

CITY OF MILWAUKEE
MINUTES OF THE DEFERRED COMPENSATION BOARD
MEETING OF THURSDAY, AUGUST 21, 2025
1:30 P.M.

MEMBERS/DESIGNEES PRESENT:

Mr. Jerry Allen
Mr. Richard Bare
Ms. Jackie Q Carter
Ms. Molly Christianson, Board Vice Chair
Mr. James Klajbor, Board Chair
Mr. Steven Mahan
Mr. Stuart Mukamal
Ms. Tea Norfolk
Assistant Chief Joshua Parish
Mr. Robin Pederson

EXCUSED/ABSENT:

OTHER PLAN PROVIDERS and STAFF PRESENT:

Ms. Beth Conradson Cleary, Executive Director, Deferred Compensation
Mr. Jeff Deetsch, Invesco
Mr. Travis Gresham, Assistant City Attorney
Mr. Mike Joecken, Callan LLC
Ms. Kimberly Kuehn, Plan Coordinator, Deferred Compensation
Mr. Jack Malone, Callan LLC
Ms. Charmaine Martin, Voya Financial
Mr. Brian Merrick, Voya Financial
Mr. Ronald Peyton, Callan LLC
Mr. Jake Recker, JP Morgan
Ms. Sara Schmidt, Brown & Brown
Ms. Kathy Stevenson, Northern Trust
Ms. Carli Turritin, JP Morgan
Mr. Ryan Young, Brown & Brown

1:30 p.m. A quorum being present, Mr. Klajbor, Chair of the Deferred Compensation Board, called the meeting to order.

1. Roll call and Introductions [00:17]

2. Approval of Meeting Minutes of May 2, 2025 [18:08]

Motion by Mr. Allen to approve the meeting minutes of May 2, 2025 with corrections. No objections

3. Discussion with Callan Executive Chairman, Ronald Peyton [01:04]

Mr. Peyton provided a brief introduction to the team as well as himself. Mr. Peyton provided a detailed history of building Callan from the ground up, highlighting employee and leadership culture and Callan's commitment to the public retirement plan sector. Discussion ensued.

4. EFC Report

a. Recommend Approval of 2024 Financial Statements and Audit [18:56]

Ms. Cleary reported that Baker Tilly was unable to attend the meeting and instead provided a pre-recorded video update. In the presentation, Mr. Frantz stated that Baker Tilly issued an unmodified opinion, commonly referred to as a "clean bill of health," which is the highest level of assurance an external auditor can provide. This indicates that there were no material misstatements in the financial statements, that all required disclosures were included, and that all applicable accounting principles were adopted and applied consistently year over year.

Mr. Frantz reported that the audit was completed as planned, with a draft communicated to the EFC Committee. No changes were made following that meeting. He reviewed Baker Tilly's evaluation of internal controls, noting that although the firm does not issue an opinion on internal controls, it assesses key transaction cycles for the Plan—such as contributions and disbursements—to identify risks and determine whether any recommendations should be provided to management. No such recommendations were identified.

He further noted that Baker Tilly did not encounter any difficulties during the audit process, and he acknowledged the preparation and support provided by Ms. Cleary and Ms. Kuehn. No adjusting journal entries or past adjustments were identified, and there were no significant issues, audit findings, or new audit procedures. In addition, there were no subsequent events requiring disclosure and no new accounting principles adopted during the year.

Motion by Mr. Mahan to approve the 2024 Financial Statements and Audit. No objections.

b. Recommend Approval of 2025-26 Fiduciary Liability Insurance Renewal [25:03]

Mr. Young provided an overview of the fiduciary liability insurance renewal. He explained that fiduciary liability coverage protects the Plan against allegations of breach of fiduciary duty or errors in Plan administration. Consistent with prior years, the Plan maintains an aggregate \$40 million fiduciary liability limit, obtained through a layered structure. Hudson Insurance serves as the primary carrier and has held this position for several years, providing the first \$10 million of coverage. Additional excess carriers sit above the primary layer, following the terms

of the Hudson policy to reach the full \$40 million limit.

