

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

Minutes of the Regular Meeting held November 18, 2010

The meeting was called to order at 9:03 a.m.

Board Members Present: John Barmore
 William C. Carey
 Larry Holland
 Konrad Ellenberger
 W. Martin Morics, Chair

Board Members Not Present: Gust Petropoulos (arrived at 9:49 a.m.)
 Michael J. Murphy (arrived at 9:07 a.m.)
 Ron Walter (arrived at 9:07 a.m.)

Retirement System Staff Present: Bernard J. Allen, Executive Director
 Martin Matson, Deputy Director
 Thomas Rick, Chief Investment Officer
 Kelly Reid, Chief Technology Officer
 David Silber, Pension Investment Analyst
 Suzanne Fortier, Board Stenographer

Others Present: Elizabeth Cleary and Rudolph Konrad, City Attorney's Office; and James Greer, Whyte Hirschboeck Dudek.

Approval of Minutes. Mr. Allen presented the minutes of the Regular Meeting held October 25, 2010. It was moved by Mr. Holland, seconded by Mr. Carey, and unanimously carried, to approve the Minutes of the Regular Meeting held October 25, 2010.

Chief Investment Officer Report. As a matter of information, Board members received a copy of the CIO Report. Mr. Rick handed out a copy of the Performance Update Charts. Mr. Silber reported that as of October 31, 2010 the Fund's value was \$4.19 billion, and the Fund had a 2.9 percent return during the month, which outperformed its benchmark by 30 basis points. He talked about the new blended benchmark for the Fund that included the now fully allocated 10 percent allocation to global equities, the 2 percent committed allocation to private equity, as well as the small bump from 20 to 22 percent into non-US equities, which was adopted by the Board in September 2010. Mr. Silber noted the Fund is outperforming nicely year-to-date. The main drivers of October outperformance came from the fixed income portfolio, as well as the global equity and international equity portfolios. He stated that Loomis drove the fixed income outperformance; Brandes and T. Rowe drove the equity outperformance.

Mr. Silber reported that the Fund is down about 0.6 percent for November, which puts the Fund's year-to-date return around 9.2 percent through November 17, 2010. Seven of the Fund's 13 active managers are outperforming year-to-date, and all of the Fund's major asset

classes are outperforming their respective benchmarks. He reported that through November 17, 2010 the Fund's value is approximately \$4.17 billion. Mr. Silber reported that the Fund will be withdrawing \$20 million in November: \$15 million from William Blair and \$5 million from DFA (US) to pay monthly benefits and expenses. He indicated that as of November 17, 2010 year-to-date, the Fund had: capital market gains of \$348.4 million; paid out \$238.5 million in expenses; and received contributions of \$93.5 million. Discussion ensued.

Approval of Amendment to Mesirow Contract. As a matter of information, Board members received a copy of the Mesirow Contract amendment. Mr. Allen handed out a letter from the City Attorney's Office, dated November 11, 2010. Mr. Rick stated the City Attorney has reviewed and is comfortable with the contract. He said that ERS received some notification from Mesirow asking ERS to extend the fund raising time until April 2011, as well as raising the cap of the Fund from roughly \$600 million to \$900 million. Mr. Rick noted this is consistent with Mesirow's PPM. He said he has talked with Mercer about that and they have no problems with the request as long as it is consistent with Mesirow's PPM. Mr. Rick stated that ERS is the only subscriber within the fund right now that has such a condition in the side letter. After discussion, it was moved by Mr. Barmore, seconded by Mr. Holland, and unanimously carried, to approve the amendment to the Mesirow contract, and also Mesirow's request for extension and raising the cap to \$900 million.

Approval of Russell Investment Transition Manager Contract. Mr. Rick handed out the Transition Manager Services Master Contract, along with attachment A. He stated that ERS, working with Mercer, has researched and developed a list identifying five transition managers that we would like to have on the panel. Barclays is currently on the panel, Russell would be the second firm, and then ERS has three other firms that we have asked the City Attorney to help draft contracts: JP Morgan, State Street, and Northern Trust. After discussion, it was moved by Mr. Barmore, seconded by Mr. Carey, and unanimously carried, to approve the Russell Investment Transition Manager contract.

Approval of Wellington Management Contract. Mr. Rick noted this was only a place holder, but the plan is to have this for the December Investment Meeting.

Investment Committee Report.

