

**CITY OF MILWAUKEE
DEFERRED COMPENSATION PLAN**

Milwaukee, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2020 and 2019

CITY OF MILWAUKEE DEFERRED COMPENSATION PLAN

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Independent Auditors' Report

To the Deferred Compensation Board of the
City of Milwaukee Deferred Compensation Plan

Report on the Financial Statements

We have audited the accompanying financial statements of City of Milwaukee Deferred Compensation Plan (the Plan), which comprise the statements of fiduciary net position as of December 31, 2020 and 2019, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of December 31, 2020 and 2019, and the changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Tilly US, LLP

Milwaukee, Wisconsin
August 4, 2021

CITY OF MILWAUKEE DEFERRED COMPENSATION PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) December 31, 2020

This discussion and analysis of the City of Milwaukee Deferred Compensation Plan (the Plan) financial performance provides an overview of the Plan's financial activities for the years ended December 31, 2020, 2019 and 2018. It is presented as required supplementary information to the financial statements.

Overview of Financial Statements

The Statements of Fiduciary Net Position provides the financial position of the Plan at December 31, 2020, including comparative amounts for the year ended December 31, 2019.

The Statements of Changes in Fiduciary Net Position summarize the Plan's financial activities that occurred during the years ended December 31, 2020 and 2019.

The Notes to Financial Statements provide additional information that is essential to a full understanding of the financial statements. The notes are an integral part of the financial statements and include detailed information not readily evident in the basic financial statements.

The analysis below focuses on Fiduciary Net Position (Table 1) and Changes in Fiduciary Net Position (Table 2).

Table 1
Fiduciary Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
FIDUCIARY NET POSITION	\$ 1,092,676,803	\$ 1,002,058,420	\$ 868,567,461

Table 2
Changes in Fiduciary Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
ADDITIONS (DEDUCTIONS) TO NET POSITION	\$ 162,510,613	\$ 200,849,952	\$ (362,724)
DEDUCTIONS FROM NET POSITION	71,892,230	67,358,993	70,959,714
NET INCREASE (DECREASE)	<u>\$ 90,618,383</u>	<u>\$ 133,490,959</u>	<u>\$ (71,322,438)</u>

Financial Analysis of the Plan

The Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position report general information about the Plan's asset size over time. Numerous factors impact the asset size of the Plan including participation rates, employee saving rates, economic conditions, and governmental legislation and policy, particularly that which directly or indirectly impacts employee compensation and/or benefits. Therefore, while the Plan's net position shows trends in Plan asset size, it is not a direct reflection of the financial strength of the Plan absent an analysis of the underlying reasons for changes in Plan asset size.

CITY OF MILWAUKEE DEFERRED COMPENSATION PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2020

2020 Financial Highlights

- > Total fiduciary net position increased by \$90,618,383 during 2020 from \$1,002,058,420 at December 31, 2019 to \$1,092,676,803 at December 31, 2020. The increase is due to a number of factors, including favorable market results throughout 2020 as well as increased participant contributions, offset by higher benefits paid to participants.
- > Participant contributions, including rollovers, increased from \$41,396,644 for the year ended December 31, 2019 to \$44,325,620 for the year ended December 31, 2020, due to increased participant rollover contributions.
- > The Plan's 2020 participant rollover contributions, totaling approximately \$7.9 million come from plan to plan transfers from IRA, 401(k), 403(b), 401(a) and 457 plans.
- > Benefits paid to participants increased from \$66,410,532 for the year ended December 31, 2019 to \$70,902,298 for the year ended December 31, 2020. Distributions tend to fluctuate from year to year depending upon participant elections and retirement dates. The increase included approximately \$10.0 million of distributions from the CARES Act, which is defined in Note 1.
- > Administrative expenses increased by \$41,471 during 2020 from \$948,461 for the year ended December 31, 2019 to \$989,932 for the year ended December 31, 2020. The increase is due to an increase in plan participation (based on quarterly average, plan participation increased from 8,953 in 2019 to 9,069 in 2020) and the additional utilization of advisory services provided by VOYA Retirement Advisors (VRA).