Mr. Young noted that, as part of this year's renewal, a full marketing effort was conducted. This included outreach both to the current excess carriers and to six additional carriers to ensure that the Plan continues to receive the most competitive pricing and terms available. Feedback from the market reaffirmed that Hudson remains one of the leading fiduciary liability underwriters nationally and continues to offer the most competitive structure for the Plan.

The marketing process yielded premium reductions. The primary layer with Hudson was reduced by approximately \$2,000, and the excess carriers followed with proportional decreases. As a result, the total premium for the 2025–26 policy year decreased from \$177,090 to \$172,755—a reduction of roughly 2.5%, or \$4,355—while maintaining the same \$40 million limit and with no changes to policy terms or conditions.

In response to a question from Mr. Bare regarding claim responsibility, Mr. Young clarified that each layer responds sequentially. Hudson would pay up to its full \$10 million limit before any excess carrier becomes responsible. For example, in a \$15 million claim, Hudson would pay the first \$10 million, with Great American covering the next \$5 million.

In response to a question from Mr. Mukamal regarding deductibles, Mr. Young stated that non-indemnifiable claims against an insured person carry a \$0 deductible. All other claims include a \$100,000 deductible per claim. He further noted that excessive fee claims—currently the most common type of fiduciary liability claim nationally—carry a \$1 million retention that must be met before insurance coverage applies.

Discussion ensued. Ms. Cleary provided additional detail regarding the City Attorney's opinion.

Motion by Mr. Allen to approve the 2025–26 Fiduciary Liability Insurance Renewal. Seconded by Mr. Mukamal. No objections.

c. Overview of Recent EO and DOL Decision re. Alternative Assets in DC Plans [37:22]

Ms. Cleary reported that this topic was previously discussed at the last EFC meeting and was being brought to the full Board to provide primary source materials connected to the recent Executive Order (EO) addressing the use of alternative assets in defined contribution (DC) plans. She noted that the EO, issued on August 7, is directive in nature and does not yet include detailed implementation guidance. However, industry commentary, webinars, and analyses have already emerged, and the intention was to ensure the Board is aware of these early developments.

Ms. Cleary also highlighted a corresponding U.S. Department of Labor (DOL) news release announcing the rescission of a 2001 statement that had discouraged fiduciaries from considering alternative investments in DC plans. With the EO, that prior guidance has effectively been reversed. Included in the meeting materials were “DC Insights” from Callan, which provide a broad overview of the potential implications. Discussion ensued.

Mr. Joecken added that both the EO and the DOL's rescission should be viewed as directional, with more detailed guidance likely to follow. He noted that the 2001 letter being rescinded was itself a response to an earlier Executive Order from the prior administration, emphasizing the back-and-forth nature of federal policy in this area—and the likelihood of further shifts over the next several years.

He stated that the Plan is already invested in a manner aligned with the core principles reflected in the EO, including a focus on long-term investments that are understandable and defensible even during periods of underperformance. He explained that, as the industry evaluates potential alternative products, due diligence will continue to focus on fully understanding risk across all dimensions. Discussion ensued.

d. Summary of Investment Management and Services Presentations [47:54]

- Dimensional Fund Advisors

Mr. Klajbor provided a brief overview of the Investment Manager presentations and reminded all Board members that they are welcome to attend the EFC meetings.

