CITY OF MILWAUKEE
MINUTES OF THE DEFERRED COMPENSATION
EXECUTIVE FINANCE COMMITTEE
MEETING OF THURSDAY, JUNE 25, 2026
1:30 P.M. – VIRTUAL MEETING

MEMBERS/DESIGNEES PRESENT:
Ms. Molly Christianson (*departed at 2:29 p.m.*)
Mr. James Klajbor
Mr. Stuart Mukamal
Mr. Robin Pederson

EXCUSED/ABSENT:
Mr. Richard Bare

OTHER PLAN PROVIDERS and STAFF PRESENT:
Mr. John Barmore, Plan participant
Ms. Kathy Brengoz, Board Member
Ms. Dawn Conlin, Voya Financial
Ms. Beth Conradson Cleary, Executive Director, Deferred Compensation
Mr. Jeff Deetsch, Invesco
Mr. Len Goff, Voya Financial
Mr. Travis Gresham, City Attorney
Mr. Mike Joecken, Callan LLC
Ms. Kimberly Kuehn, Plan Coordinator, Deferred Compensation
Mr. Jack Malone, Callan LLC
Ms. Jamie McAllister, Callan LLC
Mr. Greg Ungerman, Callan LLC
Ms. Deborah Whitfield, Plan Services Assistant, Deferred Compensation

1:32 p.m. A quorum being present, Mr. Klajbor, Chairman, called the meeting to order.

1. Roll call and Introductions

2. Approval of Meeting Minutes of April 23, 2026

Motion by Mr. Mukamal to approve the meeting minutes of April 23, 2026. No objections.

3. Approval of Meeting Minutes of May 8, 2026

Motion by Mr. Mukamal to approve the meeting minutes of May 8, 2026. No objections.

4. Investment Manager Presentation by Invesco

Mr. Deetsch provided an update on Invesco's stable value program, highlighting the firm's scale as the largest stable value provider and the advantages it provides through strong partnerships with wrap providers and subadvisors. He reviewed current market conditions, noting that the Federal Reserve continues to signal a tighter monetary policy stance and that market expectations have shifted from anticipated interest rate cuts to the potential for additional rate increases. He explained that these developments directly influence stable value performance because crediting rates adjust more gradually than money market yields.

Mr. Deetsch reviewed the Plan's market-to-book ratio, explaining that participant balances are maintained at book value while the underlying portfolio is valued at market. He reported that the current market-to-book ratio remains below 100 as a result of the recent rapid interest rate increases. Consequently, current crediting rates are set below the portfolio's yield to maturity to allow the market-to-book ratio to gradually return to 100 over time. He further explained that wrap providers guarantee participant-directed transactions at book value, while certain plan-level transactions may require an amortization period when the market-to-book ratio is below par.

Mr. Deetsch reviewed historical cash flow trends and noted that net outflows primarily reflect retiree distributions and participant fund transfers. He explained that, because stable value funds generally have a higher concentration of retired participants, distributions often exceed contributions. He also noted that stable value investments are generally not available outside qualified retirement plans, making in-plan asset retention an important participant benefit.

Mr. Deetsch reviewed historical crediting rates, portfolio yields, and market-to-book ratios, noting that stable value has underperformed money market funds during the past three years due to the prolonged inverted yield curve and rapid Federal Reserve rate increases. He reported that crediting rates have begun to increase as portfolio yields have risen and explained how portfolio yield, market-to-book ratios, and cash flows collectively influence quarterly crediting rate adjustments.

Mr. Deetsch also reviewed the underlying bond portfolio, describing it as a high-quality, diversified portfolio with significant allocations to asset-backed securities, corporate bonds, and agency mortgage-backed securities. He explained that Invesco utilizes multiple subadvisors to enhance diversification and investment expertise and that all subadvisory fees are passed through directly to the Plan. He reported that the portfolio yield increased by 43 basis points during the

quarter, supporting higher crediting rates, while a modest decline in the market-to-book ratio partially offset that improvement.

In response to questions, Mr. Deetsch reported that derivatives are used only on a limited basis, primarily through Treasury futures for duration management and, in certain portfolios, interest rate swaps. He confirmed that credit default swaps are not utilized within the portfolio. Mr. Joecken reported that Callan continues to maintain a favorable opinion of Invesco's stable value capabilities and investment approach.

