include the number and dollar amount of loans in default.

10. Informational

a. Charles Schwab – Explanation of Fees and Expenses

3:39 p.m. Meeting adjourned from closed session.

