

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

SELECT COMMITTEE ON DEFERRED COMPENSATION

Tuesday, August 4, 2009 – 9:00 a.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).

1. 09DC23 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.

A. Christine Beckley

MOTION BY:(Ceschin) Adjourn into closed session under the provisions of Wisconsin Statutes, Section 19.85(1)(f), for the purpose of discussing Item #1. At the conclusion of the closed session, the Committee may reconvene in open session to take whatever action(s) it may deem necessary on the aforesaid items. 5-0

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

NOES: 0

The Committee convened into Closed Session at approximately 9:03 a.m. and reconvened in open session at approximately 9:11 a.m. The roll call was taken, and all Committee Members were present.

MOTION BY:(Grady) Deny the appeal with a request that Great-West schedule a follow-up meeting with Ms. Beckley to examine her case further for additional qualifying factors that meet the guidelines under the Plan document and the IRS code for hardship. 5-0

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

NOES: 0

SCHEDULED ITEMS (CONTINUED):

2. 09DC24 Financial Update on Administration of Milwaukee County's Deferred Compensation Plan. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

00:10 The Chair walked the Committee through the second quarter report for 2009 and explained beginning April 1, 2009, the new record keeping contract with Great-West went into effect. The agreement changed the contractual fee relationship in several areas. The per participant fee went up, however, it is offset by mutual fund re-allowances or revenue share to the Plan. Under the new agreement, all revenue sharing will remain with the Plan sponsor. Also, the investment management fee for the Stable Value Fund was reduced. In addition to the reduction, 15 basis points will be considered revenue share, which will then be deposited into the Plan to offset Plan expenses. He continued to review the report discussing expenditures, revenues, and reconciliation of the administrative accounts.

Questions and comments ensued.

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

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

NOES: 0

3. 09DC25 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

00:12 Ms. Nicholson stated as far as the recession is concerned, the deceleration has slowed. There are some economic indicators that make market participants think that perhaps the recovery will pick up speed and hopefully put the economy in better shape by the end of 2009 or early 2010. There has been strength seen overseas. Especially, in some of the emerging markets. Unemployment is seeing one of its highest rates ever. Historically, when a recession ends or recovery begins, employment continues to expand before it begins to pull back. That is another major concern. Unemployment makes it hard for consumer confidence and consumer activity to increase, which, in turn, would help pick up the markets. Ms. Nicholson went on to state high yield bonds did very well this quarter. This is a big turnaround from what was seen in past quarters. She reviewed the Global Markets performance detailing the second quarter and one-year investment environment for the U.S. Stock Market, the non-U.S. Stock

SCHEDULED ITEMS (CONTINUED):

Market, and the Bond Markets; and also, historical returns on the non-U.S. Stock Market. Overall, Ms. Nicholson indicated the markets are looking better.

Questions and comments ensued.

The Committee took no action regarding this informational report.

4. 09DC26 Second 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

00:47 Ms. Martinez stated all the funds in the Plan produced positive returns. The North Shore Bank and Stable Value Fund continues to produce positive fixed rate returns, and PIMCO outperformed its index.

01:58 Ms. Nicholson added that PIMCO is a pretty complex fund. There are a lot of different strategies going on in the PIMCO Total Return Fund as far as derivatives, what they are doing with cash, and how they are doing sector rotation. This is not the fund for investors that want a plain fund. It is a complex concept for a Deferred Compensation Plan. However, having actively and passively managed tiers in the Plan, including a Bond Index Fund which compliments the PIMCO Total Return Fund, gives participants the option of going all passive if they so choose. Overall, Ennis Knupp feels that PIMCO is very skilled and has done an excellent job of managing the portfolio in the way it has been done.

04:47 Ms. Martinez continued by stating the T. Rowe Price personal strategy funds, Income, Balanced, and Growth, significantly outperformed their benchmarks for the quarter. She reviewed the Second Quarter 2009 Performance Report highlighting the Market Environment (U.S. Market, International Market, and Bond Market), Fixed Income Funds, the investment outlook, and the fund monitoring system.

Ms. Martinez addressed Capital Group layoffs indicating approximately 10% of the organization's workforce was laid off in recent weeks. Over the past eight months, a total of 15% of the organization's workforce was laid off. The firm has had to reduce costs as revenues have declined. The layoffs are concerning, however, investment professionals were not affected. No action is recommended at this time.

