

Chairperson: Steve Cady, 278-4347

Clerk: Jodi Mapp, 278-4073

## SELECT COMMITTEE ON DEFERRED COMPENSATION

Monday, November 17, 2008 – 9:00 a.m.  
Milwaukee County Courthouse - Room 203-P

### MINUTES

**PRESENT:** \*Mark Grady, Susan Walker, \*Rick Ceschin, Jackie Russell, and Steve Cady (Chair)

\*Mark Grady and Rick Ceschin were not present at the time of roll call but appeared shortly thereafter.

#### SCHEDULED ITEMS:

**\*\* CLOSED SESSION \*\***

The Committee may adjourn into closed session under the provisions of Wisconsin Statutes, Section 19.85(1)(f), for the purpose of discussing the following matter(s). The Committee may reconvene into open session to take whatever action(s) it may deem necessary on the said matter(s).

**The Committee did not go into closed session.**

1. 08DC31 Appeal(s) from deferred compensation participant(s) of decisions regarding request(s) for hardship withdrawal(s) of funds from Milwaukee County's Deferred Compensation Plan.

**There were no appeals.**

2. 08DC32 Financial Update on Administration of Milwaukee County's Deferred Compensation Plan. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

00:09 The Chair explained this quarter's report (copy attached to original minutes) by stating it contains the standard information reflecting expenditures, revenues and reconciliation of the administrative accounts.

Questions and comments ensued regarding extending the fee holiday.

**ACTION BY: (Walker) Extend the Administrative Fee Plan Holiday an additional quarter through the first quarter of 2009. 3-0**

**AYES:** Walker, Russell, and Cady (Chair) – 3

**NOES:** 0

**EXCUSED:** Grady and Ceschin - 2

### SCHEDULED ITEMS (CONTINUED):

3. 08DC33 From Virchow Krause and Company, discussion of 2008 Deferred Compensation Plan Review.

**APPEARANCES:**

Wayne Morgan, Virchow Krause & Company  
Chris Tait, Virchow Krause & Company

00:16 Mr. Morgan stated Virchow Krause will be examining fiduciary best practices, processes, and procedures that are followed on a day-to-day basis. The first year of engagement was focused on the area of compliance, testing the flow of transactions through the system, testing compliance with Great-West interaction, and also compliance with the document. The focus this year will be to revisit issues that need improvement that were identified in 2007 and retesting some of the compliance areas. In doing this, they tend to find process efficiency improvements that were either not found the first year or that have surfaced in the second year. Virchow Krause's disadvantage business enterprise partner will be spending most of their time retesting the compliance in areas of contributions, distributions, deferrals, rollover, calculations, catch-up, hardships, and loans. These are the basic day-to-day fundamental technical issues and processes that management addresses.

Mr. Morgan stated they would also begin to migrate into their value added area. There are four areas; fee transparency, record management, payroll processes and practices, and participation analysis.

07:07 Mr. Tait indicated they will begin to look at the Ceridian system in detail to gain a complete understanding of how the data flows. There are specialists within Virchow Krause that are very knowledgeable about the County payroll system. That information will be forwarded to the Chairman, along with the value added recommendations, for presentation to the Committee.

09:40 Mr. Morgan added that their goal would be to come in and do the preliminary work starting around the holidays with a focus on a January/February timeframe.

Questions and comments ensued.

***The Committee took no action regarding this item.***

4. 08DC34 Proposed Marketing Strategy for 2009 from Great-West Retirement Services.

**APPEARANCES:**

Evelyn Calhoun, Great-West Retirement Services  
Sue Oelke, Great-West Retirement Services

## SCHEDULED ITEMS (CONTINUED):

00:08 Ms. Calhoun directed the Committee's attention to the 2009 Marketing Strategy report (copy attached to original minutes) stating that 2008 was a really good year. Extending the fee holiday has had a very positive impact and shown great success through increased enrollments. She presented the 2009 marketing strategy to be implemented specifically customized for Milwaukee County with the goal of encouraging individuals to increase their deferrals, encourage enrollment in the Plan, and to improve education of the Plan. Through the enrollment piece, it is also the goal to improve retention of the Plan by encouraging retirees to keep their accounts within the Milwaukee County Deferred Compensation Plan rather than rolling over their accounts to outside brokerage firms. Reasons used to promote and support this idea include lower fees and greater benefits.

