CITY OF MILWAUKEE
MINUTES OF THE DEFERRED COMPENSATION
EXECUTIVE FINANCE COMMITTEE
MEETING OF THURSDAY, JULY 23, 2026
1:30 P.M. – VIRTUAL MEETING

MEMBERS/DESIGNEES PRESENT:

Ms. Molly King
Mr. James Klajbor
Mr. Stuart Mukamal
Mr. Robin Pederson
Mr. Richard Bare

EXCUSED/ABSENT:

None

OTHER PLAN PROVIDERS and STAFF PRESENT:

Mr. Brian Barrett, Brandes Investment Partners
Ms. Kathy Brengoz, Board Member
Ms. Dawn Conlin, Voya Financial
Ms. Beth Conradson Cleary, Executive Director, Deferred Compensation
Mr. Paul Frantz, Baker Tilly
Mr. Len Goff, Voya Financial
Mr. Travis Gresham, City Attorney
Mr. Mike Joecken, Callan LLC
Mr. Jack Malone, Callan LLC
Ms. Jamie McAllister, Callan LLC
Ms. Darlene Middleman, Baker Tilly
Assistant Chief Joshua Parish, Board Member
Mr. Tyler Schatzka, Baker Tilly
Mr. Lawrence Taylor, Brandes Investment Partners
Ms. Deborah Whitfield, Plan Services Assistant, Deferred Compensation

1:34 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 June 25, 2026

Motion by Mr. Mukamal to approve the meeting minutes of June 25, 2026. No objections.

3. Approval of 2025 Financial Statements and Audit Update

Mr. Frantz and Ms. Middleman of Baker Tilly presented the results of the 2025 financial statement audit. Mr. Frantz reported that the audit plan had been completed successfully, no unexpected risks requiring additional audit procedures were identified, and Baker Tilly would issue an unmodified opinion upon acceptance of the report. The auditors also reported no areas of concern regarding the significant transaction cycles reviewed.

Ms. Middleman reviewed the draft financial statements and highlighted that Plan investments increased approximately 11% year over year, participant loan balances were relatively flat, and accrued expenses increased due to the timing of invoice receipt and payment. Net appreciation in the fair value of investments increased approximately 20%, participant contributions increased approximately 7%, and the number of employees contributing to the Plan increased from 6,351 to 6,454. Benefits paid increased from approximately $77 million to $97 million, with 2,402 participants receiving distributions compared with 2,145 in the prior year.

Committee members discussed the presentation of rollover distributions. Mr. Klajbor requested that rollovers out of the Plan be more clearly identified rather than included within benefits paid. Mr. Bare and Baker Tilly discussed the possibility of providing additional disclosure in the Management's Discussion and Analysis (MD&A), including potentially presenting a separate breakout or footnote, subject to ensuring that the amounts are obtainable and auditable. Ms. Cleary agreed to work with Baker Tilly to explore options.

Baker Tilly reported that the 2026 audit will be subject to GASB 103, which will add requirements to the MD&A. The auditors noted that the changes will include additional management questionnaire and disclosure considerations.

Baker Tilly further reported that there were no new financial statement footnotes or changes to existing footnotes and no deficiencies, material weaknesses, or significant deficiencies to report to the Committee.

Motion by Mr. Mukamal to recommend approval of the 2025 financial statements and audit to the full Board at its August meeting. Seconded by Mr. Bare. No objections. The Committee will recommend approval to the full Board.

4. Investment Manager Presentation by Brandes Investment Partners

Mr. Taylor and Mr. Barrett of Brandes Investment Partners provided an update on the firm's International Small Cap Equity strategy. Brandes described its bottom-up fundamental research-driven investment process and noted that the firm had approximately $48.5 billion in assets as of June 30, 2026.

