

**CITY OF MILWAUKEE
MINUTES OF THE DEFERRED COMPENSATION
EXECUTIVE FINANCE COMMITTEE
MEETING OF THURSDAY, JULY 24, 2025
1:30 P.M. – VIRTUAL MEETING**

MEMBERS/DESIGNEES PRESENT:

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

EXCUSED/ABSENT:

None noted.

OTHER PLAN PROVIDERS and STAFF PRESENT:

Mr. Jerry Allen, Deferred Compensation Board Member
Ms. Adria Campbell, Voya Financial
Ms. Beth Conradson Cleary, Executive Director, Deferred Compensation
Mr. Paul Frantz, Baker Tilly
Mr. Travis Gresham, City Attorney's Office
Mr. Mike Joecken, Callan LLC
Ms. Kimberly Kuehn, Plan Coordinator, Deferred Compensation
Mr. Jack Malone, Callan LLC
Ms. Charmaine Martin, Voya Financial
Ms. Darlene Middleman, Baker Tilly
Ms. Tea Norfolk, Deferred Compensation Board Member
Ms. Sarah Schmidt, Brown & Brown
Mr. Ryan Young, Brown & Brown

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

1. Roll call and Introductions [00:22]

2. Approval of Meeting Minutes of June 26, 2025 [01:28]

Motion by Ms. Christianson to approve the meeting minutes of June 26, 2025. No objections.

3. Approval of the 2024 Financial Statements and Audit [02:01]

Mr. Frantz provided a brief introduction. He reported that Baker Tilly plans to issue an unmodified opinion, also known as a clean bill of health. He noted that the firm received nothing but cooperation from management throughout the process. The audit does not ultimately relieve management or the Committee of the responsibilities in evaluating the day-to-day activities. Any concerns identified during the course of the firm's work would be communicated to management and the Committee. He confirmed there were no audit adjustments or past adjustments to report; the financial statements and trial balances provided during the course of the audit were accurate and materially correct.

Ms. Middleman reported that the required communications include an internal control matters section. She explained that there are three levels of internal control deficiencies that could be identified. A standard deficiency exists when the firm believes that management, during the normal course of business, may not be able to identify or prevent errors. A material weakness is more severe and indicates that the internal controls of the organization are insufficient to detect a material misstatement in the financial statements. A significant deficiency falls in the middle and is something that would warrant the Committee's attention but does not rise to the level of a material weakness. She noted that Baker Tilly does not test internal controls as part of this engagement—the firm confirms whether a control exists and is being used by management, but testing would require a separate engagement. She confirmed that there were no internal control matters to discuss.

She added that the accounting standards were favorable again this year and there were no new accounting policies that needed to be adopted that were applicable to the Plan. Management is responsible for the estimates in the financial statements, and for the Plan, the most significant estimate is the fair value of investments. Management relies on values provided by the Plan's trustee and custodian, and for alternative investments (*i.e.*, those not readily available on the market) audited financial statements are obtained from the respective funds to confirm the appropriateness of the valuations. Baker Tilly did not identify any adjustments or misstatements. There were no significant difficulties encountered, no disagreements with management, and no need to consult others outside of the engagement team. Additionally, management did not consult with other accounting firms for guidance on any of the policies, procedures, or transactions.

Ms. Middleman noted that one new investment was added to the Plan this year—the Target Date 2065 fund—but that there were no other significant changes to the investment portfolio. Participant loan activity was flat year over year; approximately 415 new participant loans were issued, which was offset by loan repayments. The Plan's net assets increased from \$1.1 billion to

\$1.2 billion, representing an increase of approximately 11%, driven primarily by an increase in investment balances. Investment income increased by approximately 14%, and the net appreciation in the fair value of investments also rose by 14%, reflecting favorable market conditions. Participant contributions were higher than in the prior year, and rollovers into the Plan also increased. She noted that rollover activity can vary year to year depending on how many new employees are joining the Plan and the size of their rollover balances. Benefits paid to participants decreased this year, as fewer participants took distributions compared to the prior year.

Ms. Christianson asked for clarification on the term “rollovers.” Ms. Middleman responded that for these purposes, rollovers refer to participants transferring retirement savings from previous employers into the Plan. Mr. Bare asked whether the Plan had ever experienced a situation in which a participant took out the maximum loan allowed, the value of their investments declined significantly, and the Plan was left exposed. Ms. Campbell responded that such a scenario has never occurred. She explained that participants are limited to the lesser of \$50,000 minus the highest outstanding loan balance in the last 12 months, or 50% of their account balance. The loan balance is tracked separately and is not secured by the other 50% of the account. Regardless of market conditions, the participant is required to repay the loan balance. Mr. Klajbor added that if the loan is not repaid, it is considered a distribution and becomes taxable to the participant. Discussion ensued.