Ms. Cleary asked Mr. Deetsch, in his capacity as Chair of the Stable Value Investment Association, to comment on current industry trends. Mr. Deetsch reported that recent litigation involving stable value products has primarily focused on insurance company general account products and noted that recent legal outcomes have generally been favorable for stable value providers. He also discussed ongoing industry outflows resulting from retiree distributions and participant reallocations to equities during periods of strong market performance, while noting that the stable value market remains healthy and continues to provide a valuable long-term investment option for retirement plan participants.

Discussion ensued.

5. Economic and Markets Review/Update from Callan LLC

Mr. Malone reported that equity markets rebounded significantly during the second quarter following first-quarter declines driven by geopolitical uncertainty. He noted that U.S. equity markets recovered much of their earlier losses as investor sentiment improved and concerns surrounding the Iran conflict eased. Year-to-date, U.S. equity markets have generated strong positive returns, with international and emerging markets also posting solid performance, led in part by continued strength in technology and artificial intelligence-related sectors.

Mr. Malone reported that inflation remains a primary macroeconomic concern. He reviewed recent inflation data, noting that elevated energy prices have continued to contribute to inflationary pressures. He further reported that the Federal Reserve left interest rates unchanged while market expectations have shifted from anticipating rate cuts to the possibility of additional rate increases if inflation remains persistent.

Turning to fixed income markets, Mr. Malone reported that year-to-date returns have been modest. He noted that credit spreads remain relatively tight, limiting excess return opportunities over U.S. Treasury securities, while portions of the Treasury yield curve have begun to normalize.

Ms. Cleary asked whether Mr. Malone believed current market enthusiasm reflected an artificial intelligence bubble and what broader market risks were of greatest concern.

Mr. Malone responded that artificial intelligence has significant long-term potential but noted that many companies are making substantial infrastructure investments that will require meaningful future revenue growth to justify current valuations. He compared the current environment to the early stages of the dot-com era, observing that while some companies may ultimately prove highly successful, others may not.

Mr. Malone also discussed the growing concentration within major equity indices, noting that a relatively small number of companies have generated a disproportionate share of recent market returns. He observed that a correction among those companies could have a significant impact on passive investment strategies, while active managers may be better positioned to manage concentrated market exposure.

Mr. Ungerman added that inflation remains a significant concern, particularly for retirees, and observed that markets continue to adjust efficiently to changing economic conditions. He noted that balancing economic growth with inflation control will remain an important challenge for the Federal Reserve.

Discussion ensued.

6. Investment Structure Evaluation

Mr. Malone introduced the investment structure evaluation, explaining that Callan periodically reviews the Plan's investment lineup to determine whether it continues to provide participants with an appropriate mix of investment options and whether any additions or eliminations should be considered. He noted that the review evaluates the overall design of the investment menu rather than the performance of individual investment managers.

Mr. Klajbor invited questions, and Mr. Mukamal asked for clarification regarding the purpose of the review. Mr. Malone confirmed that the evaluation focuses on the overall structure of the investment menu, while manager performance is reviewed separately.

Mr. Ungerman reviewed the findings of the evaluation and reported that the Plan's investment structure remains sound, with no changes recommended. He stated that the Plan continues to provide an appropriate balance between participant choice and simplicity and described the City's investment lineup as one of the strongest structures Callan oversees. He explained that the menu is intentionally designed to help participants make sound investment decisions while avoiding unnecessary complexity or behavioral biases that can result from an excessive number of investment options.

Mr. Ungerman reviewed Callan's three-tier investment framework, consisting of target date funds, core investment options, and specialty investments through the brokerage window. He reported that participant assets remain well diversified across the investment menu, with an appropriate balance between equities and fixed income and a mix of active and passive

management styles. He also noted that the City's white-label fund structure provides broad diversification while maintaining a streamlined investment menu for participants.

Mr. Ungerman compared the Plan's investment structure with peer defined contribution plans, noting that although many plans offer substantially more investment options, the City's streamlined lineup continues to provide appropriate diversification while simplifying participant decision-making. He also reviewed participant demographics and investment behavior, observing that inactive participants hold a majority of plan assets due to the Plan's maturity and that participant investment patterns are generally consistent with age and retirement status. Younger participants primarily utilize target date funds, while older participants more frequently construct their own portfolios using the core investment options.

Mr. Ungerman concluded by commending the City's investment structure, noting that participants are utilizing the investment options as intended and reiterating that no changes to the investment lineup are recommended.

7. Target Date Suitability Primer

Mr. Malone introduced the target date fund suitability review, explaining that it builds upon the investment structure evaluation by assessing whether the Plan's target date fund manager and glide path remain appropriate for the participant population. He noted that the current presentation served as an overview of the JP Morgan Target Date Blend Series and that a comprehensive suitability analysis, including updated participant demographic modeling, would be presented at the next meeting.

