

**CITY OF MILWAUKEE
MINUTES OF THE DEFERRED COMPENSATION
EXECUTIVE FINANCE COMMITTEE
MEETING OF THURSDAY, JANUARY 19, 2026
1:30 P.M. – VIRTUAL MEETING**

MEMBERS/DESIGNEES PRESENT:

Mr. Richard Bare
Ms. Molly Christianson
Mr. James Klajbor, Chair
Mr. Stuart Mukamal (*joined at 2:07 pm*)
Mr. Robin Pederson

EXCUSED/ABSENT:

None noted

OTHER PLAN PROVIDERS, STAFF AND OBSERVERS PRESENT:

Ms. Beth Conradson Cleary, Executive Director, Deferred Compensation
Mr. Travis Gresham, City Attorney's Office
Mr. Lendall Goff, Voya Financial
Ms. Dawn Conlin, Voya Financial
Mr. Mike Joecken, Callan LLC
Ms. Samantha Lau, AllianceBernstein
Mr. Aaron Montaña, AllianceBernstein
Mr. Patrick McClain, MDCP Board Member
Assistant Chief Joshua Parish, MDCP Board Member
Mr. Andreas Sobotta, AllianceBernstein
Ms. Deborah Whitfield, Deferred Compensation
Ray Brock, MPSO
Christopher Martin, MPSO
Naomi Quon, MDCP MULS Intern

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

1. Roll call and Introductions [00:40]
2. Approval of Meeting Minutes of December 18, 2025 [03:48]

Motion by Mr. Mukamal to approve the meeting minutes of December 18, 2025 as submitted. No objections.

3. Investment Manager Presentation by AllianceBernstein [04:12]

Mr. Joecken reported that AllianceBernstein (AB) fulfills the role of SMID cap growth manager within the Actively Managed Equity Account. The firm manages 6% of that portfolio, which was about 14 million dollars at the end of September

Mr. Montaña provided a brief introduction and update on the firm. He reported that the firm had approximately \$860 billion in assets under management as of December 31, 2025. Mr. Montaña stated that the firm has nearly 20 years of experience building custom target date solutions for asset owners and has offered a guaranteed income solution for approximately 14 years. He then introduced Samantha Lau, Chief Investment Officer.

Ms. Lau thanked the Committee for its continued support and provided an overview of the mid-cap growth strategy. She described the strategy as a disciplined, bottom-up growth strategy managed against the Russell 2500 Growth Index. She noted that the strategy is supported by a stable and experienced team and has delivered strong long-term outperformance, despite a difficult environment for active small- and mid-cap managers in recent years.

Ms. Lau explained that the investment process uses both fundamental and qualitative analysis to identify portfolio candidates and applies a structured scoring system to select final holdings. She stated that the portfolio currently holds approximately 90 stocks.

Ms. Lau reviewed portfolio performance during 2025 and noted that the year was marked by significant macroeconomic volatility. She stated that, although the broader market appeared strong, leadership was concentrated in very large-cap and micro-cap stocks. She noted that utilities and industrials were among the strongest-performing sectors, while certain traditional growth sectors underperformed. Ms. Lau stated that the strategy entered 2025 following a strong 2024 but encountered headwinds related to trade-war uncertainty and other macroeconomic factors, particularly from late 2024 through early April 2025, before beginning to recover.

Ms. Lau reported that portfolio performance was generally in line with the benchmark through the first half of 2025, but a challenging third quarter negatively impacted full-year results. She explained that the third quarter was characterized by a strong rally in lower-quality and more speculative

securities, including areas such as uranium, quantum computing, and bitcoin-related investments, in which the portfolio had no exposure. Because the strategy focuses on higher-quality growth companies, the portfolio did not benefit from those market dynamics. She noted that performance improved in the fourth quarter, but the recovery was not sufficient to fully offset third quarter results before year-end.

Ms. Lau stated that, notwithstanding the difficult market environment, portfolio companies continued to demonstrate strong fundamental execution. She reported that a greater percentage of portfolio companies exceeded earnings expectations and provided favorable forward-looking guidance relative to the benchmark. She noted, however, that market performance during much of the year was driven more by macroeconomic and geopolitical developments than by company fundamentals.

Looking more broadly, Ms. Lau stated that the last several years have presented an unusually difficult backdrop for small- and mid-cap growth managers due to post-COVID market dislocations, elevated inflation, and higher interest rates. She noted that the portfolio recovered approximately 300 basis points, net of fees, in the fourth quarter, but remains in a recovery phase following the third quarter. Ms. Lau stated that she believes small- and mid-cap stocks may be reaching a turning point relative to large-cap stocks and expressed optimism that a broader market environment would be more supportive of the strategy going forward.