2019 Financial Highlights

- > Total fiduciary net position increased by \$133,490,959 during 2019 from \$868,567,461 at December 31, 2018 to \$1,002,058,420 at December 31, 2019. The increase is due to a number of factors, including favorable market results throughout 2019 as well as lower benefits paid to participants.
- > Participant contributions, including rollovers, decreased from \$42,079,156 for the year ended December 31, 2018 to \$41,396,644 for the year ended December 31, 2019, due to decreased participant rollover contributions.
- > The Plan's 2019 participant rollover contributions, totaling approximately \$5.7 million come from plan to plan transfers from IRA, 401(k), 403(b), 401(a) and 457 plans.
- > Benefits paid to participants decreased from \$70,127,189 for the year ended December 31, 2018 to \$66,410,532 for the year ended December 31, 2019. Distributions tend to fluctuate from year to year depending upon participant elections and retirement dates.

CITY OF MILWAUKEE DEFERRED COMPENSATION PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2020

- > Administrative expenses increased by \$115,396 during 2019 from \$832,525 for the year ended December 31, 2018 to \$948,461 for the year ended December 31, 2019. The increase is likely due to an increase in plan participation (based on quarterly average, plan participation increased from 8,763 in 2018 to 8,953 in 2019) and the additional utilization of advisory services provided by VOYA Retirement Advisors (VRA).

Financial Contact

The Plan financial statements are designed to present users with a general overview of the Plan's finances and to demonstrate the trustee's accountability. If you have questions about the report or need additional financial information, contact the Plan's Executive Director at 414-286-5541.

CITY OF MILWAUKEE DEFERRED COMPENSATION PLAN

STATEMENTS OF FIDUCIARY NET POSITION

As of December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Investments	\$ 1,073,550,207	\$ 981,820,447
Notes receivable from participants	16,840,478	17,745,389
Cash and cash equivalents	<u>2,517,762</u>	<u>2,803,077</u>
TOTAL ASSETS	<u>1,092,908,447</u>	<u>1,002,368,913</u>
LIABILITIES		
Accrued expenses	<u>231,644</u>	<u>310,493</u>
NET POSITION		
FIDUCIARY NET POSITION	<u>\$ 1,092,676,803</u>	<u>\$ 1,002,058,420</u>

The accompanying notes are an integral part of the financial statements

CITY OF MILWAUKEE DEFERRED COMPENSATION PLAN

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

For the Years Ended December 31, 2020 and 2019

	2020	2019
ADDITIONS		
Additions to net position attributed to		
Investment income		
Net appreciation in fair value of investments	117,382,578	\$ 158,664,576
Interest and dividends	802,415	788,732
Total investment income	118,184,993	159,453,308
Contributions		
Participant	36,454,463	35,742,340
Rollovers	7,871,157	5,654,304
Total contributions	44,325,620	41,396,644
Total Additions	162,510,613	200,849,952
DEDUCTIONS		
Deductions from net position attributed to		
Benefits paid to participants	70,902,298	66,410,532
Administrative expenses	989,932	948,461
Total Deductions	71,892,230	67,358,993
Net Increase	90,618,383	133,490,959
FIDUCIARY NET POSITION - Beginning of Year	1,002,058,420	868,567,461
NET FIDUCIARY POSITION - END OF YEAR	1,092,676,803	\$ 1,002,058,420

The accompanying notes are an integral part of the financial statements

CITY OF MILWAUKEE DEFERRED COMPENSATION PLAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2020 and 2019

NOTE 1 – Description of the Plan

The following description of the City of Milwaukee Deferred Compensation Plan (the Plan) provides only general information. Participants should refer to the plan document for a more complete description of the Plan's provisions.

The Plan was created by Section 5.50 of the Milwaukee City Charter and the Plan opened to employees on January 1, 1976. The Plan operates pursuant to City Ordinance 320-17, a Master Agreement adopted by the City of Milwaukee (the City), as amended and/or restated from time to time, as well as Administrative Rules, Operating Procedures, and an Investment Policy Statement.

