

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

SELECT COMMITTEE ON DEFERRED COMPENSATION

Monday, February 12, 2007 – 9:00 a.m.

Milwaukee County Courthouse - Room 203-P

MINUTES

CASSETTE: 13; Side B, 358 to EOT
14; Side A, 001 to EOT
14; Side B, 001 to 503

PRESENT: Mark Grady, Susan Walker, Rick Ceschin, Veronica Britt, 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. 07DC1 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.

13/B-368 **There were no appeals.**

2. 07DC2 Report from Department of Administrative Services-Information Management Services Division (DAS-IMSD), Ceridian Corporation, and Great-West Retirement Services regarding the status of the proposed human resource and payroll interface with the County's Deferred Compensation program. **(VERBAL REPORT AND HANDOUT FROM GREAT-WEST. INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

APPEARANCES:

Hugh Morris, Business Systems Project Manager, IMSD (DAS)
Darryl Collier, Great-West Retirement Services

- 13/B-545 Mr. Morris stated Great-West will be sending a file. The file matches the format that Ceridian requested be loaded into the system. This file will eliminate doing

SCHEDULED ITEMS (CONTINUED):

data entry for deductions whether there are changes, additions, or deletions. The file will be processed by Ceridian. He stated this completes a full circle where enrollments can be done online and any changes or deductions that are taking place will come back into the system via this file.

Mr. Morris recommended, in the interim, delaying the move to online enrollment for Great-West until after the implementation of Ceridian payroll, which will be taking place third quarter. Following payroll implementation, there would be a conversion to online enrollment using the web and the website from Great-West. He also recommended expanding the current information feed from what it is now to what has been requested by Great-West. What he is recommending now is modifying the current file by changing it from those individuals who are contributing to all individuals who are eligible and that the information be expanded in advance of actually doing the conversion. Mr. Morris predicted online enrollment to be up and running sometime August or September.

Questions and comments ensued.

- 13/B-593 Mr. Ceschin suggested the audit contract include a provision regarding the handling of personal data. He suggested putting controls in place for data protection and having some sort of confidentiality agreement in place for all files. Mr. Collier stated that Great-West would be more than happy to comply in that respect and added that would be in addition to the many privacy acts they adhere to that is mandated throughout the industry.

The Committee took no action regarding this informational report.

**** CLOSED SESSION ****

The Committee may adjourn into closed session under the provisions of Wisconsin Statutes, Section 19.85(1)(e), 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).

3. 07DC3 Review of the proposed request for proposals (RFP) for the audit of the third party administration of the Deferred Compensation Plan.

APPEARANCE:

Jerry Heer, Director of Audits, County Board

- 13/B-386 The Chairman explained this item came before the Committee last year when a discussion took place regarding an audit of the Plan. The Chairman, with the assistance of the Director of Audits, put an RFP together for the review and consideration of the Committee. The report that is before the Committee today

SCHEDULED ITEMS (CONTINUED):

(copy attached to original minutes) is an audit of the contract between Milwaukee County and Great-West Retirement Services for planned administration. The last plan audit took place in the early 90s. This is a five year contract. Three years are guaranteed with two option years.

Questions and comments ensued.

13/B-411 Mr. Grady pointed out a typing error on Page 3, Subsection C. The word “are” that falls between the words “participants” and “reporting” should be replaced with the word “and.” He also suggested that when evaluating the RFPs to make an award, a consensus selection should be used rather than a scoring system. The Chairman suggested that the verbiage be worded as follows: An award will be made to the strongest proposal based on the following criteria. After further discussion, the Chairman indicated that he would work with Mr. Heer to formulate the proper language.

13/B-473 Mr. Heer stated the main concern has been more with the documentation of the decision making process whether it’s a scale of one to one hundred or more of a subjective consensus formed by the evaluation panel and recommended to this Committee. He agrees that this is something that should be resolved and put in writing before proposals are submitted so that it is clear that the criteria was determined before submissions from firms are received. Mr. Heer went on to advise the Committee to make sure the criteria is determined beforehand, document judgment that supports the decision, and retain those documents in case the process is ever questioned externally.

ACTION BY: (Grady) Move forward with the Request for Proposals (RFP) process with the changes as stated above. 5-0

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

NOES: 0

4. 07DC4 Financial update on administration of Milwaukee County’s Deferred Compensation Plan. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

14/A-27 The Chairman stated the report that is before the Committee (copy attached to original minutes) is the second edition of a budget document. An official budget was never adopted, however, this document assists in setting parameters or expectations as to what is being spent in different areas. He addressed surplus, mutual fund revenue sharing, gross asset fee revenue, and reconciliations from Great-West.

14/A-88 Mr. Ceschin suggested at the November meeting, the Committee approve a 2008 Budget in order to have a good handle on expectations; in particular, the

SCHEDULED ITEMS (CONTINUED):

forfeiture account.