Ms. Lau concluded by stating that the portfolio remains well diversified and populated by high-quality companies with differentiated products, pricing power, and strong earnings potential. She noted that the portfolio continues to demonstrate stronger earnings growth and earnings revisions than the benchmark and stated that the firm believes the strategy is well positioned for the year ahead.

Discussion ensued. Ms. Lau detailed the sector weights. Mr. Sobotta provided a detailed overview of the AB's cybersecurity program.

4. Economic and Markets Review/Update from Callan LLC [35:15]

Mr. Joecken provided a brief market and economic update. He noted that the active small- and SMID-cap growth space has remained challenging, with the relevant benchmark outperforming a substantial majority of active managers over the trailing year. He stated that, while clients often ask what alternatives may be available, many active managers in that segment have faced similar headwinds.

Mr. Joecken then reviewed December market performance. He stated that equity and fixed income markets produced mixed results during the month. Domestic equities, as measured by the Russell 3000 Index, were essentially flat in December, while non-U.S. equities posted positive returns. He reported that the MSCI ACWI ex USA Index increased 3.00% during the month and that the Bloomberg Aggregate Bond Index declined 0.15%.

Mr. Joecken reported that full-year 2025 market returns remained strong. He stated that the Russell 3000 Index returned 17.15% for the year, while non-U.S. equities outperformed domestic equities, with the MSCI ACWI ex USA Index returning 32.39% and the MSCI Emerging Markets Index returning 33.57%. He further noted that fixed income also delivered positive full-year results, with the Bloomberg Aggregate Bond Index returning 7.30%. Mr. Joecken commented that both equity and fixed income returns exceeded longer-term expectations and noted that such results should not necessarily be expected to continue over the long term.

Mr. Joecken also summarized recent economic developments. He stated that the Federal Reserve reduced the federal funds target range by 25 basis points at its December meeting to 3.50% to 3.75% and that market expectations for additional easing in 2026 and 2027 had moderated to approximately one rate cut in each year. He further noted that real U.S. GDP increased at an annualized rate of 4.3% in the third quarter of 2025, headline CPI was 2.7% year-over-year in December, and the U.S. economy added 50,000 jobs in December. He reported that the unemployment rate declined slightly to 4.4% in December and noted that consumer sentiment had weakened.

Referring to the annual periodic table included in the Board materials, Mr. Joecken noted that non-U.S. equity markets led performance in 2025, with emerging markets among the strongest-performing asset classes for the year. He also observed that emerging markets have historically exhibited meaningful volatility, which is one reason the Plan does not offer emerging markets as a standalone investment option, but instead provides exposure through a diversified manager-of-managers structure.

Finally, Mr. Joecken provided a brief year-to-date update through the prior day. He noted that, despite recent geopolitical headlines, markets had started the year positively, particularly in small-cap equities. He reported that small-cap stocks were up approximately 9% year-to-date, compared to less than 1% for large-cap stocks, while non-U.S. equities were up approximately 3% and the bond market was relatively flat.

5. Update on SECURE 2.0 [47:42]

Ms. Cleary provided an update on SECURE 2.0 and reported that there were no significant legislative developments at this time. She noted that the industry continues to advocate for a technical correction related to the emergency savings provision and stated that she intends to raise the issue further during upcoming NAGDCA congressional lobbying meetings in May.

Ms. Cleary further reported that, working with the Comptroller's Office, the Plan has implemented the SECURE 2.0 changes related to mandatory Roth catch-up contributions for higher-income participants. She explained that, effective January 1, 2026, participants who had 2025 FICA wages of \$150,000 or more and who make age 50+ catch-up contributions are required to make those catch-up contributions on a Roth basis. Ms. Cleary noted that, because the threshold is based on FICA wages, the City's fire and police populations are not subject to this change. As a result, she stated that the population impacted by the new requirement is smaller than initially anticipated. Ms. Cleary thanked Voya and the Comptroller's Office for their work in implementing the change.

6. Voya Reports [52:09]

a. Loan Statistics / Loan Outreach Update

Mr. Goff presented updated loan statistics and outreach reporting. He reported that, as of December, the Plan had 1,125 outstanding loans totaling approximately \$12.3 million. He noted that there were no loan defaults during the fourth quarter due to delinquency or compliance issues, and that 20 missed payments were identified in December.

Mr. Klajbor asked whether Voya could also provide the number and dollar amount of loans actually in default. Mr. Goff responded that such data could be compiled for future reporting.

Mr. Goff also presented additional delinquency reporting intended to provide a broader view of participants falling behind on loan repayments. He noted that summer months appeared to be more challenging in 2025 and suggested that further review may help identify potential educational opportunities.