Contributions

Under the Plan provisions, eligible employees may contribute to the Plan through payroll deductions. Eligible employees are individuals who perform services for the City as an employee. In accordance with Section 457 of the Internal Revenue Code (IRC), the Plan limits the amount of an individual's annual contributions to an amount not to exceed the lesser of \$19,500 for 2020 and \$19,000 for 2019 or 100% of the individual's gross annual salary, or if appropriate, adjusted gross salary. Individuals age 50 or over may make an additional "catch-up" contribution effective for tax years after December 31, 2001. Additional catch-up contributions are allowed for participants within three years of retirement. Amounts contributed by employees are deferred for federal and state income tax purposes until benefits are paid to the employees. An employee's interest in his/her account is fully vested at all times. The City does not make any contributions to the Plan.

Beginning October 1, 2016, an annual account elections and enrollment period will occur in the October time frame, and eligible employees not contributing or contributing less than 3% of pay will be default enrolled at 3% on a pre-tax basis if no action is taken at that time. For new hires, the effective date shall be no less than thirty days after the earlier of (a) the new hire's new employee orientation; or (b) mailing of an enrollment packet. Default enrollment and contributions do not apply to active unionized police and fire employees.

Participant Accounts

Under provisions of the Small Business Job Protection Act of 1996 (SBJPA), which became effective for plan years beginning after December 31, 1996, assets of IRC Section 457 plans must be held in a trust, custodial account, or annuity contract for the exclusive benefit of employees and beneficiaries. At December 31, 2020 and 2019, the Plan met the requirements of the SBJPA.

The Plan is governed by the City of Milwaukee Deferred Compensation Board (the Board) and is administered by a third party. The Board is also the trustee of the Plan.

Each participant's account is credited with the participant's salary contributions, rollover contributions and earnings (net of administrative expenses). The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

CITY OF MILWAUKEE DEFERRED COMPENSATION PLAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2020 and 2019

NOTE 1 - Description of the Plan (cont.)

In October 2016, the Plan changed its investment offerings, with the exception of the Stable Value Account. The underlying management structure for all of the core investment options changed and the Socially Conscious Balanced Account was eliminated. In addition, the risk managed accounts were replaced with a suite of target date funds managed by JP Morgan. After the change, participants may direct the investment of their account balances and have the following investment options to choose from:

- > Stable Value account, which invests primarily in fixed income securities and investment contracts.
- > Variable earnings investment accounts consisting of various underlying mutual funds, common stocks and bond investments that have different investment risks and return objectives:
 - Actively Managed Income Account
 - Passively Managed U.S. Equity Account
 - Actively Managed Equity Account
 - Passively Managed International Equity Account
 - Target Date Income
 - Target Date 2020
 - Target Date 2025
 - Target Date 2030
 - Target Date 2035
 - Target Date 2040
 - Target Date 2045
 - Target Date 2050
 - Target Date 2055
 - Target Date 2060
- > Self-directed option – Personal Choice Retirement Accounts (PCRA) offered by Charles Schwab & Co., Inc. (Schwab):
 - Participants with a minimum account balance of \$100,000 in total Plan assets may elect to self-direct up to 75% of their account balance through a PCRA account. The PCRA account investments primarily consist of common stocks, mutual funds, and bonds.

Some of the Plan's investments are still held in a group annuity contract underwritten by American United Life Insurance Company (AUL), which is not available for new deferrals.

Vesting

Participants are immediately vested in their salary reduction and rollover contributions plus earnings thereon.

CITY OF MILWAUKEE DEFERRED COMPENSATION PLAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2020 and 2019

NOTE 1 - Description of the Plan (cont.)

Notes Receivable from Participants

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50 percent of their vested account balance. Loan terms are not to exceed five years for a general purpose loan or up to fifteen years for the purchase of a principal residence. Principal and interest payments received on a participant's outstanding loan balance are allocated to the participant's account pro-rata according to current designated investment elections. The loans are secured by the remaining balance in the participant's account and bear interest at prime rate at the first day of the calendar quarter in which the loan was initiated, plus 1%. Participants are limited to having one general purpose loan outstanding and one principal residence loan outstanding at a given time.

