

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

Minutes of the Regular Meeting held December 16, 2010

The meeting was called to order at 9:06 a.m.

Board Members Present: William C. Carey
Larry Holland
Konrad Ellenberger
W. Martin Morics, Chair
Michael J. Murphy
Gust Petropoulos
Ron Walter

Board Members Not Present: John Barmore (excused)

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

Others Present: Elizabeth Cleary and Rudolph Konrad, City Attorney's Office; Jay Patel, S&S Consulting.

Approval of Minutes. Mr. Allen presented the minutes of the Regular Meeting held November 18, 2010. It was moved by Mr. Carey, seconded by Mr. Murphy, and unanimously carried, to approve the Minutes of the Regular Meeting held November 18, 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 Chart. Mr. Thomas reported that as of November 30, 2010 the Fund's value was \$4.1 billion, and the Fund outperformed the benchmark by 40 basis points. The drivers in the outperformance in November came from the domestic and international portfolios: DFA (domestic) had a return of 4.7 percent versus the benchmark return of 2.5 percent; Turner had a return of 3.1 percent versus the benchmark return of 1.2 percent; and Blair had a return of -2.87 percent versus the benchmark return of -3.8 percent. He reported that through December 15, 2010, the Fund is up approximately 3.1 percent; the year-to-date return is approximately 12.4 percent and the Fund's approximate value is 4.25 billion. Mr. Thomas reported that the Fund will be withdrawing \$35 million in November: \$10 million from Northern; \$10 million from Turner; \$5 million from DFA (US); \$5 million from Earnest; and \$5 million from Bernstein to pay monthly benefits and expenses. He indicated that as of December 15, 2010 year-to-date, the Fund had: capital market gains of \$460.9 million; paid out \$264.9 million in expenses; and received contributions of \$92.7 million. Lengthy discussion ensued.

Investment Committee Report. Mr. Murphy reported that at the December 8, 2010 meeting, the Investment Committee heard presentations from Fixed Income Manager Reams Asset Management and Northern Trust, ERS' S&P 500 Index manager as well as our provider of global custody and securities lending services. In addition, Mercer and staff

December 16, 2010

presented 3rd Quarter performance for the Fund. Mercer distributed and discussed ERS' domestic equity large cap portfolio. Additional analysis and education will be scheduled for an investment committee meeting next year. Additionally, Mercer provided their thoughts on our current fixed income portfolio.

Approval of Loomis Sayles Guideline Change Requests. Mr. Murphy reported that Loomis has requested a change to their investment guidelines allowing them to increase their non-dollar and Yankee holdings by 5% and the Committee recommends approval.

Approval of Wellington Contract and Acceptance of Due Diligence Report. Mr. Murphy reported that the Committee received an investment management agreement, with related guidelines and fee schedule, with Wellington Management for a global fixed strategy, and recommends approval.

Acceptance of Northern Trust Due Diligence Report. Mr. Murphy indicated that the Committee received a copy of the due diligence report and recommends approval.

Approval of Statement of Investment and Private Equity Policy. Mr. Murphy reported that the Committee received a redlined copy and a clean copy of the Statement of Investment and Private Equity Policy, which reflects Board approved guideline changes and recommends approval.

It was moved by Mr. Murphy, seconded by Mr. Petropoulos, and unanimously carried, to approve items III. A. through D.

Administration and Operations Committee Report. Mr. Holland reported that the Committee received two audits from Jefferson Wells and talked about those audits. He stated that the Comptroller's datacenter audit found that ERS was one of only two departments that had no audit issues to remediate. Mr. Holland updated the Board on the ERS Special Projects report.

Approval of TW Telecom Contract. Mr. Holland reported that this is the contract for communication services for Two Park Plaza/Femrite. The city attorney is still negotiating some contract terms. The committee approved the contract pending the city attorney's approval.

Approval of Symphony Contract and Statement of Work. Mr. Holland reported that is a contract for developer services for Vamsi Lolugu, who is doing the work of the vacant ERS systems analyst position. The contract represents a 3% increase over 2010. The committee approved, move approval for the Board.

Approval of Deloitte & Touche Contract. Mr. Holland reported that this contract is for services updating/maintaining the business process maps. Hours and dollars are the same as 2010, though the individual rates had a slight increase. The committee approved, move approval for the Board.

Mr. Holland also noted that the Committee received a report from Ms. Stoffel regarding the process ERS uses to determine the deaths of members.

