

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE
ANNUITY AND PENSION BOARD**

Minutes of the Regular Meeting held June 23, 2008

The meeting was called to order at 9:05 a.m.

Board Members Present: John Barmore
 William C. Carey, Vice Chair
 Thomas Fischer
 Larry Holland
 Ron Walter

Board Members Not Present: W. Martin Morics (excused)
 Michael J. Murphy (arrived later in meeting)
 Sebastian C.J. Raclaw (excused)

Retirement System Staff Present: Bernard J. Allen, Executive Director
 Martin Matson, Deputy Director
 Thomas Rick, Chief Investment Officer
 David Silber, Pension Investment Analyst
 Bruce Thomas, Pension Investment Analyst
 Alva Owens, Information Services Manager
 Suzanne Fortier, Board Stenographer

Others Present: Elizabeth Conradson Cleary and Rudolph Konrad, City Attorney's Office;
Terry Siddiqui, DS Consulting, and Jon Granger, Sagetic Solutions.

Approval of Minutes. Mr. Allen presented the minutes of the Regular Meeting held May 27, 2008. It was moved by Mr. Fischer, seconded by Mr. Holland, and unanimously carried, to approve the Minutes of the Regular Meeting held May 27, 2008.

Chief Investment Officer Report. As a matter of information, Board members received a copy of the CIO Report, dated June 18, 2008. Mr. Rick handed out a copy of the Performance Update Charts. Mr. Thomas reported that as of May 31, 2008 the Fund's value was \$5.02 billion. The Fund had a monthly return of 1.1 percent, which outperformed the benchmark return of 0.9 percent. He stated that over the year-to-date and one year timeframes the Fund has underperformed the benchmark, but outperformed during the three and five year timeframes. The domestic equity composite had a monthly return of 2.3 percent, which outperformed the benchmark return of 2.1 percent. Over the year-to-date and one and three year timeframes, the domestic equity composite has underperformed the benchmark, but outperformed for the five year time period. Mr. Thomas indicated that for May Artisan, DFA, Bernstein, Turner and Earnest all underperformed their benchmarks by 1.8 percent, 0.2 percent, 0.6 percent, 0.9 percent and 0.5 percent, respectively. Barclays' outperformance of 1.0 percent helped the composite to slightly exceed the benchmark.

He reported that the international equity composite had a monthly return of 1.4 percent, which outperformed the benchmark return of 1.0 percent. Year-to-date the composite has underperformed the benchmark return of -3.0 percent, while over the one, three and five years the international equity composite has outperformed. Brandes underperformed the benchmark by 0.4 percent, while DFA and Blair outperformed their benchmarks by 0.9 percent and 0.2 percent, respectively. Mr. Thomas reported that the fixed income composite had a monthly return of -0.5 percent, outperforming the benchmark return of -0.7 percent. Over the year-to-date and one year timeframe the composite has underperformed the benchmark, while outperforming over the three and five year timeframes. Loomis outperformed the benchmark by 0.4 percent, while Reams matched the benchmark return of -0.7 percent. Mr. Thomas noted that June, month-to-date, the Fund is down about 4.3 percent. The international equity composite is down about 6.7 percent; the domestic equity composite is down about 5.3 percent, and the fixed income composite it down about 0.9 percent. He indicated the Fund's projected value through June 20, 2008 is \$4.82 billion.

Mr. Thomas talked about the returns based style analysis, which shows all domestic equity managers are within their expected styles. Over the last five years on a risk return basis, the Fund has outperformed the benchmark while taking on additional risk. He reported that for the month of June, the Fund will be withdrawing \$25 million: \$10 million from Loomis Sayles, \$8 million from Barclays and \$7 million from Reams. As of June 20, 2008, year-to-date, the Fund had: capital market losses of \$311 million; paid out \$105 million in payroll and expenses; and received contributions of \$14 million. Mr. Rick stated that the larger withdrawal this month has to do with real estate capital calls.

Mr. Rick updated the Board on upcoming due diligence trips if any Board member would be interested in attending. He mentioned that he is scheduling an Investment Committee meeting prior to the September meeting to go over the asset allocation implementation plan. Mr. Rick asked Board members to let him know of any August dates that they would not be available for such a meeting.

Administration and Operations Committee Report. Mr. Barmore reported that the Committee met on June 17, 2008 and received a monthly update on MERITS. Business continuity planning continues and an update was given on the disaster recovery site options. The Committee is still waiting to hear from DPW on city sites. Staff developed a contact list for the State and continues to do research on renting a private facility both within and out of the city limits.