Motion by Mr. Bare to recommend approval of the 2024 Financial Statements and Audit to the full Board. No objections.

4. Approval of the 2025-26 Fiduciary Liability Insurance Renewal [19:08]

Mr. Young provided a brief overview of the fiduciary liability insurance renewal. He explained that the fiduciary liability insurance policy is designed to protect the Plan Trustees and Committee members from allegations of errors in Plan administration or breaches of fiduciary duty in connection with Plan oversight. The Plan purchases a total fiduciary liability limit of \$40 million, which is structured across multiple carriers through a primary insurance program. The primary carrier, Hudson, provides the first \$10 million of coverage, and six additional excess carriers each provide \$5 million in coverage to complete the \$40 million limit.

Mr. Young reported that the premium for the 2024–2025 policy year was \$177,090. As discussed in previous meetings, a marketing effort was conducted to ensure the Plan was receiving the most competitive terms available in the marketplace. This included outreach to both the incumbent carriers and other fiduciary liability insurance providers. Based on the feedback

received, no alternative carriers were able to offer terms that were more favorable than the current program with respect to pricing, retention levels, or coverage.

He noted that although no carriers were able to match the current program, the marketing process was still valuable. It provided an opportunity to negotiate with the incumbent carriers and encourage them to present their best terms in order to retain the business. As a result of these negotiations, the premium for the 2025–2026 policy term decreased by approximately 2.5%. The new total premium for the \$40 million in fiduciary liability coverage is \$172,755.

Mr. Young briefly referenced benchmarking data. Discussion ensued. Ms. Cleary stated that the legal opinion from the City Attorney's Office will be forthcoming and confirmed that the communications will be consistent with those provided in prior years.

Motion by Ms. Christianson to recommend approval of the proposed 2025 - 2026 Fiduciary Liability Insurance Renewal to the full Board. No objections.

5. Economic and Markets Review/Update from Callan LLC [40:00]

Mr. Malone reported that GDP in the first quarter came in at –0.5%, largely due to higher imports. Many businesses had been stockpiling products ahead of anticipated tariff increases later in the year. He noted that this effect is expected to reverse in the second quarter, providing a modest tailwind to GDP. While second quarter data are not yet available, recent forecasts suggest improvement. The Philadelphia Federal Reserve's Survey of Professional Forecasters projected second quarter growth of approximately 1.5%, while the Atlanta Fed's model projected growth closer to 2.5%.

Regarding inflation, Mr. Malone stated that the June CPI report showed a modest uptick. Overall CPI rose 2.7% year-over-year, and core CPI (excluding food and energy) rose 2.9%. He observed that some tariff-related effects are beginning to show up in the prices of goods and household items more sensitive to trade policy. However, companies are largely holding off on broad-based price increases, either drawing down inventories accumulated earlier in the year or absorbing higher costs while awaiting clarity on long-term tariff policy. He emphasized that the full impact of tariffs will not be clear until more data are available in the coming months.

Mr. Malone stated that the average U.S. tariff rate entering 2025 was about 2%. He surmised that if the recent trade deal with Japan is indicative of a new baseline, tariff rates could rise to 15–20%, representing a dramatic increase. Whether this results in a one-time upward adjustment in

prices or a sustained impact on inflation remains to be seen. He noted that the Federal Reserve has kept interest rates steady as it monitors these developments.

Regarding the labor market, Mr. Malone reported that unemployment declined slightly to 4.1% in June, though labor force participation has continued to trend downward as more individuals exit the workforce. The U.S. economy added about 150,000 jobs in June, above expectations, driven largely by the public sector. Private industry added the fewest jobs in the past eight months, reflecting caution by employers awaiting greater policy clarity.

Overall, Mr. Malone described the economy as being on relatively solid footing. Some of the worst-case fears surrounding tariffs have not yet materialized, though additional time will be needed to assess the full effects. Equity markets responded positively, supported by employment and inflation data that were not as adverse as expected. U.S. equities gained about 5% in May and June, reversing a first-quarter selloff, particularly in growth-oriented stocks. Following the Administration's April tariff pause, investors rotated back into large-cap technology companies. International equities were particularly strong in the second quarter, with developed markets outperforming the S&P 500 by approximately 12.5%, year-to-date, and emerging markets by about 9%.

