

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

Minutes of the Regular Meeting held July 12, 2011

The meeting was called to order at 11:13 a.m.

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

Board Members Not Present: Larry Holland (excused)

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

Others Present: Rudolph Konrad, City Attorney's Office; Jean Burnside, Retiree Association; Ken Wischer and Dan Panowitz, AFSCME DC 48.

Approval of Minutes. Mr. Allen presented the minutes of the Regular Meeting held June 27, 2011. It was moved by Mr. Carey, seconded by Mr. Barmore, and unanimously carried, to approve the Minutes of the Regular Meeting held June 27, 2011.

Chief Investment Officer Report. Mr. Rick introduced the new investment intern, Mr. Varma, to the Board. 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 June 30, 2011 the Fund was down 1 percent for the month of June, underperforming its benchmark by 10 basis points, and year-to-date through June the Fund's return is about 5.5 percent. He said the two main drivers for underperformance in June are from GMO underperforming its benchmark by 70 basis points; the other one was due to the allocation fallout in real estate. Through July 11, 2011 staff predicts the Fund is down about 0.5 percent in July; the year-to-date return is projected to be 4.8 percent. Mr. Silber reported about half the Fund's active managers are outperforming year-to-date; the fixed income portfolio is outperforming, while the equity composites are underperforming. He noted that as of July 11, 2011 the Fund's value is just under \$4.4 billion.

Mr. Silber reported that the Fund will be withdrawing about \$30 million in July, and staff will be determining the exact amount and what managers to withdraw from to pay monthly benefits and expenses later in the month. He also reported that through July 11, 2011 the Fund had: capital market gains of \$206.4 million; paid out \$152.3 million in benefits and expenses; and received contributions of \$18 million. Discussion ensued.

Investment Committee Report. Mr. Murphy reported that the Committee met and had a presentation by GMO on their global value strategy in which the Committee received a

wealth of information on the world economy and how it is impacting our portfolio and the strategies GMO has taken to find some protection.

Approval of Public Equity Structure Analysis. Mr. Murphy said the Committee met with Callan Associates on the public equity structure analysis in which we went into great detail regarding the different types of strategies the Committee may take later on in terms of protection of the Fund such as long-short strategy. It was moved by Mr. Carey, seconded by Mr. Murphy, and unanimously carried, to receive the public equity structure analysis.

New Business.

Retirements, Death Claims, and Refunds. Mr. Allen presented the following activity, as well as Service Credits for the month of July 2011.

Active Death Benefits reported	\$202,784.48
Retired Death Benefits reported	\$13,367.92
Refund of Member Contributions paid	\$47,971.46

It was moved by Mr. Ellenberger, seconded by Mr. Petropoulos, 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:

Tom Rick & Bruce Thomas	Townsend Due Diligence
Location:	Cleveland, OH
Date(s):	September 20 - 21, 2011 (tentative dates)
Estimated Cost:	\$850 each
Gust Petropoulos	Public Sector Benefit Administration
Sponsor:	IFE BP
Location:	Las Vegas, NV
Date(s):	October 13 - 16, 2011
Estimated Cost:	\$2,000

It was moved by Mr. Carey, seconded by Mr. Barmore, and unanimously carried, to approve the conference requests submitted by Messrs. Rick, Thomas and Petropoulos.

Approval to Suspend Disability Benefits for Non-Compliance with Outside Earnings Requirements. As a matter of information, Board members received a list of members who have not complied with the Outside Earnings requirement. Mr. Allen handed out an updated listing and stated that these members have not complied with the Outside Earnings requirement in Chapter 36, and he asked for approval to suspend their benefits until they comply. After discussion, it was moved by Mr. Petropoulos, seconded by Mr. Walter, and unanimously carried, to approve the suspension of disability benefits until the members have complied.