5. Executive Director Report [41:21]

a. EO and DOL Update: Implications for MDCP [48:23]

Ms. Cleary stated this is to continue the conversation about the EO and DOL update and implications for MDCP. Just to add a little more color to the conversation, some things that she has on her radar screen and she's been bringing up to the NAGDCA Board is thinking about what does this potentially mean for them. Yes, the EO is written specific to ERISA plans at this point and its directive regarding DOL and their guidance which the Plan does follow so knowing they are in a threshold moment and will likely go into that terrain, what that realistically means is as Fiduciaries they have to understand the products well as they are going through that process. In 2023 and 2025 Callan had provided great reports specific to the lifetime income investment strategy, not necessarily wanting to be guinea pigs and early adapters so they asked for more information and received wonderful break down and overview. That is the type of education she is hoping the Board can continue to have as they have new products be invested so that they truly understand the anatomy because at the end of the day if the they don't understand it there's no way they should be recommending it for participants. Discussion ensued.

Ms. Cleary continued the discussion regarding the recent Executive Order and DOL updates, focusing on potential implications for the MDCP. She noted that while the EO is currently directed toward ERISA plans and instructs the DOL to revisit its guidance, the Plan regularly follows DOL frameworks, and these developments will likely affect governmental plans as well.

Ms. Cleary shared considerations she has been raising with the NAGDCA Board, including the need to anticipate how such policy shifts may shape future investment product

offerings. She emphasized that fiduciaries must thoroughly understand any new products under consideration. She referenced the detailed reports Callan provided in 2023 and 2025 on lifetime income strategies, noting the Board's prior due diligence in seeking deeper education before determining whether such products were appropriate.

Ms. Cleary stated that this type of ongoing education—ensuring the Board understands the “anatomy” of any potential new offering—will remain essential. Discussion ensued.

b. Update regarding SECURE 2.0 [52:02]

Ms. Cleary reported that there were no significant updates at this time, noting limited movement from regulatory agencies. She has asked both Callan and Voya to review private-sector clients implementing the emergency savings sleeve to identify any early adopters. Callan identified one such client, and Ms. Cleary will be reaching out to learn more.

c. Personnel Update [53:46]

Ms. Cleary reported that interviews for the position will be occurring soon.

d. Plan Rollovers [53:01]

Ms. Cleary reported that she has been communicating with individuals responsible for higher levels of rollovers out of the Plan. She has obtained some contact information and begun outreach, though connecting with participants has been hit or miss. She will continue these reach out efforts and plans to report findings in the future.

e. Other [55:30]

Ms. Cleary formally welcomed the Board's newest trustee, Ms. Jackie Q. Carter who has taken over for Mr. Harper Donahue's role in DER. The Board expressed its enthusiasm for Ms. Carter's participation.

6. Vendor Reports

a. Callan Associates Inc. Performance Report [56:38]

Mr. Joecken provided a market overview for the second quarter. He reported that the second quarter of 2025 reversed the slight losses experienced in the first quarter. The S&P 500 returned 11%, supported by strong earnings growth, favorable economic indicators, and initial market reactions to “Liberation Day,” followed by subsequent pauses or reductions in policy actions. Growth sectors—including technology, consumer discretionary, and communications—led performance, resulting in growth outperforming value, a shift from the trend seen late last year and in the first quarter.

Large-cap equities were the strongest-performing segment of the U.S. market. Mr. Joecken noted that small caps now represent the smallest share of total market capitalization in nearly 30 years. Small caps posted a solid return of 8.5% for the quarter. He also shared that Callan plans to reexamine the structure of AMEA and AMIA in the coming months,

given changes in market conditions since those portfolios were constructed approximately eight years ago.

Outside the U.S., both emerging and developed markets posted returns of approximately 12%, led by technology strength globally and the continued impact of tariff pauses. In fixed income, the Federal Reserve held rates steady at both meetings during the quarter. Despite rising long-term rates, the Bloomberg Aggregate Bond Index rose 1.2%, supported by declines on the short end of the curve and outperformance from high yield, bank loans, and other spread sectors.

Global fixed income also posted gains, with the Global Aggregate up approximately 4.5%, demonstrating resiliency despite ongoing geopolitical and macroeconomic concerns. Reviewing longer-term trends, Mr. Joecken noted that over the past five years the S&P 500 has returned over 16% annually, while non-U.S. equities and U.S. small caps have returned approximately 10% annually. Fixed income remains negative over the five-year period but has begun to recover.