Questions and comments ensued.

The Committee took no action regarding this informational report.

5. 07DC5 From Ennis Knupp and Associates, providing a report on the Forfeiture Account surplus and options to reduce participant administrative fee revenue.

APPEARANCE:

Laurel Nicholson, Ennis Knupp and Associates

- 14/A-184 Ms. Nicholson stated the report (copy attached to original minutes) details three different options for reducing participant administrative fee revenue. Those options are a fee holiday, a rebate, and a reduction of fees. A surplus has been building over time because the amount collected from participants is larger than what contractually is paid to Great-West for their record keeping services, as well as any other reasonable plan expenses that need to be paid from that account. Legal fees, consulting fees, and certain publications are also paid through the account.

Ms. Nicholson explained in greater detail all three options. She stated the fee reduction and/or the fee holiday is the most reasonable and appropriate way to go about the Committee's goal of offering the participants savings. She suggested granting the fee holiday for a six-month period of time, review the balance in the account after that six-month period, and then consider whether a continued fee holiday or fee reduction would be appropriate. A six-month period of time would allow enough time to evaluate how the process is working.

Questions and comments ensued.

ACTION BY: (Grady) Implement a Fee Holiday for the second, third, and fourth quarters of 2007 for all fees paid for by participants to administer the plan. 5-0

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

NOES: 0

6. 07DC6 From Ennis Knupp and Associates, providing a report on Lifecycle Funds.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

APPEARANCES:

Laurel Nicholson, Ennis Knupp and Associates
Darryl Collier, Great-West Retirement Services

SCHEDULED ITEMS (CONTINUED):

14/A-458 Ms. Nicholson indicated that from a clean slate approach, Ennis Knupp views lifecycle funds as superior to lifestyle funds. Lifecycle funds are funds that have a dynamic asset allocation structure that move increasingly conservative as a participant approaches their retirement year. Lifestyle funds are based on risk tolerance and preferences. T. Rowe Price personal strategy funds, which are currently in the plan, are lifestyle funds. They are conservative, moderate and aggressive.

As she previously stated, from a clean slate approach, lifecycle funds are often superior. This isn't a clean slate. Drawbacks to making a change at this point are based on the fact that Milwaukee County currently has funds in place that are being used and have performed very well. Their expense ratios are very reasonable, and participants are offered other plan features such as investment advice and other tools that can be used to make their asset allocation decisions. In addition, off the shelf products in almost any big provider will offer lifecycle funds, which may not fit the profile of a typical County employee. These funds really target a retirement age of around 65 and if a typical participant is on a different time horizon, that could be a problem. A way to solve that problem is to look at customized funds. Great-West has been working on some guidelines internally on the administration and development of customized lifecycle funds.

However, Ms. Nicholson stated the benefits are very compelling such as the dynamic asset allocation structure. Research has indicated that one of the biggest problems participants have is getting their investments in a diversified investment structure. Another benefit would be selecting an asset allocation strategy that is appropriate for them. Lifecycle funds can solve those two issues. She also stated that if the County ever decides to go with automatic enrollment, lifecycle funds work really well with automatic enrollment. Overall, Ennis Knupp thinks lifecycle funds are a really neat product that helps participants, when they're communicated appropriately and when participants know what the products are, to get in a fund that's appropriate for them.

She mentioned the other important thing to consider is upcoming events. The Committee is contemplating re-bidding the record keeping services. This should probably wait until the Committee has weighed the options of incorporating customized lifecycle funds versus off the shelf lifecycle products into the RFP process. Ms. Nicholson indicated she wouldn't recommend making any big change right now when it is not one hundred percent sure how the plan is going to be administered in the near future.

14/A-514 Mr. Collier added that Great-West is pursuing documentation that will support the customization of these lifecycle funds. Some of the things they have to do is through compliance in terms of making sure that they don't develop what is called a security by the way the fund is operated. They expect to have clearance

SCHEDULED ITEMS (CONTINUED):

within the next quarter. Great-West is just going through all of the fine documentation to ensure that they are not going against any SEC laws.

Questions and comments ensued.

14/A-608 The Chairman ordered this item laid over and will be revisited at a later date.

The Committee took no action regarding this informational report.

7. 07DC7 From Ennis Knupp and Associates, providing a presentation on the 2006 Market Environment. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

APPEARANCE:

Laurel Nicholson, Ennis Knupp and Associates

14/A-612 Ms. Nicholson directed the Committee's attention to the report (copy attached to original minutes) and stated that 2006 was a year of improved returns for the markets. She covered 2006 performance for U.S. Stocks including sector returns, valuations, large-cap versus small-cap, growth versus value, and active management. She also covered 2006 performance for Non-U.S. Stocks including the dollar effect, the currency effect, emerging markets, and active management. Ms. Nicholson discussed U.S. Bonds and Ennis Knupp's long term view of the markets.