Approval of RFP for Organizational Study. As a matter of information, Board members received a copy of the draft RFP. Mr. Allen handed out a distribution list of vendors. Mr. Barmore stated the Committee approved the RFP with the exception of Appendix D, which is now approved with consultation with the City Attorney's Office. He moved to approve the RFP, including Appendix D. Mr. Barmore asked Ms. Cleary and Mr. Matson if they would comment on Appendix D. Ms. Cleary indicated that there was some discussion in relation to the Confidentiality and Proprietary Information as the City Attorney's Office had replaced this appendix with language that other city departments use. ERS staff and the City Attorney's Office are now all in agreement of the language in this

Appendix. Mr. Matson stated the entire RFP needed approval. He said that prior RFPs make reference to ERS' Parties of Interest and policy. While he was able to come up with the Parties of Interest list, he stated he could not find an actual policy, only notes from Ms. Shannon. Mr. Matson said that in the end the policy is only related to investment transactions, which is not applicable to this RFP. He asked to amend the RFP to exclude any references to the Parties of Interest policy. The Parties of Interest list would still be included in the RFP. After discussion, it was moved by Mr. Barmore, seconded by Mr. Murphy, and unanimously carried, to approve the RFP as amended and distribution list. It was moved by Mr. Fischer, seconded by Mr. Murphy, and unanimously carried, to approve the A & O Committee report.

New Business.

Retirements, Death Claims, and Refunds. Mr. Allen presented the following activity from the month of June 2008, as well as Service Credits for the month of June 2008.

Active Death Benefits reported June 2008	\$125,520.70
Retired Death Benefits reported June 2008	\$33,037.06
Refund of Member Contributions paid June 2008	\$48,531.25

It was moved by Mr. Walter, seconded by Mr. Holland, and unanimously carried, that the above-indicated retirements, death claims, and refunds be approved.

Conference Requests. Mr. Allen reported there were no conference requests.

Approval of Election Bulletin No. 177 – Active Member. As a matter of information, Board members received a copy of Bulletin No. 177. It was moved by Mr. Walter, seconded by Mr. Barmore, and unanimously carried, to approve Bulletin No. 177.

Approval of New Contract with Symphony Corporation for Programming Services. As a matter of information, Board members received a copy of the Contract for Services and Statement of Work. Mr. Allen stated the City Attorney had requested a new formal contract for ERS' system development work, which is a continuation of the current vendor. It was moved by Mr. Fischer, seconded by Mr. Murphy, and unanimously carried, to approve the contract with Symphony Corporation.

Medical Reports.

Fire and Police Duty Disability and Duty Disability Re-examinations. Mr. Allen presented certifications of the Fire and Police Medical Panel Physicians relative to Duty Disability Retirement Benefit as follows:

<u>Fire – New Applications - Duty</u>	<u>Recommendation</u>
Peter Lange Effective 6/24/08	Approval
<u>Police – Re-examinations</u>	<u>Recommendation</u>
Efraim Arrastia	Approval
John Burke	Approval
James Drager	Approval
Robert Enters	Approval
Timothy Sanger	Approval
James Strohmayer	Approval
<u>Fire – Re-examinations</u>	<u>Recommendation</u>
Hugh Carr	Approval
Pieter Gallagher	Approval
Mark Wade	Approval
Jeffrey Wenzel	Approval
Myron Hooks	Approval

It was moved by Mr. Murphy, seconded by Mr. Walter, and unanimously carried, to accept the aforementioned recommendations of the Fire and Police Panel Physicians.

All Ordinary Disabilities and General City Duty Disability. Mr. Allen presented certifications of the Medical Council relative to Duty Disability Retirement as follows:

<u>New Applications – Duty</u>	<u>Recommendation</u>
Audrey Copeland	Denial
Roben Collins	Denial
Marvin Siravo	Denial
<u>New Applications – Ordinary</u>	<u>Recommendation</u>
Audrey Copeland Effective 4/24/08	Approval
Debra Wilson Effective 5/16/08	Approval
Marvin Siravo Effective 5/2/08	Approval
<u>Re-examinations – Ordinary</u>	<u>Recommendation</u>
Marija Jakopec	Approval

<u>Re-examinations – Ordinary (cont'd)</u>	<u>Recommendation</u>
Mary Wenzel	Approval
Gloria Nichols	Approval
Deborah Merk	Approval
James Houston	Approval
Johnnie Tangle	Approval
Romona Erickson	Approval
Rozlyne Corder	Approval
Sandra Crowder	Approval
Allen Silva	Approval
Steven Wesolowski	Approval

<u>Re-examinations – Duty</u>	<u>Recommendation</u>
James Walensa	Approval
Otis Caldwell	Approval
Daren Andrysczyk	Approval
Carolyn Crudup	Approval
Daniel Hornak	Approval

It was moved by Mr. Holland, seconded by Mr. Barmore, and unanimously carried, to accept the aforementioned recommendations of the Medical Council.

