

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

SELECT COMMITTEE ON DEFERRED COMPENSATION

Monday, February 9, 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).

The Committee did not go into closed session.

1. 09DC01 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. 09DC02 Financial Update on Administration of Milwaukee County's Deferred Compensation Plan. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

00:12 The Chair explained this quarter's report (copy attached to original minutes) by stating it contains the standard information reflecting expenditures, revenues, reconciliation of the administrative accounts, and the reconciliation of 2008 mutual fund re-allowances that were received by Great-West. Both the 2008 and 2009 Budgets are included.

Questions and comments ensued regarding extending the fee holiday.

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

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

NOES: 0

SCHEDULED ITEMS (CONTINUED):

3. 09DC03 From Reinhart Boerner Van Deuren, recommending administrative procedures relating to Plan Approved Domestic Relations Orders (PADRO).

APPEARANCE:

Darryl Collier, Great-West Retirement Services

- 00:13 The Chair stated last year Mr. Choice put together provisions to the Plan document that recognizes and addresses domestic relations orders. The process was set up in a way where these orders would be reviewed by the Plan's attorney to make sure they were done appropriately. The orders were then forwarded to Great-West who would also review and process them. After participating in this process, it was found to not only be difficult because of the paperwork, but it also created more of an administrative burden. Great-West provides this service and has the ability to process these orders internally with their own legal team.

By working within the existing Plan document which allows for domestic relations orders, procedures can be set which allows Great-West to facilitate the entire process including the issuance of charges to the participant for this service. In addition, this will reduce costs to the Plan. It is expected that under the new service agreement with Great-West, PADRO's will be reviewed and approved by Great-West, and participants will be charged \$250 (\$125 per spouse) to perform this service.

Questions and comments ensued.

ACTION BY: (Ceschin) Approve Internal Administrative Procedures relating to how the Plan will handle Plan Approved Domestic Relations Orders (PADROS). 5-0

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

NOES: 0

4. 09DC04 From Ennis Knupp and Associates, 2008 Capital Market Review.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

APPEARANCES:

Laurel Nicholson, Ennis Knupp and Associates

Maritza Martinez, Ennis Knupp and Associates

- 00:13 Ms. Nicholson stated that markets have been very difficult for investors. There was no safety anywhere in the equity markets. Even the bond markets, which ended the year in positive territory driven mainly by strong returns of treasury and agency bonds, proved to be a very difficult place for bond managers and active investors in the bond markets to navigate. There was a lot of underperformance

SCHEDULED ITEMS (CONTINUED):

and even negative returns from bond funds in 2008. However, the PIMCO fund did pretty well in 2008.

Ms. Nicholson went on to state January of this year was not much better. There were negative returns during the month of January. However, the first few days of February have looked a little better. The markets are actually in positive territory for February. It is hard to know what to expect looking forward into 2009. The general consensus is that 2009 will not necessarily be a great year. Hopefully, there will be some recovery and movement towards normalcy in the market. Bad news that comes out in the media everyday has already been priced into the market due to that expectation, which contributes to fear in the market.

Ms. Nicholson continued her presentation by discussing loss of consumer confidence, international markets, market observers' opinions, U.S. equity style results, non U.S. equity sector returns, sector returns in fixed income, the dangers of market timing, and capital market assumptions.

Ennis Knupp's recommendation is not to change portfolio positioning. Given that the market has been terrible and the outlook for 2009 is questionable, participants should not change what they are doing. It can be hard to encourage participants to hold tight, continue to review the Plan's investment policy, and explain that this is a long term investment. By changing that approach right now would be to lock in the losses suffered over the last year taking the portfolio into a weak position to benefit from the recovery of the market. Ennis Knupp continues to have confidence that the best protection in this market is diversification and sticking to the investment policy.

The Committee took no action regarding this informational report.

5. 09DC05 Fourth 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

- 00:31 Ms. Martinez stated that the market showed a lot of double digit negative returns, at least on the equity side. The North Shore, Stable Value Fund, and PIMCO were the only funds that produced positive returns for the fourth quarter. The Plan continues to benefit from the Stable Value Fund due to the fact that more than half of the Plan's assets are invested in this fund. PIMCO performed well on a relative and absolute basis. It rebounded nicely from its underperformance in the third quarter and benefited from overweight allocations of bonds and financial

SCHEDULED ITEMS (CONTINUED):

companies, which sounds kind of counterintuitive, but it was because of the government's policy assistance and more specifically, exposures to the high yield.