Questions and comments ensued.

SCHEDULED ITEMS (CONTINUED):

The Committee took no action regarding this informational report.

5. 09DC27 From Ennis Knupp and Associates, memo regarding Capital Group. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

APPEARANCES:

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

00:09 Ms. Nicholson indicated this issue was addressed in Item #4.

Questions and comments ensued.

The Committee took no action regarding this informational report.

6. 09DC28 From Ennis Knupp and Associates, memo regarding PIMCO. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

APPEARANCES:

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

00:22 Ms. Nicholson indicated this issue was addressed in Item #4.

Questions and comments ensued.

The Committee took no action regarding this informational report.

7. 09DC29 From Ennis Knupp and Associates, Final Report on Lifecycle Fund Search **(Laid over from the 5/18/09 meeting pending more information on the rollout of the funds.)**

APPEARANCES:

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

00:11 Ms. Nicholson stated after the May meeting, Great-West informed Ennis Knupp of the recently released set of asset allocation funds, which are the Maxim Lifetime Asset Allocation Funds Series. These funds are actively managed and have slightly higher fees. She continued by stating Lifecycle Funds, which are the Target Date Retirement Funds, are a superior offering in the Plan because they do allow participants to get into that dynamic asset allocation structure that will

SCHEDULED ITEMS (CONTINUED):

change as their time horizon changes. Asset allocation is, by far, the largest impact it is going to have on overall returns over time. As you go through your cycle of life, that time horizon changes. There have been studies that show that participants are not actively updating their investments based on their cycle of life. This addresses that. These funds do some really interesting things. It would be up to the Committee to determine if the Maxim funds are worth examining further.

01:54

The Chair stated the Maxim funds have incorporated a little bit of both the target date retirement fund and risk, which is unique.

Ennis Knupp provided a communication that, based on their review of the Maxim Funds, they do not recommend they be selected as the Plan's target date offering.

The Chairman outlined the process in which the Committee used to narrow the search for a target date fund option. Ennis Knupp greatly assisted that process which included an analysis of the demographics of County employees.

Questions and comments ensued.

ACTION BY: (Grady) Select Vanguard Target Date Retirement Funds. 5-0

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

NOES: 0

45:10

Mr. Grady requested that the Chairman solicit advice from legal counsel on whether or not it is a wise fiduciary decision to deviate from the matter in which Vanguard defaults participants into the Target Date Funds, specifically, the age 65 retirement guideline.

8. 09DC30 From Advised Assets Group, Second Quarter Stable Value Fund Report.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

01:42

The Chairman summarized the report by reviewing the fund's holdings and returns/credited rates. The returns/credited rates number still reflects the old investment management fee. This will be adjusted and retroactively credited in the future to reflect the reduction in basis points. The credit rate to participants will be positively impacted in future quarters.

The Committee took no action regarding this informational report.

9. 09DC31 Second Quarter 2009 Report from Great-West Retirement Services.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

SCHEDULED ITEMS (CONTINUED):

APPEARANCE:

Sue Oelke, Great-West Retirement Services

00:13 Ms. Oelke provided the Committee with an overview of the quarterly report and stated the second quarter proved to be uneventful. She indicated that they are now fully staffed and licensed and will establish monthly office hours. Ms. Oelke went on by discussing joint retirement workshops, distributions, enrollment and contributions, inforce accounts, rollovers into the Plan, emergency withdrawals, the beneficiary project, and the launch of on-line enrollment.

Questions and comments ensued.

The Committee took no action regarding this informational report.

10. 09DC32 Future regularly scheduled meetings of the Select Committee on Deferred Compensation:

- November 16, 2009
- February 8, 2010
- May 10, 2010
- August 2, 2010
- November 15, 2010

(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

The Chairman indicated that the next regularly scheduled meeting is November 16, 2009. There will be a special meeting held prior to that date to give the Committee an opportunity to review the 2008 Plan Audit with Virchow Krause. Committee members will be contacted in the near future for their availability.

The Committee took no action regarding this informational report.

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: 9:01 a.m. to 11:03 a.m.

Adjourned,

Jodi Kapp

Committee Clerk

Select Committee on Deferred Compensation