Ms. Calhoun has created a clear and cohesive theme for Milwaukee County entitled "Dare to Dream." The theme usually reinforces the ideas and messages behind the marketing plan. The concept behind this particular theme is meant to inspire and motivate individuals based on the idea that they really can achieve their dreams for retirement. Ms. Calhoun stated the "Dare to Dream" campaign will be implemented through the following communication channels by which participants and employees are reached: lunch and learn seminars, employee emails, direct mail postcards, the Plan newsletter, statement stuffers and narrative, meeting/branding posters, benefits fair signage, and target web messaging.

19:54 Ms. Oelke distributed a spreadsheet (copy attached to original minutes) and explained that as Great-West has been working with Ceridian, a database has been developed to track employees and participants. The data contained therein is not 100% clean, however the database, itself, has been a great accomplishment. Ms. Oelke reviewed the spreadsheet with the Committee stating this information gives a high-level overview of where the employees are, how many are enrolled, and how many are eligible. This provides the on-site office with the tools to figure out departments to focus on and target for additional education efforts. The data presented is approximately 80% clean. Ms. Oelke envisions by the end of the year or early January, the data should be approximately 98% clean.

Questions and comments ensued.

***The Committee took no action regarding this item.***

5. 08DC35 Third Quarter Report from Great-West Retirement Services. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

**APPEARANCE:**

Sue Oelke, Great-West Retirement Services

## SCHEDULED ITEMS (CONTINUED):

00:03 Ms. Oelke provided an overview of the quarterly report (copy attached to original minutes) by highlighting retiree/retirement outreach. She discussed the joint retirement workshop held this past summer with another to be held in December. Efforts encouraging retirees to stay in the Plan include distributing fliers in retiree packets, participation in monthly individual retirement group meetings, and individual retirement meetings with deferred compensation via outbound calls.

Ms. Oelke stated 2008's focus continues to be minimizing withdrawals and increasing assets. Past efforts include reaching employees at their departments, outreach tables, and hosting enrollment and investment seminars. She went on to discuss individual appointments, account reviews, full distributions, enrollment and contributions, managed account information, rollover in the Plan, website activity, and service center calls.

Questions and comments ensued.

***The Committee took no action regarding this informational report.***

6. 08DC36 From Great-West Retirement Services, update on beneficiary recordkeeping project. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

**APPEARANCE:**

Sue Oelke, Great-West Retirement Services

00:07 Ms. Oelke stated earlier this year, Great-West became the beneficiary record keeper for the Plan. A beneficiary form was sent out with quarterly statements that requested everyone complete the form and return it to Great-West. People were encouraged to complete the forms at the numerous benefits fairs held indicating this information will be reflected on the statements. A letter will be mailed this month as another attempt to reach those individuals who have not completed a beneficiary designation form as a direct mail piece requesting completion of the form.

Ms. Oelke went on to state that this will be an ongoing initiative. It has been presented in the newsletter, however people are still unclear as to why completing the form is important. The effort will probably take another year before the numbers would be considered close to where they should be regarding beneficiary selection. This is something that can be accomplished through a target marketing campaign as it relates to the website, but the direct mail piece is the best course of action for the second round of contacting these individuals. The results for the first round were not as high as anticipated, however this next round will capture quite a few more.

**SCHEDULED ITEMS (CONTINUED):**

Questions and comments ensued.