Ms. Martinez distributed a Preliminary Return Summary document (copy attached to original minutes) and provided the Committee with an update as it relates to the Fourth 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.

- 15:10 Ms. Nicholson reviewed two additional attachments that were included in this item by stating the Committee wished to be kept apprised of the performance of the socially conscious funds that were presented in the search last fall. An updated performance table (copy attached to original minutes) through the end of the year has been attached for the Committee's information. The second document included is a report on opportunistic strategies group put together entitled "A Top Ten Checklist for Alternative Asset Investors: Madoff Securities, a Predictable Catastrophe" (copy attached to original minutes). She indicated that this was also included just for the Committee's information.

Questions and comments ensued.

The Committee took no action regarding this informational report.

6. 09DC06 From Ennis Knupp and Associates, Initial Report on Lifecycle Fund Search. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

APPEARANCE:

Laurel Nicholson, Ennis Knupp and Associates

- 00:02 Ms. Nicholson explained the memo before the Committee relates to the lifecycle fund search Ennis Knupp is currently working on. They have a unique proprietary model that will take in data such as average starting salary, average ending Plan balance, average age of participants, average retirement age, and other factors. This enables them to analyze how the glidepath, which is how these asset allocation funds move from equity oriented to fixed income oriented investment strategies, match participant demographic. They were hoping to have a completed search for the Committee, but it has been a slow process getting that specific information set up in order to do the analysis. They are planning to submit a report for the next meeting. The purpose will be to look at these asset allocation funds and determine how they match or do not match the Plan's demographic.

SCHEDULED ITEMS (CONTINUED):

Questions and comments ensued.

The Committee took no action regarding this informational report.

7. 09DC07 Review of draft Third Party Administrator Contract.

00:26 **ACTION BY:** *(Ceschin) Adjourn into closed session under the provisions of Wisconsin Statutes, Section 19.85(1)(e), for the purpose of discussing Item #7. 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 9:56 a.m. and reconvened in open session at approximately 10:51 a.m. The roll call was taken, and all Committee Members were present.

00:30 **ACTION BY:** *(Grady) Approve the Contract. 5-0*

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

NOES: 0

8. 09DC08 From Advised Assets Group, Fourth Quarter Stable Value Fund Report. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

00:11 The Chairman explained that this report (copy attached to original minutes) is sent to him quarterly. The summary page of the report appears to be the most helpful. It reflects what the Stable Value Fund is crediting going forward and what its holdings are. He discussed the first quarter rates of the Stable Value Fund on an annualized basis.

The Committee took no action regarding this informational report.

9. 09DC09 Fourth Quarter Report from Great-West Retirement Services. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

APPEARANCE:

Sue Oelke, Great-West Retirement Services

00:10 Ms. Oelke provided an overview of the quarterly report (copy attached to original minutes) and began by stating although the markets were extremely challenging in 2008, the Plan, as a whole, had its best year ever. She highlighted retiree/retirement outreach efforts, the joint retirement workshop held this past

SCHEDULED ITEMS (CONTINUED):

December, 2008's focus of maintaining Plan assets by minimizing withdrawals and increasing assets, and just a general review of past efforts to reach employees.

Ms. Oelke discussed Great-West's initiative to reduce the number of full distributions, enrollment and contributions, inforce accounts, rollovers into the Plan, website activity, service center calls, and emergency withdrawals.

Ms. Oelke reviewed Great-West's 2009 marketing strategy topics, which include electronic deferral file feed, beneficiary record keeping, the 2009 marketing campaign, the marketing division report, and cleaning up the department database.

Questions and comments ensued.

The Committee took no action regarding this informational report.

10. 09DC10 From NAGDCA Executive Board proposing an amendment to the NAGDCA Constitution.

00:10 The Chair stated he received this memo by email and wanted to present it to the Committee. Because Committee members are all members of NAGDCA, he thought it would be a good idea to weigh in on the proposed amendment. A response also ensures a connection to NAGDCA throughout the year.

ACTION BY: (Ceschin) Approve the proposed NAGDCA Constitution amendment recommended as outlined in the memo from the NAGDCA Executive Board dated January 30, 2009. 5-0

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

NOES: 0

11. 09DC11 Future regularly scheduled meetings of the Select Committee on Deferred Compensation:

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

(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

00:02 The Chairman indicated that the next regularly scheduled meeting is May 18, 2009.

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: 9:02 a.m. to 11:25 a.m.

Adjourned,

Jodi Kapp

Committee Clerk

Select Committee on Deferred Compensation