



City of Madison

City of Madison
Madison, WI 53703
www.cityofmadison.com

Meeting Minutes - Approved DEFERRED COMPENSATION COMMITTEE

Thursday, June 20, 2013

1:00 PM

CCB, 210 Martin Luther King, Jr. Blvd. Rm 501
HR Conference Room

CALL TO ORDER / ROLL CALL

Others present: The Capital Group @Lincoln Financial Advisors - Mark Strassburger and Carrie Waters-Schmidt.

Alliance Benefit Group - John Blossom and Linda Blossom

Present: 6 -

Brad Wirtz; David M. Gawenda; David Schmiedicke; Roger Allen; Mike Lipski and Lucia Nunez

Absent: 1 -

Mark Hanson

PUBLIC COMMENT

No Public Comment

DISCLOSURES AND RECUSALS

No recusals or disclosures

NEW BUSINESS

[30624](#)

Review and possible selection of a new fund lineup for Lincoln/ABG.

New Business: File #'s 30624 & 30630

Fund Review—Fund Performance information was presented by John Blossom based on attachment titled "City of Madison QMR-Port Performance-Mkt Env.pdf." Information on returns was based on performance through March 31, 2013 (Quarter 1) and 1 year returns were based on performance from April 1, 2012-March 31, 2013.

At the December, 2012 meeting, the following funds were either under scrutiny or on the watchlist:

- Eaton Vance Dividend Builder Fund—Under Scrutiny
- Goldman Sachs Mid-Cap Value—Under Scrutiny
- Black Rock US Opportunities Fund—Watchlist
- Black Rock Inflation Protected Bond Fund—Under Scrutiny

The Committee reviewed funds against the criteria outlined in the Investment Policy Statement (IPS). Any fund that missed on a number of the criteria outlined in the IPS was given greater review by the Committee and are

discussed below.

Before discussing the plan performance, Mark Strassburger gave an overview of the Committee's recent actions in approving a new fee structure for Lincoln/ABG. Mark indicated that the new structure has allowed Lincoln/ABG to review the fund lineup and make recommendations for different funds to be added to the lineup. The new funds, described in legislative file #30624, and the associated handout "City of Madison Cost Analysis w-replacements.pdf" were discussed as the Committee reviewed the overall fund performance.

Eaton Vance Dividend Builder Fund: This fund is under scrutiny. Performance continues to lag. The fund is categorized as a large blend, as is the American Funds Fundamental Investors fund, which is performing well. The Eaton Vance Dividend Builder fund also has higher expenses.

A Motion was made by Lipski seconded by Gawenda to remove the Eaton Vance Dividend Builder fund from the lineup and map the investments to the American Funds Fundamental Investors fund. The motion passed by voice vote/other.

Black Rock US Opportunities Fund: This fund was placed on the Watchlist and continues to have subpar performance. In addition, the fund is expensive compared to its peers. It was recommended to replace this fund with the JP Morgan Mid Cap Equity Select. Data was not initially presented as to how this fund would score using our criteria.

A Motion was made by Gawenda, seconded by Schmiedicke to suspend contributions to the Black Rock US Opportunities Fund. Motion was made by Nunez, seconded by Gawenda to table this motion. The Motion passed by voice vote/other.

Information was later presented to show the JP Morgan Mid Cap Equity Select fund scores 98 out of 100 using our criteria.

A motion was made by Lipski, seconded by Nunez to bring this item off the table. The motion passed by voice vote/other. The original motion failed by voice vote/other.

A motion was made by Lipski, seconded by Nunez to eliminate the Black Rock US Opportunities Fund and replace it with the JP Morgan Mid Cap Equity Select fund. The motion passed by voice vote/other.

Cohen and Steers Realty Shares fund: This fund is performing poorly in the 1 and 3 year measures. 5 year performance remains acceptable.

A motion was made by Lipski, seconded by Nunez to place this fund under scrutiny. The motion passed by voice vote/other.

Delaware Diversified Income Fund: This fund is relatively expensive. It is a bond fund, but was added to the lineup at the time when there were not a large number of bond funds. It is listed as an intermediate term bond fund, but has a broader portfolio. It was recommended that the Delaware fund be replaced by the PIMCO Total Return, which is a more pure intermediate term bond fund, and has an award winning manager. The PIMCO fund scores 71 using our

criteria.

A motion was made by Lipski, seconded by Nunez to replace the Delaware Diversified Income Fund with the PIMCO Total Return. The motion passed by voice vote/other.

Black Rock Inflation Protected Bond Fund: This fund continues to underperform in the 1 and 3 year performance measures. It also fails regarding expense ratio. It was recommended to replace this fund with the PIMCO Real Return, which only scores 64 using our criteria. This would still be a significant improvement over the 45 that the Black Rock Inflation Protected Bond Fund scored.

A motion was made by Gawenda, seconded by Allen to place this fund on the watchlist. The motion passed by voice vote/other.

A motion was made by Allen, seconded by Lipski to reconsider the action. The motion passed by the following vote: 3:3: (Aye: Nunez, Lipski, Wirtz No: Gawenda, Allen, Schmiedicke) The Motion failed.

Goldman Sachs Mid-Cap Value: Fund currently under scrutiny. However, performance has improved.

A motion was made by Gawenda, seconded by Allen to remove this fund from Under Scrutiny and call the performance satisfactory. The motion passed by voice vote/other.

The remaining funds had adequate performance, including those identified at the previous meeting as failing to meet benchmarks.

Mark Strassburger then recommended changes to the share class within the existing funds that would reduce expenses for participants and equalize the expenses across the funds. For instance, looking at the document on File #30624, the Blackrock Equity Dividend Inv currently is an A class, but the I class has 27 fewer basis points in fees, and would reduce the Plan Expense fees by 24 basis points.

A motion was made by Lipski, seconded by Nunez to replace the current share classes with the recommended ones for the Blackrock Equity Dividend Inv, American Funds Europacific GR, Oppenheimer Developing Markets, and American Funds American Balanced, as well as adding the Target Date 2050 to the fund lineup. The motion passed by voice vote/other.

Mark and Carrie presented some options for socially responsible funds for the lineup, on page 2 of the document on File #30624.

A motion was made by Allen, seconded by Nunez to include all proposed socially responsible funds. A motion was made by Nunez, seconded by Allen to refer this item to the next meeting of the DCC. The motion to refer passed by voice vote/other.

[30630](#)

Investment and Plan information review including a discussion of fund performance and consideration/selection of alternative funds.

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- Black Rock US Opportunities Fund—Watchlist
- Black Rock Inflation Protected Bond Fund—Under Scrutiny

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Before discussing the plan performance, Mark Strassburger gave an overview of the Committee’s recent actions in approving a new fee structure for Lincoln/ABG. Mark indicated that the new structure has allowed Lincoln/ABG to review the fund lineup and make recommendations for different funds to be added to the lineup. The new funds, described in legislative file #30624, and the associated handout “City of Madison Cost Analysis w-replacements.pdf” were discussed as the Committee reviewed the overall fund performance.

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DISCUSSION ITEMS

Activities Report: Mark Strassburger & Carrie Waters-Schmidt briefly went over the activities report.

ADJOURNMENT

A motion was made by Lipski, seconded by Nunez, to Adjourn. The motion passed by voice vote/other.