Mr. Malone reviewed the design of the JP Morgan Blend Series, explaining that it utilizes primarily passive investments while maintaining active management in fixed income and private real estate. He discussed the series' glide path, noting its diversified approach to balancing growth, inflation protection, downside protection, and longevity risk. He explained that the suitability analysis considers both investment design and participant demographics, including contribution rates, retirement patterns, defined benefit coverage, and other characteristics specific to the City's workforce. He further noted that the evaluation focuses primarily on glide path design rather than historical performance, as long-term results are largely driven by asset allocation decisions.

Mr. Malone reviewed comparisons between the JP Morgan glide path and industry peers, noting that the strategy incorporates several specialized asset classes, including private real estate, and employs a more diversified approach than many traditional target date funds. He explained that this design may lag more equity-oriented peers during prolonged bull markets but is intended to provide improved downside protection and inflation sensitivity during periods of market stress. He also reviewed recent performance, observing that the series has generally compared favorably with peer groups on a net-of-fee basis, particularly over longer measurement periods.

Mr. Klajbor invited questions.

Ms. Cleary asked about the custom target date implementations used by several of Callan's public plan clients. Mr. Malone explained that while custom target date solutions were more common in prior years, improvements in off-the-shelf offerings have reduced their prevalence. He noted that custom implementations allow plan sponsors to tailor glide paths to participant characteristics and may incorporate asset classes or plan features unique to a particular workforce. He also confirmed that the City is currently the only Callan public plan client utilizing the JP Morgan Blend Series with private real estate.

Ms. Cleary stated that she had requested the peer performance comparisons to better understand how the City's target date series compares with other offerings and thanked Callan for providing the analysis. Mr. Malone responded that although no direct peer group exists for the Blend Series, JP Morgan continues to compare favorably with both the broader target date universe and passive peer groups on a net-of-fee basis. He concluded by noting that the comprehensive suitability review would be presented in the near future.

8. Review of Distribution Timeline and Process

Ms. Cleary and Mr. Goff presented an overview of the Plan's installment distribution process for participants receiving payments by ACH direct deposit. Ms. Cleary explained that the purpose of the presentation was to provide the Committee with a detailed understanding of the distribution process, including the sequence of events, the parties responsible for each step, and the location of participant funds throughout the process. She noted that participants may elect monthly or annual installment payments and that monthly installments may be scheduled for either the 1st or the 15th of the month.

Ms. Cleary explained that on the distribution date, Voya processes the participant's distribution request while the participant's assets remain invested until market close. Following liquidation, Northern Trust, as trustee, transfers the proceeds to State Street Bank, which serves as Voya's payment funding bank. On the following business day, the funds are credited to Voya's payment funding account, taxes and reporting are processed, and the ACH file is transmitted through the banking system. She explained that although Voya releases the ACH file on the next business day, the timing of the participant's deposit ultimately depends upon the receiving financial institution's ACH processing schedule, which may vary based on weekends, holidays, and each institution's internal procedures.

Ms. Cleary further noted that staff counsel participants regarding the timing of installment payments, explaining that participants selecting the 1st of the month generally experience more predictable deposits during the first half of the month, while participants selecting the 15th generally receive funds toward the end of the month.

Mr. Goff explained that the payment funding account functions solely as a temporary clearing account. Because funds are credited and disbursed on the same business day, neither State Street nor Voya earns interest on participant assets while they are being processed.

Mr. Mukamal asked several questions regarding the payment process, including the roles of Northern Trust and State Street Bank, whether additional intermediaries may be involved in ACH processing, and the causes of delayed participant deposits. Mr. Goff clarified that Northern Trust serves as trustee and transfers proceeds to State Street for payment processing. He further explained that while Voya consistently releases ACH payments on the business day following the distribution date, the City and Voya have no control over the timing of deposits once the ACH file enters the banking system. He noted that participants whose financial institutions utilize correspondent banks, including certain credit unions, may experience additional delays before funds are credited to their accounts.

Mr. Mukamal stated that he had personally experienced delayed deposits and appreciated the explanation provided.

9. Update on SECURE 2.0

Ms. Cleary provided an update on the implementation of SECURE 2.0. She reported that the most significant operational change currently underway is the mandatory Roth treatment of catch-up contributions for certain participants age 50 and older whose prior-year FICA wages exceed the statutory threshold. She noted that staff have been working closely with the Comptroller's Office to implement the necessary payroll system enhancements required to administer the new rules. Until the required IT patch is in place, staff will continue to monitor affected participants and coordinate with Voya, which has identified participants subject to the new requirement.