Questions and comments ensued.

The Committee took no action regarding this informational report.

8. 07DC8 Fourth Quarter 2006 Performance Report, from Ennis Knupp and Associates. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

APPEARANCE:

Laurel Nicholson, Ennis Knupp and Associates

14/B-46 Ms. Nicholson gave the Committee an update as it relates to the Fourth Quarter 2006 Performance Report (copy attached to original minutes) providing a year-to-date overview summary of fund performance for Milwaukee County's plan. She discussed in detail funds that returned negative performance during the fourth quarter and under performed their benchmarks.

Questions and comments ensued.

SCHEDULED ITEMS (CONTINUED):

The Chairman asked if the Plan qualifies for a lower cost share class in the PIMCO Total Return Fund. Ms. Nicholson confirmed that the Plan would qualify for the Institutional Share Class based on the total assets. Great-West will work with the Chairman to develop the communication to Plan participants notifying them of the fund change to the lower cost share class.

ACTION BY: (Ceschin) Seek the conversion of the current PIMCO Total Return Fund to the Institutional Class Shares. 5-0

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

NOES: 0

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Item #s 9 and 10 were considered together.

9. 07DC9 Discussion of whether the current contract with Great-West Retirement Services for third party administrator services should be renewed effective October 1, 2007 or whether a Request for Proposals (RFP) process should be initiated.

SEE ITEM 10 FOR COMMITTEE ACTION

10. 07DC10 Proposal from Ennis Knupp and Associates, outlining consulting services to assist the County in a Request for Proposals (RFP) process for third party administrator duties.

ACTION BY: (Ceschin) Adjourn into closed session under the provisions of Wisconsin Statutes, Section 19.85(1)(e), for the purpose of discussing Item #s 9 and 10 above. 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, Britt and Cady (Chair) – 5

NOES: 0

The Committee convened into closed session at approximately 11:07 a.m. and reconvened in open session at approximately 11:28 a.m. The roll call was taken and all Committee Members were present.

SCHEDULED ITEMS (CONTINUED):

ACTION BY: (Grady) Lay Item #s 9 and 10 over to the Call of the Chair for a special meeting prior to March 30, 2007. 5-0

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

NOES: 0

11. 07DC11 From Great-West Retirement Services, fourth quarter 2006 report on the Milwaukee County Stable Fund. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

14/B-358 The Chairman explained that this report (copy attached to original minutes) is a report provided every quarter. It worked out that it came before this meeting, so he decided to put it on the agenda as an informational item. The report contains a lot of data, and the Chairman thought it should be put on the record for everyone to see.

The Committee took no action regarding this informational report.

12. 07DC12 From Great-West Retirement Services, activity reports and status of Plan Enhancements. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

APPEARANCES:

Sue Oelke, Great-West Retirement Services

Marco Gruhalski, Great-West Retirement Services

14/B-375 Ms. Oelke indicated that the Committee was provided with third and fourth quarter reports (copy attached to original minutes), which track the activity of the local staff i.e. what they have done, the number of group meetings they have had, and the number of site visits they have conducted. She stated that these reports will be provided to the Committee thirty days after the close of each quarter. Great-West will work continually to improve the reports, but this can serve as an example for the format. Some data was excluded like web statistics but will be included in the first through third quarter reports and then rolled up into the year end report. She stated they are open to providing any type of data the County is looking for.

Also included in the packet was a plan review for 2006. It was agreed that this report would be brought back every six months. Since the Ceridian interface has not been completed, they were unable to provide the Committee with more demographic information in the report on the plan.

Ms. Oelke stated that Great-West will continue to work closely with the Chairman on formatting and layout of some of the screens on the new website, which has

SCHEDULED ITEMS (CONTINUED):

been launched. It is in an effort to make it look better. They are also working on the content for the website. Great-West wants to post a survey on the website to really see if the needs of participants are being met. Drafts have been provided to the Chairman for his review.

Questions and comments ensued.

The Committee took no action regarding this informational report.

13. 07DC13 Future regularly scheduled meetings of the Select Committee on Deferred Compensation:

- May 21, 2007
- July 30, 2007
- November 19, 2007

(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

14/B-495 The Chairman indicated that the next three regularly scheduled meeting dates of the Committee are listed. He stated that another meeting date going into 2008 will be added to have a regular quarterly meeting scheduled. This will assist Committee members when making plans and makes it easier for our out of town consultants as well.

This meeting was recorded on tape. 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 is available in the County Board Committee Services Division.

Length of meeting: 9:03 a.m. to 11:43 a.m.

Adjourned,

Jodi Kapp

Committee Clerk
Select Committee on Deferred Compensation