

Chairperson: Steve Cady, 278-4347
Clerk: Jodi Mapp, 278-4073

SELECT COMMITTEE ON DEFERRED COMPENSATION

Monday, May 18, 2009 – 1:00 p.m.

Milwaukee County Courthouse - Room 203-P

MINUTES

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

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. 09DC12 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. 09DC13 Election of Chairperson of Select Committee on Deferred Compensation.

00:02 The Chair introduced this item stating based on reading past administrative rules, the chairperson should be elected every four years to a four-year term. Looking back on the minutes, the last election was held in the spring of 2005. He went on to state that it would be in order to elect a chairperson at this time.

ACTION BY: (Ceschin) Nominate Steve Cady as Chairperson of the Select Committee on Deferred Compensation. 5-0

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

NOES: 0

3. 09DC14 Financial Update on Administration of Milwaukee County's Deferred Compensation Plan. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

SCHEDULED ITEMS (CONTINUED):

00:31 The Chair stated the first quarter report for 2009 contains the standard information. He added that it also represents the end of the previous pricing structure with the record keeper. Beginning the second quarter, there will be a slightly different pricing structure and fee arrangement to reflect the new contract that was effective April 1, 2009.

Questions and comments ensued.

ACTION BY: (Grady) Extend the Administrative Fee Plan Holiday an additional quarter through the third quarter of 2009. 5-0

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

NOES: 0

4. 09DC15 From Ennis Knupp and Associates, Capital Market Review and Update.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

APPEARANCES:

Laurel Nicholson, Ennis Knupp and Associates

Maritza Martinez, Ennis Knupp and Associates

00:21 Ms. Nicholson provided the Committee with a market recap presentation. She stated that 2008 officially closed and the books are done. The fourth quarter of 2008 has gone down as one of the worse quarters and 2008, as a whole, as one of the worse years in history. Unfortunately, the first few months of 2009 were not completely positive. There was mixed news and mixed results. The U.S. and non-U.S. markets were both down in aggregate around 10% for the first three months of the year. This was due to the continued negative impact of inflation, unemployment, housing, and other factors that were not positive indicators for the market. The government continues to be active in trying to help the recovery. When listing out some of the notable first quarter market events, a lot of them relate directly to what the government is doing by again putting a lot of money into struggling banks. The government has numerous different ongoing programs.

Ms. Nicholson went on to state that not everything was negative in the first quarter. March actually ended up being a very strong month. The equity market was up about 8%. April was also very strong for both the U.S. and non-U.S. stock markets, which were up over 10%. Market observers are still being very cautious about the outlook for the rest of the year.

Ms. Nicholson continued her presentation by discussing the investment environment, U.S. and non U.S. equity sector returns, the bond sector, and notable periods of stock market decline.

SCHEDULED ITEMS (CONTINUED):

Questions and comments ensued.

The Committee took no action regarding this informational report.

5. 09DC16 From Ennis Knupp and Associates, proposed Fund Monitoring System.

APPEARANCES:

Laurel Nicholson, Ennis Knupp and Associates

Maritza Martinez, Ennis Knupp and Associates

00:07 Ms. Nicholson recommended the Committee adopt formalized fund monitoring framework. This will help ensure the process is documented and that issues of concern are elevated to the Committee's attention when appropriate. It will better document the routine monitoring that is currently being done as it relates to looking at funds on a quarter-to-quarter basis. It can be included in the investment policy statement that would address the monitoring efforts and due diligence work that are collectively being done.

The monitoring framework suggested has five different factors: 1) short term performance; 2) long term performance; 3) investment strategy concerns; 4) portfolio management concerns; and 5) organizational concerns. Each fund would be formally looked at in the context of those five factors. Status indicators are green, yellow, and red. Green indicates no concerns, yellow indicates a review is in order, and red triggers a formal memo or report be compiled stating concerns with the fund.

Questions and comments ensued.

The Committee took no action regarding this item.

6. 09DC17 First Quarter 2009 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

00:05 Ms. Martinez stated that the North Shore Stable Value Fund and PIMCO were the only funds that produced positive returns for the first quarter. T. Rowe Price Income, Balanced, and Growth funds although negative, they significantly outperformed their benchmarks for the quarter. They are getting closer to longer trailing periods approximating their respective benchmarks. In terms of PIMCO, the interest rate strategies that were implemented helped their first quarter

SCHEDULED ITEMS (CONTINUED):

performance. Additionally, they benefited from an overweight allocation to agency mortgage securities, and they outperformed their benchmark.

Ms. Martinez continued reviewing the First Quarter 2009 Performance Report highlighting 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.