Selection of Investment Consulting Firm. Mr. Morics advised that the Annuity and Pension Board may vote to convene in closed session on this item, as provided in Section 19.85 (1) (e), Wisconsin State Statutes, for deliberating or negotiating the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session. The Board may then reconvene in open session following the closed session. It was moved by Mr. Murphy and seconded by Mr. Carey, that the Board convene in closed session on this item. The motion prevailed by the following roll call vote: AYES: Messrs. Barmore, Carey, Ellenberger, Holland, Murphy, Walter and Morics. NOES: None.

The Board convened in closed session at 9:20 a.m. It was moved by Mr. Murphy and seconded by Mr. Carey, that the Board reconvene in open session. The motion prevailed by

the following roll call vote: AYES: Messrs. Barmore, Carey, Ellenberger, Holland, Murphy, Walter and Morics. NOES: None.

The Board reconvened in open session at 9:22 a.m.

Administration and Operations Committee Report. Mr. Barmore stated the Committee met prior to the Board meeting and took up two items.

Approval to Purchase a Storage Area Network (SAN). As a matter of information, Board members received a slide regarding the Storage Area Network. Mr. Barmore stated this would support ERS' disaster recovery operations. The Committee approved buying four of these servers for an expenditure of \$150,000, which is included in the current fiscal year budget.

Approval of Amendment to Board Rule XI – Reimbursement for Conferences and Professional Development Expenses. As a matter of information, Board members received a copy of the Board Rule amendment from the City Attorney's Office, dated November 3, 2010. Mr. Barmore stated this refers to the use of ProCards that staff was able to get from the City. Board members would be able to have either Mr. Allen or Mr. Rick prepay for hotels and airfare when attending a conference. He also noted that Board members can still use their own credit cards and seek reimbursement as usual.

It was moved by Mr. Barmore and seconded by Mr. Ellenberger, to approved items A. and B. of the Administration and Operations Committee Report. After discussion, the motion unanimously carried.

New Business.

Retirements, Death Claims, and Refunds. Mr. Allen presented the following activity, as well as Service Credits for the month of November 2010.

Active Death Benefits reported	\$75,960.41
Retired Death Benefits reported	\$11,770.89
Refund of Member Contributions paid	\$81,149.44

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

Conference Requests. Mr. Allen reported he had not received any conference requests. Mr. Rick stated that he was seeking approval to visit Callan Associates in Chicago, IL on November 29, 2010 for himself, along with Messrs. Silber, Thomas, Murphy and Barmore, for a cost of \$100 per person. It was moved by Mr. Holland, seconded by Mr. Carey, and unanimously carried, to approve the conference requests submitted by Messrs. Rick, Silber, Thomas, Murphy and Barmore. Brief discussion ensued.

2011 Annuity and Pension Board Meeting Dates. As a matter of information, Board members received a listing of meeting dates for 2011, which included Investment Committee and Administration and Operations Committee meeting dates. Mr. Morics indicated this was informational only, but asked Board members to note these dates on their calendars.

Medical Reports.

Fire and Police Duty Disability and Duty Disability Re-examinations and all Ordinary Disabilities and General City Duty Disability. Mr. Allen presented certifications of the Fire and Police Medical Panel Physicians and the Medical Council relative to Duty Disability Retirement benefits as follows:

<u>Police – Re-examinations</u>	<u>Recommendation</u>
Joseph Farina	Approval
Daniel Redman	Approval
Scott Ryan	Approval
Jon Weed	Approval
<u>Fire – Re-examinations</u>	<u>Recommendation</u>
Gregory Ballering	Approval
Pieter Gallagher	Approval
Jeffrey Wolf	Approval
Paul Baerwald	Approval
<u>GC New Applications – Duty</u>	<u>Recommendation</u>
Demetrick Eskridge	Denial
Kenneth Trudeau	Denial
Michael Jones	Approval
Effective 10/30/10	
<u>GC New Applications – Ordinary</u>	<u>Recommendation</u>
Demetrick Eskridge	Approval
Effective 10/14/10	
Henrietta Robinson Avant	Approval
Effective 11/16/10	
Kenneth Trudeau	Approval
Effective 10/7/10	
Tonnie Collier	Approval
Effective 10/4/10	

<u>GC New Applications – Ordinary (cont'd)</u>	<u>Recommendation</u>
Steven Petershack Effective 10/4/10	Approval
Diane Coates Effective 10/5/10	Approval
Audra Finnegan Effective 11/28/10	Approval
<u>GC Re-examinations – Ordinary</u>	<u>Recommendation</u>
Carl Chestnut	Approval
Nicholas Marusic	Approval
Sandra Treuden	Approval
ErmaJean Austin	Approval
Shirley Furlough	Approval
Steven Lemery	Approval
Rudy Richardson	Approval
Clarence Pratt	Approval
Martha Austin	Approval
<u>GC Re-examinations – Duty</u>	<u>Recommendation</u>
Joseph Alferi	Approval
Jeanne Marusic	Approval

It was moved by Mr. Ellenberger, seconded by Mr. Carey, and unanimously carried, to accept the aforementioned recommendations of the Fire and Police Panel Physicians and the Medical Council.