Payment of Benefits

Employees participating in the Plan may withdraw the value of their accounts upon termination of employment from the City, because of financial hardship, (if approved by the City of Milwaukee Deferred Compensation Board), or in order to satisfy minimum distribution requirements of the IRC. Normal retirement age under the Plan is age 70, unless the participant has designated an alternative Normal Retirement Date, as defined in the plan document. A participant's alternative Normal Retirement Age may not be earlier than the earliest date that the participant will become eligible to retire and receive unreduced benefits under the Employees' Retirement System, the Policemen's Annuity and Benefit Fund or the Fireman's Annuity and Benefit Fund, whichever is applicable to the participant.

Participants may select various payout options, which include lump sum, periodic, or annuity payments.

In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate.

Distributions to participants are recorded at the time withdrawals are made from participant accounts.

CITY OF MILWAUKEE DEFERRED COMPENSATION PLAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2020 and 2019

NOTE 1 - Description of the Plan (cont.)

CARES Act

On March 27, 2020, the Coronavirus Aid Relief and Economic Security Act (CARES Act) was signed into law. This aid package was designed to help the economy from the effects of the coronavirus pandemic and several of the provisions of the CARES Act affected employee benefit plans. The provisions of the CARES Act were optional. During 2020, the Plan opted into the following provisions of the CARES Act:

- > Hardship distributions – Qualified plan participants were permitted to take a coronavirus-related distribution of up to \$100,000 from the Plan without a 10 percent early withdrawal penalty. Eligible distributions were permitted to be taken until December 30, 2020. Distributions may be repaid within three years or a participant may elect these distributions to be included in taxable income on a pro rata basis over three years.
- > Participant loans – Qualified plan participants with loans outstanding were permitted to defer payment on the loans that were due during 2020 to after January 1, 2021.
- > Participant loans – Qualified plan participants may have borrowed up to \$100,000 during 2020 (an increase from \$50,000 previously permitted) and these repayments may be delayed to 2021.
- > Required minimum distributions (RMDs) – A temporary waiver of required minimum distributions rules permitted participants to suspend their RMDs for 2020 for participants that turned 70 ½ in 2019 and 72 in 2020.

Administrative Expenses

Investment management fees, service fees (i.e., loan fees), and other administrative fees are paid directly by the Plan participants. Loan and other special service fees are charged directly to participant accounts. Administrative fees include the costs of legal counsel, fiduciary insurance, staff salaries and benefits, consultants, third-party plan administration, custodial banking, audit, as well as travel, professional association, and office expenses. Investment and administrative expenses are reflected daily in the net appreciation of the investment's fair value.

CITY OF MILWAUKEE DEFERRED COMPENSATION PLAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2020 and 2019

NOTE 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

Variable earning investments and PCRA's are presented at fair values based on published quotations or Net Asset Value (NAV) based on the fair values of the underlying mutual funds, stocks and bonds. Purchases and sales of investments are recorded by the record-keeper on the date the trade is ordered by the money manager and/or on the date that participant elections are made.

The Stable Value account investment is presented at contract value, which approximates fair value. Contract value represents contributions received plus interest earned to date less applicable charges and amounts withdrawn. The interest rate credited to the account is based on the overall rate of return for the entire portfolio. The interest rate was 2.03% and 2.59% as of December 31, 2020 and 2019, respectively. The assets held in the group annuity contract are actuarially valued as reported by AUL.

Interest income is recorded as earned on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the gains and losses on investments bought and sold as well as held during the year.

Variable earning investment and PCRA income consists of dividends, interest and realized and unrealized gains and losses attributable to the mutual funds, stocks, and bonds. Earnings are accrued to individual participants' accounts on a daily basis, based upon the investment performance of the specific options selected.

