

CITY OF MILWAUKEE
MINUTES OF THE DEFERRED COMPENSATION BOARD
SPECIAL MEETING OF TUESDAY, JANUARY 21, 2014
1:30 P.M. - ROOM 405, CITY HALL

MEMBERS/DESIGNEES PRESENT:

Mr. W. Martin Morics, Plan Member, Chairman
Mr. Jerry Allen, Vice Chair
Ms. Margaret Daun, Assistant City Attorney
Mr. Joe Davis, Sr., Alderman
Mr. James Klajbor, Deputy City Treasurer
Mr. Steven L. Mahan, Community Development Grants Admin.
Mr. Michael J. Murphy, Alderman – arrived at 2:09 p.m.
Mr. Mark Nicolini, Budget Director
Ms. Beth Conradson Cleary, Plan Member
Mr. Mark Buetow, Milwaukee Police Association
Ms. Renee Joos, Fiscal & Risk Manager

EXCUSED/ABSENT:

OTHERS PRESENT:

Mr. Levi Lathen, Nationwide Retirement Solutions
Mr. Mike Studebaker, Nationwide Retirement Solutions
Mr. Jeff Godorhazy, Financial Operations, Nationwide
Mr. Kristopher Morton, Nationwide Retirement Solutions
Mr. Brian Andrew, Cleary Gull Advisors Inc.
Mr. Ben Taylor, Callan Associates Inc.
Mr. Richard Romero, US Bank Institutional Trust and Custody
Mr. Mark Ellegard, US Bancorp Fund Services, LLC
Ms. Dana Armour, US Bank Institutional Trust and Custody
Ms. Elaine Bieszk, Program Assistant II
Mr. Witold Dziadowicz, Executive Director

A quorum being present, Mr. Morics, Chairman of the Deferred Compensation Board, called the meeting to order at 1:38 p.m.

1. Daily Net Asset Value (NAV) issues

Mr. Ben Taylor of Callan Associates stated that the information in the Board packet is the substance of Callan's recommendation which is that the current structure of the Milwaukee

Plan involves a calculation that is done by a division of Nationwide for daily net asset value for the Plan accounts. The current contract with the Custodian, US Bank, calls for US Bank to provide custodial services, including deposit of Plan assets in a master trust, however, when they were investigating some items that came up on the audit report they noticed there were some discrepancies that were noted in particular that would have been noted in the audit report was that they were verifying the fund assets on deposit with fund managers directly as opposed to at US Bank. He stated fundamentally what that means is that the assets are not held by the bank custodian; also the bank custodian is not the one striking the NAV which is normally the case for a plan of this structure. The benefit of that particular structure is that Nationwide as recordkeeper will be the source for files for participant records, cash flows and transactions and then you would have a separate entity which provides a safekeeping for Plan assets keeping an audit record and have cash flows flow in and out and be able to record those. In this case the fund structure is such that the funds are held on deposit with the fund managers and the shadow accounting is taking place instead. Callan's recommendation is that this should be changed to provide safekeeping and as quickly as possible transfer custody of the Plan assets to a custodian that can provide direct NAV. Discussion ensued.

Mr. Morics asked the Board what their pleasure is. A motion was made to authorize Callan Associates to seek an immediate interim replacement and to take bids and then advise the Board of the potential options. Hearing no objections so ordered.

2. *Custodial and Recordkeeping Contracts

Item is held.

3. Hardship Withdrawals

Mr. Morics stated that he put this on the agenda, he doesn't know if it is still applicable because he spoke to Ms. Daun and there have been developments at the EFC. Ms. Daun stated for the purpose of clarity of the record and edification for those Board members that are not on the EFC, you may recall that we revised the Administrative Rules specifically to streamline and make completely transparent the process for hardships. She stated the next action items are clear legal guidelines from the City Attorney's office with the legal guidance that will help instruct the Board's exercise of discretion as to those hardships that are not clear grant or deny under otherwise specific IRS guidelines. Next is a very clear application packet that summarizes the legal standards and makes those documents that are necessary to grant or deny very clear for the participant and then third and fourth a similar appeal packet and application for a participant that has been denied but wishes to appeal as well as clear appeal guidelines. She stated that when we revised the Administrative Rules it's expressly contemplated that there will be an ad hoc five member subcommittee out of which three members will be picked each time to hear the appeals. She stated she would

invite any Board member that is interested in these issues to continue to attend the EFC meetings.

Ms. Daun gave a further point of clarification regarding termination procedures in saying there is no clear IRS guidance on that issue, which means that the fact of our guidance to our third-party administration is that those applications based on terminations would be denied. The discretion that has to be exercised is with the Board not our third-party administrator so the way the structure is currently contemplated is that as Mr. Morics pointed out those people will be encouraged to appeal and the discretion will reside with the Board.

The meeting adjourned at 2:36 p.m.