It was moved by Mr. Holland, seconded by Mr. Carey, and unanimously carried, to approve item IV. A., pending City Attorney sign-off, and items B. and C.

New Business.

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

Active Death Benefits reported	\$94,882.12
Retired Death Benefits reported	\$72,690.09
Refund of Member Contributions paid	\$102,717.54

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

Conference Requests. Mr. Allen reported that requests to attend the following conferences had been submitted:

David Silber	Client Conference
Sponsor:	Brandes Investment Partners
Dates:	April 3 – 5, 2011
Location:	San Diego, CA
Estimated Cost:	\$1,100
Beth Cleary	2011 Winter Section Meeting
Sponsor:	National Assn. of Public Pension Attorneys
Dates:	February 2 – 4, 2011
Location:	Washington, DC
Estimated Cost:	\$1,253

Mr. Rick indicated that Mr. Thomas is requesting to attend the Institutional Real Estate Conference, January 31 – February 3, 2011 in Dana Point, CA for an estimated cost of \$1,200. He also indicated that Mr. Barmore would also like to attend the Brandes Client Conference along with Mr. Silber. It was moved by Mr. Petropoulos, seconded by Mr. Carey, and unanimously carried, to approve the conference requests submitted by Messrs. Silber, Thomas, Barmore and Ms. Cleary.

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>
Deana Martinez	Approval
Linda Babe	Approval

Police – Re-examinations (cont’d)

Recommendation

Leonard Hardison	Approval
Robert Henry	Approval
Matteo Norante	Approval
Mark Robinson	Approval
Dean Schubert	Approval
Craig Wachowiak	Approval

Fire – Re-examinations

Recommendation

Diane Brown	Approval
Miguel Machado	Approval
Cindy Magestro	Approval
Michael Strehlow	Approval
Mark Wade	Approval
Richard Hall	Approval

GC New Applications – Duty

Recommendation

Dewreal Ford	Denial
Myrtle Jude	Denial
Gerald White	Approval
Effective 10/9/10	

GC New Applications – Ordinary

Recommendation

Dewreal Ford	Approval
Effective 9/7/10	
Myrtle Jude	Approval
Effective 10/24/10	

GC Re-examinations – Ordinary

Recommendation

Stephen Zurowski	Approval
Lois Fuller	Approval
Willie Matthews	Approval
Michael Decker	Approval
Gloria Hodges	Approval
Lawrence Ivory	Approval
Steven May	Approval
Samuel Yates	Approval
Craig Winstead	Approval
Leon Kendricks	Approval
Sandra Pampuch	Approval
John Mayer	Approval
Andre Evans	Approval
Suzanne Castro	Approval

GC Re-examinations – Duty

Recommendation

Genevieve Lynk-Burnett
James Mortensen
Kevin Zaremba
Thomas Busch

Approval
Approval
Approval
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.

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:

Member Account Refund Packet Review. Requested February 1, 2010. Ms. Cleary briefly discussed the opinion.

Amendment to Indemnification Agreement between the City of Milwaukee and the Employees' Retirement System. Ms. Cleary indicated that no changes have been made to the Indemnification Agreement other than a five-year extension.

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

Milwaukee Police Supervisors' Organization vs. ERS, et al. Case No. 05-CV-006697 and State of Wisconsin vs. Bradley DeBraska, Case No. 2009-CF-000695. Mr. Morics asked if there was anything to report that needed closed session. Mr. Allen answered in the negative, but reported that the MPSO has agreed to stipulate to dismissal, which should be done in February 2011. He also noted that State of WI vs. Bradley DeBraska is finished and will be removed from the agenda. Mr. Morics asked for a report from Mr. Greer for our files with respect to the attorney fees paid by ERS, and also ERS' potential to recover any monies from Mr. DeBraska. Mr. Allen indicated that he would have Mr. Greer submit a report for our records.

Informational

The following is a list of informational items:

- 1) Report on Claims and Litigation – Memorandum dated December 16, 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 January 2011 through September 2011.
- 3) Class Action Lawsuit Report.
- 4) Minutes of the Investment Committee Meeting held November 12, 2010.
- 5) Minutes of the Administration and Operations Committee Meeting held November 18, 2010.

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

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

Ms. Cleary updated the Board on two claims for overpayments to Ethel M. Melius and Jane Gordon. After discussion, it was moved by Mr. Murphy, seconded by Mr. Walter, and unanimously carried, to accept and place on file the aforementioned informational items.

There being no further business, Mr. Morics adjourned the meeting at 9:55 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.)