Fees incurred by the Plan for the investment manager services are included in net appreciation in the fair value of investment as they are paid through revenue sharing, rather than a direct payment.

Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Related fees are recorded as administrative expenses and are expensed when they are incurred. Interest income is recorded on the accrual basis. No allowance for credit losses has been recorded as of December 31, 2020 and 2019. Delinquent participant loans are reclassified as distributions based upon the terms of the plan document.

CITY OF MILWAUKEE DEFERRED COMPENSATION PLAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2020 and 2019

NOTE 2 - Summary of Significant Accounting Policies (cont.)

Cash and Cash Equivalents

The Plan defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less.

Payment of Benefits

Benefits are recorded when paid.

Contingencies

Claims and judgments are recorded as liabilities if all the conditions of Government Accounting Standards Board (GASB) pronouncements are met. Claims and judgments are recorded as expenses when the related liabilities are probable and management can reasonably estimate the amounts.

Risks and Uncertainties

The Plan invests in various investment securities. These securities are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain values of investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect the amounts reported in the financial statements. Since all investments are participant directed, all risks exist at the participant level. Each individual within the Plan has the ability to liquidate their positions and has responsibility for managing their exposure to fair value loss.

CITY OF MILWAUKEE DEFERRED COMPENSATION PLAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2020 and 2019

NOTE 3 - Investments

Fair Value Measurement

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under authoritative guidance are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted market prices for identical assets in active markets that the plan has the ability to access.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- > Quoted prices for similar assets or liabilities in active markets;
- > Quoted prices for identical or similar assets or liabilities in inactive markets;
- > Inputs other than quoted prices that are observable for the asset or liability;
- > Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There were no changes to the methodologies during the years ended December 31, 2020 and 2019.

Equities: Valued at quoted market prices for identical assets in active markets.

Equity funds: Valued at market prices for similar assets in active markets.

Fixed income: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yield currently available on comparable securities of issuers with similar credit ratings.

CITY OF MILWAUKEE DEFERRED COMPENSATION PLAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2020 and 2019

NOTE 3 - Investments (cont.)

Personal choice retirement accounts: The Plan's investments held in participant-directed brokerage accounts may include mutual funds, common stock, bonds, cash, money market funds, unit investment trusts and options. The fair values of mutual funds and money market funds are based on the quoted NAVs of the shares held by the Plan at year end. The fair values of common stock and unit investment trusts are based on quoted market prices. Cash is reported at carrying value which approximates fair value. The fair value of bonds for which quoted market prices are not available are valued based on yields currently available on comparable securities of issues with similar credit ratings. The fair value of options are based on cost; no value is given until options are exercised.

Group annuity: Group annuity contracts are reported at contract value equal to the accumulated cash contributions and interest less any withdrawals, which approximates fair value. The annuity is not available for sale or transfer on any securities exchange. The fair value of the annuity was determined by discounting the related cash flows on current yields of similar instruments with comparable durations and taking into consideration the creditworthiness of the issuer.

Common collective trust funds: The collective trust fund is valued at the NAV of units of a bank collective trust. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

The plan sponsor is responsible for the determination of fair value. Accordingly, they perform periodic analysis on the prices received from the pricing services used to determine whether the prices are reasonable estimates of fair value. As a result of these reviews, the plan sponsor has not historically adjusted the prices obtained from the pricing services. The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

CITY OF MILWAUKEE DEFERRED COMPENSATION PLAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2020 and 2019

NOTE 3 - Investments (cont.)