Ms. Cleary reported that no additional federal retirement legislation has advanced since the enactment of SECURE 2.0, although policymakers have discussed the possibility of future retirement legislation informally referred to as "SECURE 3.0." She noted that NAGDCA and its Legislative Committee continue to monitor legislative developments and will keep the Committee informed of any significant changes.

10. Voya Report(s) and Update

a. VRA Usage

Mr. Goff presented an update on utilization of Voya Retirement Advisors (VRA). He reviewed year-to-date advisory service usage, including participation in Online Advice, Advisory Calls, and Professional Management. Mr. Goff reported that overall utilization has remained stable throughout the year, with approximately 28% of eligible participants utilizing VRA services.

b. Rollover Report

Mr. Goff reviewed rollover activity for May 2026. During the month, the Plan processed 27 rollover distributions totaling approximately $4.0 million. He also reviewed rollover retention statistics, noting that the Plan continues to retain approximately 99% of terminated participant assets, with approximately one-half of distributed assets being rolled into another retirement plan rather than taken as cash distributions. Mr. Goff also reviewed rollover activity by receiving institution and participant tenure.

c. Loan Outreach

Mr. Goff reviewed loan delinquency and outreach activity for May 2026. The report reflected 1,131 outstanding participant loans with an aggregate balance of approximately $12.3 million. He also reviewed delinquency statistics, including missed payments, loan defaults, and outreach efforts to participants with delinquent loans. Mr. Goff reported that outreach included direct participant contact, voicemail messages, and follow-up communications encouraging participants to cure missed loan payments before default. The Committee also reviewed rolling twelve-month trends in loan delinquencies and missed payments.

d. Field Team Activity Report

Mr. Goff reviewed the field team activity report for May 2026. He reported that the field team scheduled 46 individual consultations, of which 43 were completed. Consultations were conducted primarily in person, with additional meetings held by telephone and virtually. Mr. Goff also reported that the field team made 13 outreach calls, which resulted in 13 participant appointments. He reviewed the primary discussion topics addressed during participant meetings, including account reviews, withdrawals, investment information, loans, beneficiary designations, and deferral changes.

Ms. Cleary noted that the field team's outreach activity is expected to increase as a result of the Plan's enhanced new employee outreach initiative. She explained that new employees now receive a welcome letter encouraging them to register their accounts, designate beneficiaries, and consider consolidating retirement assets into the Plan. The outreach is coordinated with the local Voya field team, which follows up directly (via a phone call) with participants after the letters are distributed.

Ms. Conlin also provided an update on Voya's participant education platform. Effective July 1, recorded educational presentations will transition to a new platform that incorporates quiz questions throughout each presentation, rather than only at the conclusion. She noted that the new format is intended to improve participant engagement with the educational materials.

Please be advised that the Committee may vote to convene in closed session on the following Item 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. 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.

Motion by Mr. Mukamal to convene in closed session for Item 11. Seconded by Mr. Pederson. Roll call taken. No objections.

3:37 p.m. Committee enters closed session. No objections to not record the session.

11. RFI Recordkeeping Update

(Item 12 was taken out of order at 3:03 pm.)

12. Informational

a. Charles Schwab – Explanation of Fees and Expenses

b. NAGDCA Art Caple Award Submission

Ms. Cleary provided an overview of the Plan's submission for the 2026 NAGDCA Art Caple President's Award. She explained that the nomination highlights the measurable impact of the Plan's financial wellness initiatives since their integration into the City's Healthy Rewards program in 2018. The submission includes benchmarked participant engagement over multiple years and demonstrates that employees who participate in financial wellness activities consistently achieve higher participation rates, higher savings rates, and improved retirement readiness than employees who do not participate. She also highlighted measurable improvements in participation among historically underrepresented employee groups and noted that the benchmarking analysis provides compelling evidence of the effectiveness of the Plan's financial wellness strategy.

Ms. Cleary encouraged Committee members to review the nomination materials, noting that they provide a comprehensive summary of the Plan's accomplishments and the measurable outcomes achieved through its financial wellness program.

Mr. Klajbor commented that the information presented in the nomination would also be valuable to include as part of the Plan's upcoming budget presentation. Ms. Cleary agreed.

4:32 p.m. Committee adjourned the meeting in closed session.