As of the prior day's close, equity markets were up over 3% so far in the third quarter, bringing year-to-date S&P 500 returns to nearly 10%, while non-U.S. equities were up nearly 22% year-to-date. The Aggregate Bond Index was up approximately 0.5% for the quarter and 4.5% year-to-date. He noted that most major sectors have produced strong returns year-to-date despite continued headline-driven volatility.

At quarter-end, the Plan stood at \$1.2 billion in assets, a slight decline from the prior quarter. The passively managed U.S. equity account remained the largest allocation at nearly 30%, followed by the target date funds and the stable value account at just over 16%. In response to a question from Mr. Klajbor regarding a decline in the Schwab PCRA balance from \$55 million to \$47 million, Mr. Joecken confirmed that the change was due to participant movement out of the PCRA. Ms. Cleary added that this was likely correlated with rollovers. Mr. Bare noted a date error in the materials (March 30 instead of June), and Mr. Joecken confirmed he would correct it.

Mr. Malone reviewed investment performance. He reported strong absolute returns for the quarter, particularly within equity markets. Non-U.S. equities continued their trend of outperformance over the past six months. Fixed income earned positive, though more modest, returns but continued to demonstrate strong long-term relative performance. Both actively managed U.S. equity accounts outperformed their benchmarks for the quarter and over longer periods, producing solid excess returns over the three- and five-year periods.

Mr. Malone explained that within the AMEA, the largest allocation is to a passive S&P 500 fund—reflecting the efficiency of the large-cap market and the difficulty of consistently adding value through active management in that segment. AllianceBernstein Discovery Growth and DFA serve as the active domestic equity managers, targeting smaller-capitalization companies outside the top 500. Growth outperformed value in the quarter, resulting in strong performance from AllianceBernstein. DFA trailed the growth

manager but still delivered a strong 5.41% quarterly return, with competitive performance over longer periods. While AllianceBernstein has lagged the benchmark over longer horizons, Mr. Malone noted this reflects their high-quality bias, which can be challenged during periods of narrow market leadership. Callan remains comfortable with the strategy.

Non-U.S. equity managers delivered the strongest performance for the quarter. WCM, Schroders, and Brandes all posted notably strong results, with Brandes returning 23% for the quarter. Both AMEA and AMIA outperformed their respective benchmarks and ranked competitively relative to peers.

In fixed income, the AMIA portfolio continues to be anchored by Baird, which represents approximately 70% of the allocation. Baird's core fixed income strategy is complemented by Brandywine—which invests both domestically and internationally with a focus on currency and global yield opportunities—and Reams, which has broader flexibility across sectors such as high yield and emerging markets debt. Brandywine had the strongest quarter among the three, benefiting from its underweight and short position to the U.S. dollar as the dollar depreciated relative to other currencies this year. All managers performed within expectations. The passive fixed income sleeves tracked their benchmarks as designed, offering low-cost exposure without active risk.

Discussion ensued.

b. Charles Schwab PCRA Report

c. Invesco Advisers, Inc. (SVA) Performance Report [1:18:20]

Mr. Deetsch provided a brief introduction and market overview. He noted that the industry remains in an unusual environment in which short-term interest rates have exceeded long-term interest rates for an extended period. This dynamic has influenced comparisons between stable value and money market funds, as money market funds represent the other primary capital-preservation option available within defined contribution plans. Historically, stable value has maintained a yield advantage over money markets, but the current inverted yield curve has temporarily narrowed—or reversed—that relationship.

To illustrate the long-term value of stable value, Mr. Deetsch discussed the five-year rolling Constant Maturity Treasury (CMT), emphasizing that while recent short-term conditions may make stable value appear disadvantaged relative to money markets, the long-term investment proposition remains intact. When viewed through a five-year lens, stable value returns continue to align with the strategy's objectives and with the market environment for intermediate-term yields.