Mr. Taylor discussed portfolio positioning and recent performance. The representatives explained that the strategy is benchmark agnostic and may differ materially from its benchmark. He noted that the portfolio had found value in the United Kingdom but had not found sufficient value in Australia. He also discussed the strategy's limited exposure to semiconductor and metals and mining companies, explaining that current valuations and business characteristics did not provide the margin of safety required by the firm's investment process.

Mr. Taylor attributed a significant portion of recent relative underperformance to technology-related holdings and the portfolio's lack of exposure to certain semiconductor businesses that had experienced substantial appreciation. He discussed the distinction between businesses benefiting from potentially durable AI-related demand and companies whose valuations may already reflect very optimistic expectations.

Brandes reported that the Plan account was approximately $12 million and that long-term performance since inception had been nearly 12% net of fees. Callan reported that Brandes represents approximately 5% of the Plan's actively managed equity account and stated that Callan continues to have a favorable opinion of the manager and its investment approach.

Discussion ensued.

5. Economic and Markets Review/Update from Callan LLC

Mr. Malone and Mr. Joecken reviewed the economic and market environment. Callan reported that first-quarter U.S. GDP growth was 2.1% and that economic conditions remained broadly resilient, although labor-market conditions and persistent inflation remained areas of concern. Callan discussed the decline in labor-force participation and the impact of energy prices on inflation and economic growth.

Callan reviewed second-quarter market performance, noting that U.S. equity markets rebounded strongly during the quarter, with the S&P 500 increasing more than 15%. Technology and artificial-intelligence-related companies were significant contributors to the quarter's performance. International developed and emerging markets also posted positive returns, with emerging markets benefiting in part from semiconductor- and AI-related companies. Fixed-income markets also generated positive returns despite higher Treasury yields.

Callan noted that market leadership had begun to shift in July, with some large technology companies that had led the second quarter experiencing weaker performance. Discussion included the degree to which AI-related valuations may reflect expectations for future growth and cash flows.

Mr. Malone reviewed the Callan Periodic Table of Investment Returns and emphasized the variability of asset-class leadership from month to month. Committee members discussed the changes in relative performance among real estate, emerging markets, and other asset classes. Discussion ensued regarding emerging-market performance, including the role of Taiwan and Korea and the mixed performance of Latin America.

Discussion ensued.

6. Update on SECURE 2.0

Ms. Cleary reported that there were no significant legislative updates regarding SECURE 2.0. Staff continue to work on implementation of the mandatory Roth catch-up contribution requirements that became effective at the beginning of 2026. She noted that the IRS continues to emphasize good-faith implementation while governmental plans finalize payroll and recordkeeping processes. Staff will continue to monitor developments.

7. CCFN 260276 – Communication from the Deferred Compensation Plan Relating to the Auto-Escalation Program

Ms. Cleary reported on her presentation to the Finance and Personnel Committee regarding the Plan's annual auto-escalation program. She described outreach to Committee members in advance of the meeting and discussed questions regarding the program's design, employee impact, and communication strategy.

Ms. Cleary reported that the Finance and Personnel Committee discussion included modeling the potential long-term impact of annual one-percent increases for employees at different salary levels and ages, using assumptions regarding retirement age and investment returns. She stated that the modeling helped illustrate the potential effect of increased savings over time.

The Committee discussed the distinction between auto-escalation and the City's automatic enrollment/re-enrollment process. Ms. Cleary confirmed that the Plan will not provide reimbursement of contributions resulting from an annual automatic increase. Participants may instead change their contribution election in a subsequent pay period, including reducing contributions to zero if desired.

Ms. Cleary described the communication campaign being developed with Voya and City stakeholders. Planned communications include an FAQ for payroll clerks, Wellness Champions, department heads, and other benefits stakeholders; short- and long-form videos; employee

presentations; Open Enrollment materials and fairs; mailed communications; emails; and information incorporated into other employee communications.

Ms. King reported that Employee Relations is incorporating the auto-escalation information into the 2027 benefits guide and plans to provide information at Open Enrollment sites. Ms. Cleary also reported that information is being introduced through new-employee communications.