Approval of July and August Resolutions. Mr. Allen presented the following resolutions:

WHEREAS, the regularly scheduled July 25, 2011 meeting of the Board has been rescheduled, and as such, the payroll and Annuity and Pension Board reports will not be complete in time for Board approval at the earlier scheduled meeting, therefore be it

RESOLVED, By the Annuity and Pension Board that the Secretary is authorized and directed to pay bills, retirement allowances, death claims and refund of contributions, and take whatever action may be necessary to administer the system, including approve disability reports of the Medical Council and Medical Panel applications, and report such action to the Board at the Regular Meeting in September, 2011. Denials will be held for action by the Board at its next regular meeting.

WHEREAS, No regular meeting of the Board will be held during the month of August, 2011, therefore be it

RESOLVED, By the Annuity and Pension Board that the Secretary is authorized and directed to pay bills, retirement allowances, death claims and refund of contributions, and take whatever action may be necessary to administer the system, including approve disability reports of the Medical Council and Medical Panel applications, and report such action to the Board at the Regular Meeting in September, 2011. Denials will be held for action by the Board at its next regular meeting.

It was moved by Mr. Walter, seconded by Mr. Carey, and unanimously carried, to approve the July and August Resolutions.

Medical Reports.

All Duty & Ordinary Disability Applications & Re-examinations. Mr. Allen presented certifications of the Fire and Police Medical Panel Physicians and the Medical Council relative to Duty & Ordinary Disability Retirement benefits as follows:

<u>Fire – New Applications - Duty</u>	<u>Recommendation</u>
Rodney De Pass	Denial
<u>Police – Re-examinations</u>	<u>Recommendation</u>
Alejandro Arce	Approval
Harrison Kern	Approval
Keith Miller	Approval
<u>Fire – Re-examinations</u>	<u>Recommendation</u>
Jacob Ballering	Approval
Scott Mantey	Approval
<u>GC New Applications – Duty</u>	<u>Recommendation</u>
Vernetta Johnson	Denial

GC New Applications – OrdinaryRecommendation

Laurie Petrie	Approval
Effective 7/7/11	
Vernetta Johnson	Approval
Effective 5/8/11	
Kathleen Schreiber	Approval
Effective 6/16/11	

GC Re-examinations – OrdinaryRecommendation

Dwayne Mann	Approval
Annie Hatcher	Approval
James Friedland	Approval
Anna Rivers	Approval
Mark Johnson	Approval
Eduardo Perez	Approval
Kathleen Becker	Approval
Marsha Conner	Approval
Tia Smith	Approval

GC Re-examinations – DutyRecommendation

Jerry Lutz	Approval
Cheryl JeanPierre	Approval
Gregory Sarozek	Approval

Mr. Barmore had a question on the Fire and Police listing. Mr. Morics indicated approval would be held until confirmation.

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 reported there were no legal opinions at this time.

Legislation Requests Pending and Proposed Legislation. As a matter of information, Mr. Allen presented a list of pending requests for legislation. **NO REPORT WAS AVAILABLE.**

Executive Director's Report – Inventory of ERS Projects. Mr. Allen handed out an article from Pensions and Investments regarding the GASB exposure draft on disclosure for public pension plans. Lengthy discussion ensued.

Mr. Matson confirmed the approval of the Mr. Ballering's disability re-examination. It was moved by Mr. Petropoulos, seconded by Mr. Carey, and unanimously carried, to accept the

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aforementioned recommendations of the Fire and Police Panel Physicians and the Medical Council.

Mr. Allen handed out a report the Board requested Ms. Tangen provide from the NAPPA Conference. Brief discussion ensued.

Informational

The following is a list of informational items:

- 1) Report on Claims and Litigation – Memorandum, which gives the status of litigation involving the ERS, as prepared by staff of the ERS and City Attorney’s office. **REPORT NOT AVAILABLE.**
- 2) List of Client Conferences and Trustee Education for 2011.
- 3) Class Action Lawsuit Report.
- 4) Adjusted Quarterly Cost Basis of Equity – June 30, 2011.

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.

It was moved by Mr. Walter, seconded by Mr. Carey, and unanimously carried, to accept and place on file the aforementioned informational items.

There being no further business, Mr. Morics adjourned the meeting at 11:35 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.)