

**CITY OF MILWAUKEE
MINUTES OF THE DEFERRED COMPENSATION
EXECUTIVE FINANCE COMMITTEE
MEETING OF THURSDAY, JUNE 26, 2025
1:30 P.M. – VIRTUAL MEETING**

MEMBERS/DESIGNEES PRESENT:

Mr. Jerry Allen
Ms. Molly Christianson
Mr. James Klajbor
Mr. Stuart Mukamal
Mr. Robin Pederson – arrived at 1:37 p.m.

EXCUSED/ABSENT:

Mr. Richard Bare – Excused

OTHER PLAN PROVIDERS and STAFF PRESENT:

Ms. Adria Campbell, Voya Financial
Ms. Dawn Conlin, Voya Financial
Ms. Beth Conradson Cleary, Executive Director, Deferred Compensation
Mr. Travis Gresham, City Attorney
Mr. Mike Joecken, Callan LLC
Ms. Kimberly Kuehn, Plan Coordinator, Deferred Compensation
Mr. Daniel Luque, Dimensional Fund Advisors
Mr. Jack Malone, Callan LLC
Ms. Tea Norfolk, Deferred Compensation Board Member
Mr. Sunny Podila, Dimensional Fund Advisors
Mr. Josh Poage, Dimensional Fund Advisors

1:30 p.m. A quorum being present, Mr. Klajbor, Chairman, called the meeting to order.

1. **Roll call and Introductions [00:15]**

2. **Approval of Meeting Minutes of April 17, 2025 [01:25]**

Motion by Mr. Mukamal to approve the meeting minutes of April 17, 2025. No objections.

3. Approval of Meeting Minutes of May 9th 2025 [01:49]

Motion by Ms. Christianson to approve the meeting minutes of May 9, 2025. No objections.

4. Investment Manager Presentation by Dimensional Fund Advisors [02:32]

Mr. Joecken reported that DFA serves as the SMID cap value manager within the Actively Managed Equity Account, which represents a 6% targeted allocation within the AMEA. As of March 31, 2025, this represented just over \$11 million in assets.

Mr. Luque provide a brief introduction. As of March 31, 2025, the firm manages \$786 billion in global assets. In 2024, DFA saw \$35.8 billion in new inflows, marking a particularly strong year on the institutional side. The firm employs over 1,600 individuals across 15 global offices. While DFA specializes in equity strategies, it also maintains a significant presence in fixed income, with \$128 billion in fixed income assets as of March 31. In Q1 2025, DFA experienced the highest inflows into its developed ex-U.S. all-cap core equity strategies, as investors increasingly sought geographic diversification. U.S. taxable fixed income strategies saw the second-largest inflows, totaling approximately \$5.3 billion in net new assets. The Plan's specific strategy—U.S. SMID cap value equity—received \$60 million in inflows during the quarter.

Mr. Luque noted that while short-term performance is in line with expectations (with 42% of funds outperforming their benchmarks over one year), DFA's strength lies in long-term results. Over a 20-year period ending Q2 2025, DFA has achieved 100% fund survivorship, with 92% of its strategies outperforming their respective benchmarks. In contrast, industry averages show fewer than half of funds surviving and only about a quarter outperforming over the same period. DFA defines "survivorship" as a fund's continued existence one, three, five years or more after inception.

Mr. Poage provided an overview of DFA's cybersecurity program. He reported that while there were no fundamental changes over the past year, the firm continues to evolve its approach to address regulatory changes and emerging risks. Mr. Poage also highlighted the ways in which DFA is integrating AI technology into its cybersecurity infrastructure. Discussion ensued.

Mr. Podila presented a detailed analysis of the portfolio's structure and performance. He explained that the portfolio is rebalanced daily using long-term eligibility criteria (e.g., profitability screens) and short-term signals (e.g., momentum and securities lending opportunities), aiming to maintain desired exposures and minimize trading costs. This multi-layered strategy contributes to DFA's long-term outperformance record, with 92% of portfolios outperforming their benchmarks

over the past 20 years.

To date, the portfolio totaled \$12.3 billion in assets and held 1,440 companies. The gross expense ratio is 30 bps, and the net is 29 bps. The portfolio is benchmarked against the Russell 2000 Value Index, though its characteristics position it between the Russell 2000 Value and the Russell 2500 Value, with a weighted average market cap of \$4.7 billion. For reference, the Russell 2000 Value Index's weighted average market cap is \$2.8 billion, and the Russell 2500 Value Index is \$8.2 billion.

Mr. Podila noted that the portfolio is structured as a deep value strategy with a profitability screen to enhance long-term returns. Utilities and REITs are excluded due to their regulatory constraints. While the portfolio experienced a -7% absolute return in Q1 2025, performance rebounded in Q2, moving closer to break-even. He emphasized that while short-term underperformance is possible, DFA's long-term approach has consistently produced outperformance across three, five, ten, and 20-year periods, as well as since inception.

In response to a question, Mr. Podila addressed the impact of tariffs and broader market volatility. He reiterated DFA's philosophy of remaining fully invested, noting that attempts to time the market—such as moving into cash during volatile periods—are rarely successful. DFA research supports the conclusion that markets rapidly price in new information, making timing strategies unreliable.

Mr. Podila cited the market reaction to recent tariff announcements, where expected downturns did not materialize due to investor expectations that tariffs would be delayed or reversed, which proved accurate in many cases. He also noted a recent shift in global market performance: while U.S. equities had dominated through late 2024 (comprising 63% of global market cap), international and emerging markets have outperformed in early 2025.