Mr. Deetsch also provided a firm update and additional context regarding portfolio management, credit conditions, and wrap contract dynamics. Discussion ensued.

d. JP Morgan SmartRetirement Funds [1:31:14]

Ms. Turrittin provided a brief introduction. Mr. Recker delivered an overview of the glide path for the benefit of the Board. Discussion ensued.

Mr. Recker noted that the quarter—and the year-to-date period—were generally strong environments for diversification. International equities outperformed U.S. equities, and he explained that more than half of that outperformance was attributable to currency effects, as a weaker U.S. dollar boosted returns for international holdings. Although not all of the outperformance was driven by underlying market strength, this illustrates the diversification benefit of maintaining international equity exposure.

He emphasized that another area where diversification has been valuable is high-yield fixed income. While media commentary often claims that “diversification is dead,” such commentary typically focuses exclusively on equities. In reality, high-yield has consistently outperformed core fixed income over the past five years, providing meaningful diversification benefits to the funds.

Mr. Recker highlighted several differences between the SmartRetirement glide path and the S&P Target Date Indices, including modestly higher allocations to U.S. large cap equities, emerging markets equities, and direct real estate. Over the past year, overweight positions in U.S. large cap equities, emerging markets equities, and high-yield fixed income contributed positively to relative performance. In contrast, exposure to direct real estate was a detractor during certain periods; when equity markets generate returns of 10% or more in a single quarter, real estate (being a steadier, less cyclical asset class) will not keep pace in the short term, though it is expected to perform in line with long-term stock-bond blends over time.

He reported continued value added from the funds’ active fixed income managers. Over the past year, manager selection contributed between 12 and 50 basis points to relative performance, with roughly one-third of that contribution from the real estate manager’s strong results and the remaining two-thirds from active fixed income managers, all of whom outperformed their benchmarks during the period. Active allocation added an additional 15 to 29 basis points, driven by the previously discussed overweight positions in real estate and high yield.

Looking ahead, Mr. Recker stated that markets are likely in a mid to late-cycle environment. In that context, maintaining diversified allocations—particularly within areas where valuations may be questioned, such as direct real estate, or where volatility is more likely, such as U.S. equities—remains important. He emphasized that diversification across asset classes and regions will continue to be beneficial as economic conditions evolve.

e. Northern Trust Performance Report

f. Voya Financial Report(s) [2:05:56]

Mr. Merrick provided a brief introduction and reviewed highlights from Voya's technology and capability roadmap, outlining planned enhancements and upcoming features. Mr. Merrick also summarized several additional reports included in the presentation materials. Discussion ensued.

In response to a question from Mr. Mukamal regarding whether the availability of emergency savings accounts under the SECURE legislation had any measurable impact on participant loan activity, Mr. Merrick stated that he had not yet seen relevant statistics but would conduct further research. Ms. Cleary added that, in May, the Board approved a recommendation to the Common Council to amend the Master Agreement to incorporate the emergency disaster distribution provision. She noted that the Common Council is currently in recess, but action will proceed once the Council reconvenes. Discussion ensued.

Please be advised that the Committee may vote to convene in closed session on the following Items 7 and 8 on proper motion and action pursuant to Section 19.85(1)(e), Wisconsin Statute 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 7 & 8). 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.

[2:29:59] Motion by Ms. Christianson to convene in closed session. No objections.

3:31 p.m. Board enters closed session

7. Review and Approval of Northern Trust Fifth Amendment

8. Review and Approval of Callan Third Amendment

4:15 p.m. Board enters open session

Mr. Gresham reported that, during the closed session, the Board approved Agenda Item #7, the Northern Trust Fifth Amendment, and Agenda Item #8, the Callan Third Amendment. Both actions were approved by unanimous consent.

9. Informational

a. MDCP 2Q25 Newsletter

Informational only.

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4:21 p.m. Meeting adjourned from closed session