Mr. Bare asked how much of international equity returns were due to local performance versus currency effects. Mr. Malone responded that a significant portion was attributable to U.S. dollar weakness, noting that the dollar had depreciated about 10%, year-to-date. International equities rose about 12%, year-to-date, in local terms, meaning that while they still outperformed U.S. equities, a solid portion of returns came from currency effects

Mr. Malone reported that fixed income posted positive results, with returns up about 4%, year-to-date. Corporate bond yields declined in the second quarter and corporate securities performed well. He noted that yields have been volatile due to uncertainty over long-term inflation expectations and concerns about rising U.S. government deficits. These competing forces have pushed yields both higher and lower, depending on expectations for inflation and potential Fed rate cuts. He cautioned that even if the Fed lowers its policy rate, Treasury yields across the curve may not fall, and volatility is likely to persist.

Ms. Cleary asked for the group's perspective on the political pressure being directed at Federal Reserve Chairman Jerome Powell. Discussion ensued.

6. Overview of Recent Cryptocurrency Legislation and Policy [56:54]

Mr. Joecken reported that the industry is still in the early stages of responding to the GENIUS Act and the recent executive order, both of which are intended to create a framework that facilitates investment in digital assets, private assets, and other alternative asset classes within retirement plans—whether participant-directed or pension plans. He noted that these changes are inevitable, and it is important to be proactive in evaluating how such products will be assessed as they enter the marketplace.

He explained that several announcements over the past week have centered on private asset products, particularly those that would allow defined contribution (DC) plan participants to access private equity and private credit. The Plan already has experience with alternative investments through exposure to private real estate in the J.P. Morgan Smart Retirement Funds. Most discussion to date has focused on the inclusion of such products within diversified funds that participants could select, but the actual structures will need to be reviewed once products are formally available.

Key areas of focus will include the form and structure of investment vehicles, custodial arrangements and safekeeping of digital and private assets, the investible institutional universe, and opportunities for participation. Above all, participant protection will remain a priority as these products come to market. Mr. Abesamis and his team will be presenting a “Cryptocurrency and Blockchain Education Workshop” at the September ERS Investment Committee meeting, which is open for Board members to attend.

Mr. Joecken added that the Plan’s managers have been contacted to assess current exposures to digital assets. Some exposure already exists within the equity portfolio—particularly the index and target date funds, which passively track the broader market. For example, Coinbase, a publicly traded digital currency marketplace, was recently added to the S&P 500, which means all passive portfolios now hold it. Within real estate, exposure also exists through investments in infrastructure supporting blockchain and cryptocurrency, such as industrials and utilities.

While acknowledging these existing exposures, Mr. Joecken emphasized that due diligence remains focused on structure, manager risk management, diversification practices, and overall Plan-level risk. This evaluation process will continue, with digital assets adding a new layer of complexity. He noted that from an investment philosophy standpoint, the Plan remains conservative and typically avoids being a first mover into new asset classes. Instead, they prefer to see a proven track record before making recommendations. He further compared cryptocurrency to company stock in 401(k) plans or to single-currency funds (such as dedicated Japanese yen or euro funds), noting that these types of concentrated exposures carry unique risks that are generally not appropriate within DC plans.

Discussion ensued.

7. Update on SECURE 2.0 [1:21:40]

Ms. Cleary reported that there are no updates to report out.

8. Personnel Update [1:22:09]

Ms. Cleary reported that there are no updates to report out.

9. Voya Report(s) and Update [1:22:34]

a. Activity Report [1:22:42]

Ms. Campbell reported the local office team had a total of 44 one-on-one appointments and made 38 reach out calls. The big highlights this past month were account reviews and loan information.

b. Rollover Report [1:23:25]

Ms. Campbell reported that there were 20 rollovers processed out in the month of totaling \$4.2 million.

c. VRA Report [1:24:34]

Ms. Campbell reported that around 24% of the participant base that has used some type of advice interaction—this includes those that have spoken to an advisor on the phone, used online services and then also the professional management services. For the month, there were 12 calls into the advice call center, one new online adopter and around 979 participants that are utilizing the paid professional management services.

d. Loan Outreach Update [1:25:46]

Ms. Campbell reported that the loan report was not available. Ms. Cleary has requested a report on participant utilization of the new SECURE 2.0 \$1,000 emergency withdrawal. The Plan recently experienced 10 distributions totaling \$9,900; Ms. Campbell will continue to provide data on this type of distribution.

Please be advised that the Committee may vote to convene in closed session on the following Items 10 and 11 on proper motion and action pursuant to Section 19.85(1)(e), 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 10 & 11). 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.

[1:30:03] Motion by Ms. Christianson to convene in closed session. No objections.

3:01 p.m. Board enters closed session

10. Update Regarding Callan Agreement

11. Update on Custodial Banking Services

12. Informational

3:13 p.m. Meeting adjourned from closed session.