***The Committee took no action regarding this informational report.***

7. 08DC37 From Ennis Knupp and Associates, presentation on Market Environment.  
**(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

**APPEARANCE:**

Laurel Nicholson, Ennis Knupp and Associates

00:20 Ms. Nicholson stated the markets have been very bad and the performance of the Plan's equity funds, like the market, has been disappointing. She explained this has been a period of extraordinary turmoil and volatility. Credit concerns and illiquidity in the market has really been hallmark of the current market environment. There has also been a lot of fear and questions in the market, which really adds to this vicious cycle. Thus far, the markets have not responded favorably to the government interaction and oversight that has been going on. Given how severe this crisis is, it would probably be unrealistic to expect the government's involvement to bring calmness and normalcy instantly to the market. The market was down significantly at the close of the third quarter. The first few days in October were some of the worse in history. The best protection against these types of market environments are having a diversified portfolio, having a long-term perspective, and having a disciplined approach.

Ms. Nicholson went on to discuss the Emergency Economic Stabilization Act of 2008, the volatility index, U.S. equity style results, sector returns in U.S. equity, historical U.S. stock returns, notable periods of stock market decline, international sector returns, volatile currency markets, historical non-U.S. stock returns, sector returns in fixed income, historical bond returns, difficulty timing market recovery, and the dangers of market timing.

Questions and comments ensued.

***The Committee took no action regarding this informational report.***

8. 08DC38 Third Quarter 2008 Performance Report from Ennis Knupp and Associates.  
**(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

**APPEARANCES:**

Laurel Nicholson, Ennis Knupp and Associates  
Maritza Martinez, Ennis Knupp and Associates

## SCHEDULED ITEMS (CONTINUED):

00:23 Ms. Martinez distributed a Preliminary Return Summary document (copy attached to original minutes). She provided the Committee with an update as it relates to the Second Quarter 2008 Performance Report (copy attached to original minutes). Areas of the report highlighted included the Market Environment (U.S. Market, International Market, and Bond Market), Fixed Income Funds, the investment outlook, and Ennis Knupp's view on current markets. She also discussed overall fund performance for Milwaukee County's Plan detailing the Northshore Savings Fund and the Stable Value Fund, which are the only two funds that had a positive return this quarter. Ms. Martinez stated the Plan, itself, actually benefited because approximately 45% of the Plan's total assets are in the Stable Value Fund.

Questions and comments ensued.

***The Committee took no action regarding this informational report.***

9. 08DC39 Annual Program Review from Ennis Knupp and Associates.

### **APPEARANCE:**

Laurel Nicholson, Ennis Knupp and Associates

00:43 Ms. Nicholson provided the Committee with an overview of the Defined Contribution Program Review (copy attached to original minutes). She stated that overall, Ennis Knupp thinks the Plan offers a diversified set of investment fund options across asset types, investment styles, and the risk/return spectrum. When looking at overall Plan costs, Ennis Knupp believes they are reasonable if not competitive. She went on to state the Committee should continue to work with Great-West to set annual educational and communication goals. Areas to explore include automatic features to help participants prepare for retirement, adding a global equity fund to investment options, and replacing T. Rowe Price Personal Strategy Funds with custom asset allocation funds. She continued by highlighting the Plan's current circumstances, participation rates versus peers and historical transfers, automatic features, investment structure, the number of funds offered, the right investment structure, types of investment options, global equity, participant asset allocation, fees, cost structure, and investment management fees.

Questions and comments ensued.

41:56 Mr. Grady suggested Ennis Knupp investigate lower share classes with a report back to the Committee on the affect of revenue sharing. It was so ordered by the Chairman.

***ACTION BY: (Grady) A search is to be done by Ennis Knupp for a target date retirement fund using an off-the-shelf product both active and index. 5-0***

**SCHEDULED ITEMS (CONTINUED):**

**AYES:** Grady, Walker, Ceschin, Russell, and Cady (Chair) – 5  
**NOES:** 0  
**EXCUSED:** 0

10. 08DC40 Socially Responsible Fund Search Report from Ennis Knupp and Associates.