Ms. Conlin reviewed the December loan outreach efforts. She reported that 20 participants were identified for outreach regarding missed payments. Of those, 9 were reached, 8 voicemails were left, and 3 phone numbers were invalid. Ms. Conlin stated that 6 of the participants reached indicated they planned to make up their missed payments.

Mr. Mukamal observed that the total outstanding loan balance appeared to represent approximately 1% of total Plan assets and asked whether that level was typical among peer plans.

Mr. Goff stated that he did not have benchmarking data immediately available, but believed the Plan's loan activity was likely somewhat lower than average. Ms. Cleary noted that additional benchmarking may be available through industry databases or Voya's broader client data. Mr. Goff agreed to research the issue further. Mr. Goff also noted that the outreach provided on this Plan exceeds that of any other client in his book of business.

b. Voya Retirement Advisory ("VRA") Report

Mr. Goff presented updated reporting on participant usage of Voya Retirement Advisory services. He reported that utilization remained generally stable throughout the year, with approximately 23.5% to 24% of eligible participants using some form of Voya Retirement Advisory service. He noted that this reflects strong participant engagement.

Mr. Klajbor asked how the Plan compares with other clients in terms of VRA utilization. Mr. Goff responded that the Plan appears to be slightly above average relative to his broader book of business. Mr. Goff added that online advice usage remained high, advisory call activity was generally steady, and professional management participation remained consistent throughout the year.

c. Rollover Report

Mr. Goff presented an expanded rollover-out report. He noted that Charles Schwab received the largest amount of rollover assets in December 2025, both by count and dollar amount. He also introduced new reporting showing that the largest volume of rollover activity came from participants who had separated from service within the last five years.

Mr. Klajbor asked whether recent rollover activity primarily reflected participants moving assets to new employer plans or retirees managing assets independently. Mr. Goff responded that, based on the institutions receiving the assets, many appeared to be moving funds to individual advisors or retail products.

Ms. Cleary stated that additional analysis could be performed to better distinguish between retirees and other separated participants. Mr. Goff agreed and noted that the data could be further analyzed. He also observed that the report highlighted possible participant education opportunities, particularly for newly separated participants who may not fully understand the advantages of remaining in the Plan.

Ms. Conlin stated that participants often assume they must move their assets out of the Plan at retirement, and she noted that the local team regularly explains that participants may remain in the Plan and that moving assets to an IRA can trigger different withdrawal rules and potential penalties. Ms. Cleary shared a recent example involving a retiree and financial advisor who had overlooked those consequences.

Ms. King asked about additional analysis to better understand why participants move assets out

of the Plan. Ms. Cleary responded that anecdotal reasons continue to include consolidating assets with a spouse, working with a trusted financial advisor, and seeking investment options outside the Plan's menu.

Mr. Klajbor asked whether the Employees' Retirement System ("ERS") could collaborate with Voya to help ensure that participants receiving pension counseling are also made aware of the advantages of retaining assets in the deferred compensation plan. Mr. McClain stated that he would review current ERS practices with staff and explore whether additional coordination could be incorporated. Ms. Cleary noted that Deferred Compensation is already included as part of retirement workshops alongside pension and Social Security information, but stated that additional resource materials could be provided to ERS staff for use in counseling sessions. Mr. McClain agreed to continue that discussion offline.

Mr. Goff also reported that 6,913 separated participants held approximately \$740 million in Plan assets and that approximately 99% of those assets remained in the Plan. He noted that, in December, there were 931 total distributions totaling just over \$10 million, of which 20 rollovers totaling approximately \$3.7 million represented 37% of those distributions. He further reported that only one of those December rollovers involved a beneficiary or qualified domestic relations order recipient rather than a participant making an affirmative rollover decision.

d. Activity Report

Ms. Conlin presented the field team outreach and activity report for December. She reported that the team conducted 67 scheduled consultations during the month, including virtual, telephone, Zoom, and in-person meetings. She also reported 22 outreach calls, many of which developed into longer participant conversations or follow-up appointments.

Ms. Conlin noted that December activity included participation in health appraisals, attendance at the Milwaukee Police Association Christmas party, and continued outreach at City worksites in coordination with Nurse Mary. She stated that this partnership has been especially valuable because it allows the team to meet employees at worksites who may not otherwise be able to meet downtown or at the local office.

Ms. Conlin reported that the most common participant discussion topics included account reviews, investment information, deferral changes, and assistance with online registration and login access, particularly for new hires.

Mr. Klajbor thanked Voya for the presentation and discussion.

7. Informational [1:34:37]

a. Charles Schwab – Explanation of Fees and Services

b. 2026 P&I Eddy Awards

Ms. Cleary then announced that the Plan had received recognition through the Eddy Awards and

would learn at the March conference whether it had placed first or second in its category. She thanked Voya for assisting with the application.

3:06 p.m. Meeting adjourned.