

**CITY OF MILWAUKEE
MINUTES OF THE DEFERRED COMPENSATION
EXECUTIVE FINANCE COMMITTEE
MEETING OF THURSDAY, SEPTEMBER 25, 2025
1:30 P.M. – VIRTUAL MEETING**

MEMBERS/DESIGNEES PRESENT:

Mr. Richard Bare – left at 1:47pm
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
Mr. Ray Brock, MPSO
Mr. Tyler Calligaro, Budget Department
Ms. Adria Campbell, Voya Financial
Ms. Beth Conradson Cleary, Executive Director, Deferred Compensation
Mr. Travis Gresham, City Attorney's Office
Mr. Lendall Goff, Voya Financial
Mr. Austin Guy, Northern Trust
Mr. Mike Joecken, Callan LLC
Mr. Kapinder Diwan, Northern Trust
Ms. Kimberly Kuehn, Plan Coordinator, Deferred Compensation
Mr. Jack Malone, Callan LLC
Ms. Charmaine Martin, Voya Financial
Mr. Brendan McMahon, Northern Trust
Ms. Tea Norfolk, Deferred Compensation Board Member
Assistant Chief Joshua Parish, Deferred Compensation Board Member
Ms. Kathy Stevenson, Northern Trust

1:31 p.m. A quorum being present, Mr. Klajbor, Chairman, called the meeting to order.

1. Roll call and Introductions [00:24]

2. Approval of Meeting Minutes of July 21, 2025 [03:11]

Motion by Mr. Mukamal to approve the meeting minutes of July 21, 2025. No objections.

3. Investment Manager Presentation by Northern Trust Asset Management [03:41]

Mr. Joecken noted that Northern Trust Asset Management fulfills multiple roles for the Plan. As part of the actively managed equity lineup, nearly half of the portfolio is passively managed in a Northern Trust S&P 500 index fund, which currently holds approximately \$103 million. Northern Trust also manages two stand-alone passive options available to participants: (1) the U.S. Equity Index Account benchmarked to the Russell 3000 Index, with assets of approximately \$309 million as of June 30; and (2) an international equity index account, with assets of just over \$84 million as of June 30.

Mr. McMahon provided an overview of the firm and its indexing platform. Northern Trust currently manages three index mandates for the Plan and serves as a global asset manager with approximately \$1.3 trillion in total assets under management—roughly 65% of which (about \$850 billion) is in index strategies. This places the firm among the top five index providers. He noted that approximately 60% of assets are in equity strategies, with the remainder in fixed income, cash alternatives, and multi-asset strategies. Northern Trust remains heavily focused on institutional clients, and the index platform has been designed and refined over the last 40 years with that focus in mind.

Mr. Guy expanded on recent trends within the index business, which now sits just under \$900 billion globally across equity and fixed income. He noted growth in customized separately managed accounts outside the U.S., with approximately 60% of assets in pooled funds and 40% in SMAs. He provided a brief update on team structure and market trends. Regarding fund performance, tracking has remained tight for both the Russell 3000 and S&P 500 portfolios. Differences over the one-, three-, and five-year periods are generally attributable to cash management and transaction-cost considerations. Rather than trading all 3,000 underlying names in every flow event, Northern Trust may utilize futures to maintain market exposure, which can create slight variance (on the order of a few basis points). The S&P 500 mandate has tracked even more tightly.

Mr. Guy also reported that the ACWI ex-U.S. portfolio continues to benefit from dividend tax reclaims, which are not reflected in the benchmark and therefore produce a persistent positive

excess return of approximately 30–40 basis points annually. While fair-value adjustments and capital-gains timing have contributed a modest headwind of around two basis points year-to-date, overall results remain consistent with expectations.

Mr. Diwan provided an overview of Northern Trust’s cybersecurity program. He highlighted current cyber threat trends and described the firm’s centralized Cyber Coordination Centre (NTC3), which provides 24/7/365 global monitoring. The Centre has capabilities for real-time threat detection and investigative analysis using AI, and it maintains response protocols for both emerging and traditional attack types, including ransomware. He explained that the incident-response program is structured around a governance framework that incorporates clearly defined roles, escalation pathways, investigative procedures, and recovery strategies.

He further noted that Northern Trust aligns its risk management program with industry and regulatory standards, including the NIST Cybersecurity Framework. The 2024 NIST 2.0 update introduced a new “GOVERN” core function, and Northern Trust has implemented governance standards covering organizational context, risk strategy, supply-chain risk management, and oversight of roles and internal controls. Mr. Diwan also described the layered controls used to protect client data and ensure confidentiality, integrity, and availability across systems.

4. Economic and Markets Review/Update from Callan LLC [30:26]

Mr. Malone reported that August was another strong month for both equity and fixed income markets, with positive returns across all major indices. He noted a slow start to the month in equities as markets reacted to the implementation of new reciprocal tariff rates with several of the United States’ major trading partners. However, momentum strengthened following the Federal Reserve’s annual policy conference, where Chair Jerome Powell signaled that a rate cut was likely in September.

Inflation data for August showed CPI rising 2.9% year-over-year, and second quarter GDP was revised upward to 3.3%, with an additional revision to 3.8% announced earlier in the day. Mr. Malone noted that a significant portion of the GDP increase reflects a decline in imports; adjusting for that effect, underlying growth remains more modest. While neither inflation nor GDP data would typically point to easing, labor market indicators softened, with the unemployment rate rising to 3.4% and payroll gains of approximately 25,000 jobs—well below expectations. These factors ultimately led the Fed to reduce the target rate by 25 basis points at its September meeting.