The following tables set forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2020 and 2019:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Equities	\$ 43,150,279	\$ 89,776	-	\$ 43,240,055
Equity funds	-	676,529,384	-	676,529,384
Fixed Income	-	91,073,748	-	91,073,748
PCRA's	45,149,468	7,142,704	-	52,292,172
Group annuity	-	-	1,093,137	1,093,137
Total assets in the fair value hierarchy	<u>\$ 88,299,747</u>	<u>\$ 774,835,612</u>	<u>\$ 1,093,137</u>	864,228,496
Investments measured at net asset value (a)				<u>209,321,711</u>
Total investments				<u>\$ 1,073,550,207</u>
	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Equities	\$ 40,523,526	\$ 181,072	-	\$ 40,704,598
Equity funds	-	639,591,482	-	639,591,482
Fixed Income	-	73,324,606	-	73,324,606
PCRA's	38,698,263	6,109,219	-	44,807,482
Group annuity	-	-	1,137,411	1,137,411
Total assets in the fair value hierarchy	<u>\$ 79,221,789</u>	<u>\$ 719,206,379</u>	<u>\$ 1,137,411</u>	799,565,579
Investments measured at net asset value (a)				<u>182,254,868</u>
Total investments				<u>\$ 981,820,447</u>

- (a) In accordance with GASB 72, *Fair Value Measurement and Application*, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Statements of Fiduciary Net Position.

CITY OF MILWAUKEE DEFERRED COMPENSATION PLAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2020 and 2019

NOTE 3 - Investments (cont.)

Investments Measured Using NAV per Share Practical Expedient

The following table summarizes investments for which fair value is measured using NAV per share practical expedient as of December 31, 2020 and 2019, respectively. There are no participant redemption restrictions for these investments; the redemption notice period is applicable only to the Plan.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	December 31, 2020			
Stable Value Account	\$ 209,321,711	N/A	Daily	N/A
	December 31, 2019			
Stable Value Account	\$ 182,254,868	N/A	Daily	N/A

The fair value of investments held by the Plan at December 31, 2020 and 2019 was as follows:

	2020	2019
Fixed earnings investment		
Stable Value Account	\$ 209,321,711	\$ 182,254,868
Variable earnings investments		
Actively Managed Income Account	91,073,748	73,324,606
Passively Managed U.S. Equity Account	257,941,576	228,744,369
Actively Managed Equity Account	171,672,524	170,519,391
Passively Managed International Equity Account	71,640,071	71,269,005
Target date investments		
Target Date Income	41,621,663	40,589,824
Target Date 2020	35,030,507	35,027,423
Target Date 2025	44,260,993	45,651,868
Target Date 2030	36,997,696	32,645,516
Target Date 2035	22,802,015	22,926,048
Target Date 2040	15,322,208	14,126,621
Target Date 2045	11,268,108	9,905,406
Target Date 2050	5,920,961	5,152,929
Target Date 2055	4,476,560	3,262,352
Target Date 2060	814,557	475,328

CITY OF MILWAUKEE DEFERRED COMPENSATION PLAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2020 and 2019

NOTE 3 - Investments (cont.)

	2020	2019
Self-directed option		
PCRAs - Charles Schwab	52,292,172	44,807,482
Group Annuity contract		
AUL	1,093,137	1,137,411
Total investments	\$ 1,073,550,207	\$ 981,820,447

The following individual underlying investments exceeded 5% of the Plan Fiduciary Net Position at December 31, 2020 and 2019:

	Investment Type	2020	2019
Russell 3000 Index Fund	Equity funds	\$ 257,941,576	\$ 228,744,369
Stable Value Fund	Measured at NAV	209,321,711	182,254,868
S&P 500 Index Fund	Equity funds	71,698,537	77,618,659
International Equity Fund	Equity funds	71,640,071	71,269,005
Baird Core Fixed Income	Fixed income	64,303,614	53,781,022

The Plan conforms to the reporting requirements of *Governmental Accounting Standards Board Statement No. 40*. As of December 31, 2020, the Plan had the following investments and maturities in its fixed earnings investment and certain mutual funds which include investments in bonds.

	Fair Value	Weighted Average Maturity (Years)	Credit Quality
Fixed earnings investment			
Stable Value Account	\$ 209,321,711	2.90	AA
Variable earnings investments			
Baird Core Fixed Income	64,303,614	7.94	AA-
Brandywine Global Fixed Income	14,050,751	8.94	A
Reams Opportunistic Fixed Income	12,719,383	3.27	A

CITY OF MILWAUKEE DEFERRED COMPENSATION PLAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2020 and 2019

NOTE 3 - Investments (cont.)