**APPEARANCES:**

Joe Marzano, Ennis Knupp and Associates  
Laurel Nicholson, Ennis Knupp and Associates

00:53 Mr. Marzano stated Ennis Knupp has identified three funds that they feel are suitable for this search. Those funds are Calvert Asset Management Co. (Calvert Social Investment Fund Equity I), Dimensional Fund Advisors, Inc. (US Sustainability Core 1 Portfolio), and Parnassus Investments (Parnassus Equity Income Fund). Mr. Marzano explained the evaluation process used, which consisted of performance, product, and organization. Performance review included perceived skill, trading efficiency, management fees, and past performance. Product review included product fit and product importance. Organization review included ownership and other organizational factors. He described each fund in detail comparing the three by highlighting their differences and key points that should be considered.

Mr. Marzano wrapped up his presentation by reviewing the manager scoring summary and stated Dimensional Fund Advisors, Inc. scored the highest.

Questions and comments ensued.

44:05 The Chairman indicated the Committee will revisit this item next year for either the May or August meeting cycle.

***The Committee took no action regarding this item.***

11. 08DC41 From Ennis Knupp and Associates, memorandum regarding PIMCO.  
**(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

**APPEARANCE:**

Laurel Nicholson, Ennis Knupp and Associates

00:37 Ms. Nicholson previously discussed the retirement of PIMCO's CEO briefly by stating even though it represents a significant senior-level departure for PIMCO, Ennis and Knupp does not believe this should raise concerns. They believe the new CEO is a well qualified successor, is ready to assume the duties, and is highly regarded by his peers.

**SCHEDULED ITEMS (CONTINUED):**

Questions and comments ensued.

***The Committee took no action regarding this informational report.***

12. 08DC42 From Advised Assets Group, Third Quarter Stable Value Fund Report.  
**(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

00:16 The Chairman explained the Milwaukee County Stable Value Fund report dated September 30, 2008, (copy attached to original minutes) reviewing the rates and how they are being credited, the trend lines, and the going forward rate for the fourth quarter for the Stable Value Fund. He also discussed the safety of the Stable Value Fund.

***The Committee took no action regarding this informational report.***

13. 08DC43 From Ennis Knupp and Associates, Client Education Training Session.

**APPEARANCE:**

Laurel Nicholson, Ennis Knupp and Associates

00:07 Ms. Nicholson provided the Committee with a sample agenda of the client education sessions (copy attached to original minutes) that Ennis Knupp sponsors, which are usually held once a quarter. The next session is scheduled for January 14-15, 2009. Ms. Nicholson indicated it would be a pleasure to have the Committee travel to Chicago to attend.

***ACTION BY: (Ceschin) Pre-approve and authorize Committee members to attend all quarterly education sessions for 2009. 5-0***

**AYES:** Grady, Walker, Ceschin, Russell, and Cady (Chair) – 5

**NOES:** 0

**EXCUSED:** 0

14. 08DC44 Future regularly scheduled meetings of the Select Committee on Deferred Compensation:

- February 9, 2009
- May 18, 2009
- August 3, 2009
- November 16, 2009

**(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

**SCHEDULED ITEMS (CONTINUED):**

00:02 The Chairman indicated that the next regularly scheduled meeting is February 9, 2009. The meeting schedule for 2009 is listed on the agenda and is subject to change. There may be a special meeting to review the record keeping contract, which should be finalized and available for review soon. It will also be forwarded to the County Board for approval.

This meeting was recorded. The foregoing items were not necessarily considered in agenda order. Committee files contain copies of the subject reports, communications, resolutions, and ordinances, which may be reviewed upon request to the Chief Committee Clerk. The official copy of these minutes, along with the audio recording of this meeting, is available in the County Board Committee Services Division.

Length of meeting: 9:09 a.m. to 12:33 p.m.

Adjourned,

*Jodi Kapp*

Committee Clerk

Select Committee on Deferred Compensation

*ADA accommodation requests should be filed with the Milwaukee County Executive Office for Persons with Disabilities, 278-3932 (voice) or 278-3937 (TTY), upon receipt of this notice.*