In equity markets, U.S. equities rose approximately 2.3% in August, with small-cap stocks outperforming—up more than 7% for the month—consistent with historic patterns during periods of declining interest rates. Non-U.S. equities outperformed U.S. markets overall, with the ACWI ex-U.S. Index up about 3.5%. Markets with constructive trade developments, such as China and Japan, outperformed, while markets facing restrictive tariff treatment, including India, lagged. The continued depreciation of the U.S. dollar also provided a tailwind to international returns when converted back to dollars.

In fixed income, declining Treasury yields across the short and intermediate portions of the curve contributed to strong performance. Spreads between Treasuries and corporate/high-yield bonds remained near historically tight levels. Mr. Malone noted that high-yield securities continue to benefit from low default rates, contributing to outperformance within credit-sensitive sectors.

Year-to-date results reflect broad-based strength across asset classes. As of mid-September, the Russell 3000 Index is up approximately 13.5%; international equities are up roughly 25.5%; and the Bloomberg Aggregate Bond Index is up more than 6%. Mr. Malone commented that the long-running period of U.S. equity dominance has moderated this year, underscoring the importance of diversification for participant portfolios.

Mr. Klajbor asked for an example of investments categorized within the corporate high-yield segment. Mr. Malone responded that these are bonds rated below investment grade (*i.e.*, below BBB), issued by companies with higher perceived default risk. These issuers offer higher yields to compensate investors for taking on additional credit risk, and the segment tends to correlate more closely with equity markets. Discussion ensued

5. Update on SECURE 2.0 [43:47]

Ms. Cleary reported that the IRS has issued final regulations regarding mandatory Roth treatment of age 50+ and catch-up contributions for high-income wage earners earning \$145,000 or more. Beginning January 1, 2026, impacted participants will be required to make all catch-up contributions on a Roth basis.

The Department is working with the Comptroller's Office to identify and flag affected participants based on prior-year FICA wages. Mr. Klajbor asked whether the rule would require

verification of income earned with prior employers for new hires. Ms. Campbell confirmed that the requirement applies only to wages earned with the current employer.

Ms. Cleary stated that a targeted communication will be sent to the impacted population in advance of implementation.

6. Common Council File #250942 (Resolution authorizing amendments to the City of Milwaukee Deferred Compensation Plan Master Agreement to allow for special disaster-related distributions and loans, as permitted by SECURE 2.0) [47:55]

Ms. Cleary reported that the Board has already approved the related Plan amendment and that Alderman Spiker is sponsoring the file before the Common Council. The resolution has been referred to the Finance & Personnel Committee. Ms. Cleary will work with the Chair to determine whether the matter can be scheduled given the upcoming budget hearings. She noted that the resolution is relatively narrow in scope and should not require extensive deliberation.

Additionally, Alderman Spiker expressed interest in ensuring that Plan communications regarding disaster relief also reference other City-provided financial assistance resources to ensure participants are aware of these options before drawing from retirement accounts.

7. Personnel Update [51:00]

Ms. Cleary reported that interviews were recently conducted and finalists have been identified. The Department is currently working with DER to conduct background and reference checks and anticipates extending an offer to a top candidate in the near future.

8. Voya Report(s) and Update [51:51]

a. Activity Report [52:05]

Ms. Campbell reported that in July the local office conducted 44 one-on-one appointments, 40 of which were in person. The primary topics were account reviews and investment information. In August, there were 38 participant engagements, including 30 one-on-one appointments. Ms. Martin continued loan outreach efforts, and there was additional contact with ERS participants.

b. Rollover Report [53:14]

Ms. Campbell reported that in July the Plan processed 18 rollovers totaling just under \$2.9 million. The highest volumes came from Charles Schwab and Edward Jones. One rollover from Voya Institutional Trust was transferred into another Plan. In August, the Plan processed 25 rollovers totaling approximately \$3.5 million from similar institutions, including Schwab, Edward Jones, and Pershing.

c. VRA Report [54:58]

Ms. Campbell stated that approximately 2,400 participants utilized at least one component of Voya's advice platform in August, either through the call center or online tools. There are currently 986 participants enrolled in professional management services, with approximately \$151 million in assets and an average account balance of \$154,000.

d. Loan Outreach Update [55:42]

Ms. Campbell reported that in July there were 51 participants identified for loan outreach. Ms. Martin successfully connected with 24 of those individuals; three planned to make up missed payments and two elected to default. In August, all 14 listed participants were contacted, and five indicated they plan to attempt repayment. There are currently 1,094 outstanding loans totaling \$12.4 million. In response to a request from Mr. Klajbor, Ms. Campbell agreed to begin reporting the number and dollar amount of loans in default going forward.

e. 2025 Annual Election and Enrollment Period Update [57:12]

Ms. Cleary reported that the annual reenrollment campaign will begin shortly. The campaign targets non-collectively bargained full-time employees hired prior to October 1, 2024, who are not contributing the full 3% default rate. A total of 341 participants fall into this category this year. Communications will begin next week through email and mailings, and the election microsite will be available from October 20 through November 14. The local Voya team will assist with education and support. As in prior years, newly enrolled participants who request to opt out after the window closes may still receive a refund of contributions. Mr. Goff will present participation statistics at the November Board meeting. Committee members expressed appreciation to Ms. Campbell for her outstanding partnership and professionalism.

9. Informational

a. Charles Schwab Explanation of Fees and Services

Informational Only.

Please be advised that the Committee may vote to convene in closed session on the following Item 10 on proper motion and action pursuant to Section 19.85(1)(e), Wisconsin Statutes for deliberating or negotiating the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session. 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.

[1:01:37] Motion by Ms. Christianson to convene in closed session. There were no objections, and the motion carried by roll call vote.

2:33 p.m. The Committee entered closed session

10. Discussion Regarding Record Keeping Services

2:43 p.m. Meeting adjourned from closed session.