As of December 31, 2019, the Plan had the following investments and maturities in its fixed earnings investment and certain mutual funds which include investments in bonds.

	Fair Value	Weighted Average Maturity (Years)	Credit Quality
Fixed earnings investment			
Stable Value Account	\$ 182,254,868	3.00	AA+
Variable earnings investments			
Baird Core Fixed Income	53,781,022	7.81	AA-
Brandywine Global Fixed Income	9,711,481	6.97	AA-
Reams Opportunistic Fixed Income	9,832,103	2.79	AA

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates could adversely affect the fair value of the investment. The Plan may have investments in foreign investments that are issued outside of the United States of America. As of December 31, 2020 and 2019, the Plan's exposure to foreign currency risk, expressed in U.S. Dollars, is in the following table.

December 31, 2020		
Foreign Currency	Equities	Total Fair Market Value
Australian dollar	\$ 1,358,076	\$ 1,358,076
Brazilian real	219,623	219,623
British pound sterling	3,976,729	3,976,729
Canadian dollar	281,956	281,956
Danish krone	1,081,450	1,081,450
Euro	6,580,076	6,580,076
Hong Kong dollar	3,651,939	3,651,939
Hungarian forint	171,578	171,578
Japanese yen	2,671,073	2,671,073
Malaysian ringgit	108,659	108,659
Mexican peso	544,307	544,307
Philippine peso	55,605	55,605
South Korean won	492,267	492,267
Swedish krona	845,528	845,528
Swiss franc	3,840,021	3,840,021
Totals	\$ 25,878,887	\$ 25,878,887

CITY OF MILWAUKEE DEFERRED COMPENSATION PLAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2020 and 2019

NOTE 3 - Investments (cont.)

December 31, 2019		
Foreign Currency	Equities	Total Fair Market Value
Australian dollar	\$ 1,537,195	\$ 1,537,195
Brazilian real	199,620	199,620
British pound sterling	4,952,157	4,952,157
Canadian dollar	656,808	656,808
Danish krone	899,054	899,054
Euro	6,076,321	6,076,321
Hong Kong dollar	2,528,103	2,528,103
Hungarian forint	173,225	173,225
Japanese yen	2,645,194	2,645,194
Mexican peso	1,174,462	1,174,462
Philippine peso	47,215	47,215
South Korean won	587,452	587,452
Swedish krona	836,914	836,914
Swiss franc	3,540,652	3,540,652
Totals	\$ 25,854,372	\$ 25,854,372

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Plan's deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not the Plan's name.

All deposits of the Plan are held on behalf of the Plan by the investment custodian in accordance with the formal deposit policy for custodial credit risk and are not exposed to custodial credit risk as defined by *Governmental Accounting Standards Board Statement No. 40*.

NOTE 4 - Related Parties

All members of the Deferred Compensation Board are participants in the Plan, however, no fees are paid to these participants.

CITY OF MILWAUKEE DEFERRED COMPENSATION PLAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2020 and 2019

NOTE 5 - Plan Termination

The City reserves the right to terminate the Plan at any time and such termination shall act as a termination as to all participants. Upon termination of the Plan, the City reserves the right to make distributions to participants at such time and in such manner the City may deem advisable.

NOTE 6 - Tax Status

The Plan is reviewed by legal counsel to ensure conformity with Section 457 of the IRC. Accordingly, any amount of compensation deferred under the Plan and any income attributable to the amounts so deferred shall be included in the gross income of the participant only for the taxable year in which such compensation or other income is paid or otherwise made available to the participant or other beneficiary.

The plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC and therefore believes the Plan is qualified and the related trust is tax exempt.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Plan and recognize a liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 7 - Subsequent Events

The Plan has evaluated subsequent events through August 4, 2021, which is the date that the financial statements were approved and available to be issued, for events requiring recording or disclosure in the Plan's financial statements. Management believes that no material events have occurred that would require disclosure.