Questions and comments ensued.

The Committee took no action regarding this informational report.

7. 09DC18 From Ennis Knupp and Associates, Final Report on Lifecycle Fund Search.

APPEARANCES:

Laurel Nicholson, Ennis Knupp and Associates

Mark Kastory, Ennis Knupp and Associates

Sue Oelke, Great-West Retirement Services

- 00:16 Ms. Nicholson introduced Mr. Kastory to the Committee, who is an investment analyst, deferred compensation team member and expert, and has been intimately involved in conducting this search.

Ms. Nicholson distributed a discussion guide and stated from a peer plan standpoint, having asset allocation funds in the Plan is a great benefit. It helps participants get the asset allocation decision right, which is mainly what is going to affect their long-term portfolio performance over time. Unfortunately, participants do not always do a good job selecting on their own. Target date retirement funds are a one-stop shop solution for employees to get into the Plan and be in an asset allocation strategy that is appropriate for them based on when they expect to retire. This option has been discussed in Committee previously, and there was a consensus that having this type of fund in the Plan is a good change.

- 05:09 Mr. Kastory provided the Committee with an update on the lifecycle fund search, which originally identified eleven fund managers. Through glidepath analysis and review of qualitative factors, the candidate list was narrowed down to four managers that provide a glidepath methodology most appropriate for participants in the Plan. Areas of the discussion guide highlighted include a rolldown comparison, glidepath methodology pros and cons, glidepath match, and key points on finalist funds.

Questions and comments ensued at length.

SCHEDULED ITEMS (CONTINUED):

The Committee agreed that Great-West and/or Ennis Knupp come back next quarter with a timeline plan for rolling out a qualified target date fund process.

The Committee took no action regarding this item.

8. 09DC19 From Advised Assets Group, First Quarter Stable Value Fund Report.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

00:25 The Chair stated he receives this report from Advised Assets Group. It is a comprehensive, full detailed view of the current Stable Value Fund holdings. He pointed out that the investment management fees will change on the next report and going forward based on the new contract that was effective April 1, 2009.

The Committee took no action regarding this informational report.

9. 09DC20 First Quarter 2009 Report from Great-West Retirement Services.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

APPEARANCE:

Sue Oelke, Great-West Retirement Services

00:08 Ms. Oelke provided staffing updates along with an overview of the quarterly report. She stated the 2009 "Dare to Dream" marketing campaign was a great concept. However, when a test/pilot was done, the response was not as positive as expected. The concept did not resonate with employees as well as had been hoped due to the market challenges currently being experienced. Although it is believed to still be a great concept, it is no longer appropriate. When the market rallies, it will be reintroduced again. She went on by discussing the continued retiree/retirement outreach effort and the launching of the Retiree Crossroads website, how Great-West is reaching employees in the various departments, account executive activity, the initiative to reduce the number of full distributions, enrollment and contributions, inforce accounts, rollovers into the Plan, and future endeavors.

Questions and comments ensued.

The Committee took no action regarding this informational report.

10. 09DC21 2009 National Association of Government Defined Contribution Administrators (NAGDCA) Conference.

SCHEDULED ITEMS (CONTINUED):

00:15 The Chairman stated that as members of NAGDCA, who serve as fiduciaries on the Plan, these conferences are a good opportunity to receive specialized training. The 2009 conference will be held September 12, 2008, through September 16, 2009, in Austin, Texas.

ACTION BY: (Ceschin) Authorize and approve Committee members to attend the 2009 NAGDCA Conference and be reimbursed for travel, lodging, registration fees, and all other related expenses. 5-0

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

NOES: 0

11. 09DC22 Future regularly scheduled meetings of the Select Committee on Deferred Compensation:

- **August 4, 2009 (NOTE CHANGE)**
- November 16, 2009

(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

00:02 The Chairman explained that the next two regularly scheduled meeting dates are listed. He pointed out that the August meeting date has been changed from Monday, August 3, 2009, to **Tuesday, August 4, 2009**. Committee members should reschedule their calendars accordingly. The Chairman also indicated that Virchow Krause will be conducting the 2008 Plan audit. Because some of the preliminary findings alone appear to be rather extensive, this item deserves to have its own meeting date and timeslot outside of the regularly scheduled meetings calendar. This special meeting will probably be held sometime in June. An email will be sent to Committee members to coordinate schedules.

The Committee took no action regarding this informational item.

SCHEDULED ITEMS (CONTINUED):

This meeting was recorded. 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: 1:03 p.m. to 3:37 p.m.

Adjourned,

Jodi Kapp

Committee Clerk

Select Committee on Deferred Compensation