Disability Findings – Ellis Beason. Mr. Allen presented the findings submitted by Hearing Examiner Kessler which states “The application of Ellis Beason for duty disability is denied.” A Brief was also received from Mr. Beason’s attorney, Gene Holt, dated June 11, 2008. It was moved by Mr. Holland, seconded by Mr. Murphy, and unanimously carried, to accept the recommendation of Hearing Examiner Kessler that Mr. Beason be denied duty disability.

Unfinished Business.

Legal Opinion and Service Requests Pending. As a matter of information, Mr. Allen presented a list of pending requests for legal opinions and service requests made to the City Attorney.

Legal Opinions Obtained. Mr. Allen presented a legal opinion obtained from the City Attorney as follows:

Rescission of Legal Opinion Request – Pension Status of Illegal Alien. Requested December 7, 2007, received June 11, 2008. Mr. Konrad briefly discussed the issue.

Fourth Amendment to Contract with S & S Consulting Group, LLC. Requested May 15 2008, received June 11, 2008. Ms. Cleary briefly talked about the service request.

Second Amendment to Contract with DS Consulting Group. Requested May 15, 2008, received June 11, 2008. Ms. Cleary briefly talked about the service request.

First Amendment to Contract with Sagitec Solutions, LLC. Requested May 15, 2008, received June 11, 2008. Ms. Cleary briefly talked about the service request.

It was moved by Mr. Barmore, seconded by Mr. Fischer, and unanimously carried, to accept the opinions and place on file.

Legislation Requests Pending and Proposed Legislation. As a matter of information, Mr. Allen presented a list of pending requests for legislation.

Executive Director's Report – Inventory of ERS Projects. As a matter of information, Mr. Allen presented a report on the ERS projects and updated the Board on ERS activities. With regard to the Rollover of ERS Lump-Sum Payments Directly to Rollover Institutions report, it was moved by Mr. Barmore to amend the recommendation and delete the language that says “then proceed according to the results of the survey”, and add the language “have the staff bring back the results to the Board for discussion and staff recommendations.” Mr. Murphy seconded the motion, which unanimously carried. Mr. Allen handed out a copy of a letter from the Retirees Association that ERS will distribute with our monthly newsletter.

Milwaukee Police Supervisors' Organization vs. ERS, et al. Case No. 05-CV-006697. Mr. Carey asked if there was any update on this case. Mr. Konrad answered in the negative.

Informational

The following is a list of informational items:

- 1) Report on Claims and Litigation – Memorandum dated June 23, 2008, which gives the status of litigation involving the ERS, as prepared by staff of the ERS and City Attorney's office.
- 2) List of conferences from July 2008 through February 2009.
- 3) Class Action Lawsuit Report.
- 4) Minutes of the Investment Committee Meeting held April 22, 2008.

The following is a list of activities since the last Board meeting, copies sent with meeting notice and attached to minutes:

- 5) Report on Bills.
- 6) Deployment of Assets.
- 7) Securities Lending Revenue and Budget Reports.
- 8) Preliminary Performance Report/Asset and Manager Allocation Pie Charts.
- 9) ERS Holdings Report.

After discussion, it was moved by Mr. Holland, seconded by Mr. Fischer, and unanimously carried, to accept and place on file the aforementioned informational items.

Mr. Murphy asked for approval to attend the International Investing and Emerging Markets conference in San Francisco, CA on August 25 -27, 2008. He stated the estimated cost would be \$2,900. It was moved by Mr. Barmore, seconded by Mr. Fischer, and unanimously carried, to approve Mr. Murphy's conference request.

There being no further business, it was moved by Mr. Barmore, seconded by Mr. Fischer, and unanimously carried, to adjourn the meeting at 9:45 a.m.

Bernard J. Allen
Secretary and Executive Director

(NOTE: All proceedings of the Annuity and Pension Board Meetings and related Committee Meetings are recorded. All recordings and material mentioned herein are on file in the office of the Employees' Retirement System, 789 N. Water Street, Suite 300.)