Disability Findings – Mark Madritsch. Mr. Allen presented the findings submitted by Hearing Examiner Neeb. Mr. Morics stated that Hearing Officer Neeb’s Decision states “The application of Mark Madritsch for Duty Disability Retirement is returned to the Annuity and Pension Board for further review. The evidence presented to the undersigned hearing officer demonstrates that Mr. Madritsch is totally and permanently incapacitated from being able to perform his full job description as a natural and proximate cause of a work related injury.” Ms. Fortier noted that after the Board packet was sent out correspondence was received from the City Attorney’s Office, dated November 8, 2010 indicating it did not intend to file a brief. It was moved by Mr. Barmore, seconded by Mr. Holland, and unanimously carried, to accept the recommendation of Hearing Officer Neeb, reversing the denial of duty disability retirement to Mr. Madritsch.

Unfinished Business.

Mr. Morics moved to reconsider item V. E. of the October 25, 2010 meeting – Approval of Request to Obtain Outside Legal Opinion – in order to make the vote unanimous. Mr. Barmore seconded the motion to reconsider. Mr. Morics asked for discussion on the motion.

Mr. Murphy indicated that after the recent elections it became clear to him that the candidate who has won for governor has talked seriously about making cuts to current active members benefits, and also is providing a platform in the future for legacy costs. Therefore, he stated the Board needs to develop a strategy. Mr. Morics stated that there being no objections to the motion, the item is before the Board. It was moved by Mr. Carey, seconded by Mr. Murphy, and unanimously carried, that the opinion be requested as voted for on October 25, 2010.

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:

Retirement Benefits Payable to an Income Trust. Requested June 10, 2010, received November 18, 2010. Ms. Cleary discussed the opinion.

It was moved by Mr. Carey, seconded by Mr. Holland, and unanimously carried, to accept the legal opinion 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.

Mr. Morics directed the agenda item VIII. Informational be taken up out of order.

Informational

The following is a list of informational items:

- 1) Report on Claims and Litigation – Memorandum dated November 18, 2010, 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 December 2010 through May 2011.
- 3) Conference Reports: John Barmore.
- 4) Class Action Lawsuit Report.
- 5) Minutes of the Investment Committee Meeting held October 7, 2010.
- 6) Minutes of the Administration and Operations Committee Meeting held October 20, 2010.

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

- 7) Report on Bills.

- 8) Deployment of Assets.
- 9) Securities Lending Revenue and Budget Reports.
- 10) Preliminary Performance Report/Asset and Manager Allocation Pie Charts.
- 11) ERS Holdings Report.

Ms. Cleary discussed two cases listed under Claims for Overpayment on the Pending Litigation Report. It was moved by Mr. Barmore, seconded by Mr. Carey, and unanimously carried, to accept and place on file the aforementioned informational items.

Milwaukee Police Supervisors' Organization vs. ERS, et al. Case No. 05-CV-006697. Mr. Ellenberger recused himself on this item due to his involvement with this lawsuit as a Board member for the MPSO. Mr. Morics advised that the Annuity and Pension Board may vote to convene in closed session on this item, as provided in Section 19.85 (1)(g), Wisconsin State Statutes, to confer with legal counsel concerning strategy the Board may adopt with respect to litigation in which it is or is likely to become involved. Mr. Morics stated it was his intent to adjourn the meeting from closed session. It was moved by Mr. Carey and seconded by Mr. Walter, that the Board convene in closed session on this item. The motion prevailed by the following roll call vote: AYES: Messrs. Barmore, Carey, Holland, Walter and Morics. NOES: None.

The Board convened in closed session at 9:48 a.m. Mr. Petropoulos arrived in closed session at 9:49 a.m. There being no further business, it was moved by Mr. Walter and seconded by

Mr. Petropoulos, to adjourn the meeting at 10:04 a.m. The motion prevailed by the following roll call vote: AYES: Messrs. Barmore, Carey, Holland, Petropoulos, Walter and Morics.

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.)