DFA continues to analyze data around macro events such as tariffs, but maintains a consistent long-term investment stance, grounded in evidence that markets reward patient, fully invested strategies. Discussion ensued.

5. Economic and Markets Review/Update from Callan LLC [36:30]

Mr. Joecken reported that equity markets, in particular, regained footing in May amid signs of global macroeconomic stabilization. Contributing factors included easing trade tensions and new trade agreements, particularly with the European Union and China.

U.S. GDP declined by 20 basis points, which was an improvement compared to the previously estimated 30-basis-point drop earlier in the year. The labor market added approximately 140,000

jobs and seasonally adjusted unemployment remained steady. The Consumer Price Index (CPI) increased 2.4% year-over-year, contributing to some volatility in the fixed income markets.

In the domestic equity markets, the Russell 3000 Index posted a return of 6.34% for the month of May. Large-cap stocks generally outperformed small caps, and growth stocks outperformed value. Ten of the eleven sectors showed positive returns, with healthcare as the only negative performer, declining nearly 5%.

International markets also delivered strong returns in May, supported by improved trade outlooks and solid corporate performance. The MSCI ACWI ex U.S. Index returned 4.6% for the quarter, with emerging markets gaining 4.3% during the month.

In the fixed income sector, inflationary pressures, concerns around U.S. debt levels, and the recent U.S. credit rating downgrade were largely priced into the markets. The Bloomberg U.S. Aggregate Bond Index declined approximately 70 basis points for the quarter, with negative performance across most fixed income segments. However, high yield bonds delivered a positive return of 1.7% for the month.

Mr. Joecken noted that the periodic table of monthly asset class performance has seen four different asset classes lead during the first five months of the year. Year-to-date, developed international equities are leading with over 16% returns. Emerging markets have also outperformed, including in fixed income, where the Plan has dedicated exposure through the AMIA portfolio. As of the end of May, all major market segments are in positive territory for the year, with the exception of U.S. small-cap equities, which are down 7%. Despite volatility, U.S. markets have remained relatively steady, while international equities have shown strong performance, supporting global diversification.

As of the current quarter, U.S. equity markets are up nearly 9%, bringing the year-to-date total to approximately 4%. Non-U.S. markets continue to outperform their U.S. counterparts, with quarter-to-date gains exceeding 10% and year-to-date returns of just over 16%. The Bloomberg Aggregate is up approximately 80 basis points for the quarter and 3.6% year-to-date. With only two days remaining in the quarter, performance across asset classes remains broadly positive.

Mr. Mukamal inquired about the Federal Reserve's decision to hold interest rates steady and whether there may be changes in policy ahead. Discussion ensued.

Please be advised that the Committee may vote to convene in closed session on the following Items 6 and 7 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 6 & 7). 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 Mr. Mukamal to convene in closed session. No objections.

2:29 p.m. Board enters closed session

6. **Update Regarding Callan Agreement** – Taken out of order for closed session

7. **Update on Custodial Banking Services** – Taken out of order for closed session

8. **Update on SECURE 2.0 [49:36]**

Ms. Cleary reported there are no updates at this point.

9. **Personnel Update [50:09]**

Ms. Cleary stated she is hoping to start interviews in July and she will provide updates.

10. **Voya Report(s) and Update [50:26]**

a. **Activity Report [50:39]**

Ms. Campbell reported that in April there were a total of 34 one-on-one appointments and six outreach engagements. The top topics that were covered by the local team were account reviews and investment information. In May, there were 45 one-on-one appointments and 31 outreach appointments. Topics continued to center around account reviews and investment education, with loan discussions also emerging.

Ms. Cleary added that the team conducted its first hybrid presentation in May, followed by a second session the day prior to the meeting. This new programming format allows participants to attend either in person (in the 809 main Conference Room) or virtually via Microsoft Teams. The first session drew approximately 130 attendees, while the most recent session had close to 200 virtual attendees and 12 in-person participants. Engagement appeared strong, with new participant questions indicating a fresh and responsive audience. The team plans to continue

this hybrid format on a monthly basis.

b. Rollover Report [53:02]

Ms. Campbell reported that in April there were 33 rollovers totaling approximately \$4.2 million. The top recipient institutions were Ameriprise, Morgan Stanley, and TIAA. Notably, there were seven distributions over \$250,000—a rare occurrence for the Plan. The average rollover amount in April was approximately \$126,000. In May, there were 27 rollovers totaling \$2.5 million. Fidelity and MassMutual were the top receiving institutions during this period. The average rollover was \$94,000, with four distributions exceeding \$250,000.

c. VRA Report [54:30]

Ms. Campbell reported that just under 25% of the Plan population has used at least one of Voya's advice tools, either the online platform or through phone consultations—both of which are free.

There are currently 980 participants enrolled in the Professional Management program, which is the paid advisory service. In May, the call center received 35 advice-related inquiries, and three new participants adopted the online advice tool, bringing the total number of online users to 1,157. The average account balance under professional management is \$144,000.

d. Loan Outreach Update [55:53]

Ms. Campbell reported that in April, 22 participants had outstanding loan balances totaling \$202,000. Ms. Martin successfully contacted 19 of them, with one participant indicating plans to resume payments. In May, 15 participants had outstanding loan balances totaling \$151,000. Ms. Martin contacted all 15 participants; two indicated plans to catch up on payments, while three stated they were comfortable defaulting. As of the end of May, the Plan has 1,067 outstanding loans, totaling just under \$12.5 million.

11. Informational

- a. Charles Schwab – Explanation of Fees and Expenses**
- b. 2Q2025 Newsletter**

2:41 p.m. Meeting adjourned from closed session.