The Committee discussed the importance of clear instructions regarding the opt-out process. Ms. Cleary explained that participants may opt out through their Voya account or by submitting a written request by email to the Deferred Compensation Plan. She noted that the latter process will require staff tracking but will provide an alternative for participants who experience difficulty navigating the online process. A demonstration of the communication materials was anticipated for the August Board meeting.

8. Voya Report(s) and Update

a. VRA Usage

Mr. Goff reported that June Voya Retirement Advisors usage data was not fully available at the time of the meeting; therefore, no updated June usage figures were presented.

b. Rollover Report

Mr. Goff reported increased rollover-out activity in June compared with May. The June report reflected 31 rollover distributions totaling approximately $7.0 million. Charles Schwab was the largest receiving institution, followed by Fidelity.

Mr. Goff reviewed rollover activity by participant separation date and reported that the largest amount of rollover activity in June came from participants who had separated from City service five to ten years earlier. He stated that he is working toward a year-to-date analysis to identify longer-term patterns by participant tenure, age, and employment characteristics.

Mr. Goff reported that 99% of terminated participant assets remained in the Plan, while approximately 1% was distributed. He noted that approximately 70% of the June distribution activity represented rollovers. Staff and Voya discussed further analysis of rollover activity by employment type and age.

Discussion ensued.

c. Loan Outreach

Mr. Goff reported 1,092 outstanding Plan loans with aggregate active loan balances of approximately $11.9 million. He noted an increase in delinquency and default metrics during the

second quarter, including 41 defaults at quarter-end, 59 missed payments during June, and 406 cumulative deemed defaults with a dollar value of approximately $2.94 million.

For June, 59 participants had missed payments, representing an outstanding loan balance of approximately $714,839. Voya contacted 13 participants, left eight voicemails, and reported that eight participants planned to make up missed loan repayments.

d. Field Team Activity Report

Ms. Conlin reported that the field team scheduled 65 appointments in June and completed 54, including 46 in-person consultations, one telephone consultation, and seven virtual consultations. The team also conducted nine outreach calls.

Primary consultation topics included account reviews, retirement and withdrawal questions, beneficiary designations, loans, and use of online financial wellness tools. Ms. Conlin also reported on outreach at City health appraisals, a Health Department webinar attended by 57 employees, and an outreach event at the Department of Public Works. The team continued efforts to reach new employees and expand on-site outreach to City departments.

Please be advised that the Committee may vote to convene in closed session on the following Item 9 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 Ms. King to convene in closed session for Item 9. Seconded by Mr. Pederson. Roll call taken. No objections.

3:23 p.m. Committee enters closed session. No objections to not record the session.

9. RFI Recordkeeping Update

(Item 10 was taken out of order at 3:19 pm.)

10. Informational

a. Qualified Disaster Distribution Update

Ms. Cleary reported that, effective July 2, 2026, the April 2026 floods and severe storms had been declared a FEMA disaster. Eligible participants who sustained qualifying financial losses may therefore request a qualified disaster distribution under the Plan's provisions. She noted that requests may be made within 180 days of the July 2 declaration date.

Staff will communicate the availability of the provision through newsletters, employee notifications, and other appropriate channels. The Committee reviewed a visual diagram prepared by Mr. Goff at the request of Mr. Mukamal. The diagram presented the distribution timeline and process previously reviewed by the Committee in written form.

b. Distribution Timeline and Process – Visual Diagram

The Committee reviewed a visual diagram prepared by Mr. Goff at the request of Mr. Mukamal. The diagram presented the distribution timeline and process previously reviewed by the Committee in written form.

c. Charles Schwab Explanation of Fees and Services

Ms. The Committee reviewed the Charles Schwab explanation of fees and services. No questions or concerns were raised. Following completion of the informational items, the Committee returned to Item 9 and entered closed session as noted above.

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

Ref: 07/23/min26