

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

Minutes of the Regular Meeting held October 24, 2011

The meeting was called to order at 9:04 a.m.

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

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

Others Present: Elizabeth Cleary and Rudolph Konrad, City Attorney's Office; Jon Granger, PDG Consulting.

Approval of Minutes. Mr. Allen presented the minutes of the Regular Meeting held September 26, 2011. It was moved by Mr. Carey, seconded by Mr. Ellenberger, and unanimously carried, to approve the Minutes of the Regular Meeting held September 26, 2011.

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 September 30, 2011 the Fund's value was \$3.83 billion, and the Fund returned a -6.2 percent underperforming its benchmark by 120 basis points. He stated that 10 of the 14 active managers underperformed their respective benchmarks, and all the Fund's major asset classes underperformed their benchmarks, with the exception of the international equity composite. Mr. Silber reported that as of October 21, 2011 the Fund is up 6.4 percent for October, and this puts the year-to-date return at -0.7 percent. Five of the Fund's 14 active managers are outperforming year-to-date and the Fund's value is approximately \$4.04 billion.

Mr. Silber reported that the Fund will be withdrawing about \$31 million in October: \$10 million from Loomis; \$8 million from Reams; \$8 million from Northern Trust, and \$5million from the Wellington to pay monthly benefits and expenses later in the month. He also reported that through October 21, 2011 the Fund had: capital market losses of \$47.3 million;

paid out \$230.7 million in benefits and expenses; and received contributions of \$43.8 million. Discussion ensued.

Mr. Rick announced the Mr. Silber had passed his Chartered Alternative Investment Analyst second test so he is officially as CAIA, plus a CFA. Board members congratulated Mr. Silber. Mr. Allen noted that Mr. Silber's report card showed he received outstanding marks on six out of seven categories. Brief discussion ensued. Mr. Rick handed out a copy of the R.V. Kuhns study shows that as of June 30, 2011 ERS is ranked number 3 for our funding ratio. Discussion ensued.

Approval of The Townsend Group Investment Advisory Agreement. As a matter of information, Board members received a copy of a letter from the City Attorney's Office, dated October 19, 2011. Mr. Rick stated that 70 percent of the Townsend Group was bought by a private equity firm, and Townsend has asked ERS to assign the contract to this new entity. He said ERS, with the City Attorney's concurrence, is recommending signing this assignment, and then modifying both the investment consulting contract and the investment management contract to reflect the change in ownership. After discussion, it was moved by Mr. Carey, seconded by Mr. Barmore, and unanimously carried, to approve the consent letter.

Administration and Operations Committee Report. Mr. Barmore reported that the Committee met in September and received an update on the Special Projects Report, including MERITS Product Lifecycle management; current projects; and business continuity.

Approval to Contract for Network Services. Mr. Barmore reported this item was held over until next month.

Approval of DS Consulting Contract. Mr. Barmore reported this item was held over until next month.

Approval of Buck Contract Amendment. As a matter of information, Board members received a copy of the Buck Contract Amendment. Mr. Barmore said approval is recommended for the Buck contract. The final dollar amount for the Buck contract amendment came through \$2,200 higher than the amendment approved back in May. He stated that staffing rates are still in the range as originally specified in the Buck contract, however, charges for services within those ranges increased by 2%. The amendment is to extend the Buck contract one additional year to cover next years' five-year experience study.

Approval of Joxel Group Contract. As a matter of information, Board members received a copy of the Contract for Services. Mr. Barmore said approval is recommended for the Joxel Group contract. This agreement is for optimization services for a potential period of 18 months. Staff will work with the contractor on one functional area to start, and if successful, will continue optimization in other functional areas.

It was moved by Mr. Barmore and seconded by Mr. Holland, to hold over items A. and B., and to approve the Buck contract and the Joxel contract. The motion carried with Mr. Carey being recorded as opposing.

New Business.

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

Active Death Benefits reported	\$0.00
Retired Death Benefits reported	\$16,567.67
Refund of Member Contributions paid	\$3,279.37

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

Conference Requests. Mr. Allen indicated there were no conference requests for approval.

Approval to Suspend Disability Benefits for Non-Compliance with Outside Earnings Requirement. As a matter of information, Board members receive a list of retirees who have not complied with the outside earnings requirements. Mr. Allen indicated these individuals have all been given multiple opportunities to comply with the outside earnings requirement and have not yet done so. It was moved by Mr. Holland, seconded by Mr. Barmore, and unanimously carried, to approve the suspension of disability benefits until they are in compliance.

Mr. Morics indicated that he would like to hold items D. and E., which are posted for closed session, until the end of the meeting. He stated it was his intent to adjourn the meeting from closed session. There were no objections.

(At this point the agenda was taken out of order.)

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>Police – New Applications - Duty</u>	<u>Recommendation</u>
Audra Finnegan	Denial

<u>Police – Re-examinations</u>	<u>Recommendation</u>
John Burke	Approval
Robert Enters	Approval
<u>Fire – Re-examinations</u>	<u>Recommendation</u>
Kerry Anderson	Approval
Monica Blazekovic	Approval
Patrice Brusk	Approval
Paul Hull	Approval
Shawn Joannes	Approval
Jeffrey Wenzel	Approval
Karen White	Approval
Brian Zirgibel	Approval
<u>GC New Applications – Ordinary</u>	<u>Recommendation</u>
Clinton Chrisman	Approval
Effective 10/4/2011	
<u>GC Re-examinations – Ordinary</u>	<u>Recommendation</u>
Karen Jackson	Approval
Jodi Coon	Approval
Ronald Werner	Approval
Michael Montana	Approval
Phillip Holiday	Approval
Debra Snyder	Approval
Roger Wilks	Approval
Ermajean Austin	Approval
John Goodwin	Approval
Nanette Bartels	Approval
Claudia Krolikowski	Approval
Carol Tollefson	Approval
Gerald Hudnall	Approval
<u>GC Re-examinations – Duty</u>	<u>Recommendation</u>
William Bagin	Approval
Eugenia Tate Hutchins	Approval
Nettie Irby	Approval
Gerald Corbett	Approval

Mr. Allen noted that Mr. Corbett was held over from the September meeting for suspension of benefits, but has now complied. It was moved by Mr. Ellenberger, seconded by Mr.

Barmore, 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:

Survivorship Payments to Minor Child. Ms. Cleary discussed the opinion.

Appeal from Robert Polenska. Mr. Konrad discussed the opinion.

It was moved by Mr. Holland, seconded by Mr. Carey, 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. Mr. Allen talked about file number 100876, which Mr. Murphy indicated was vetoed by the Mayor. Mr. Allen also talked about file number 110779. Discussion ensued.

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.

Informational

The following is a list of informational items:

- 1) Report on Claims and Litigation – Memorandum dated October 24, 2011 which gives the status of litigation involving the ERS, as prepared by staff of the ERS and City Attorney's office.
- 2) List of Client Conferences and Trustee Education for 2011.
- 3) Class Action Lawsuit.
- 4) Adjusted Quarterly Cost Basis of Equity – September 30, 2011.
- 5) Minutes of the Administration and Operations Committee Meeting held September 21, 2011.
- 6) Letter from MMSD, dated September 29, 2011.
- 7) City Attorney Opinion to RACM, dated August 30, 2011.

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

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

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

Mr. Morics directed that items IV. D. and E. are posted for closed session and he would take these up at this time.

ERS Compensation Structure and Creation of Legal Compliance Officer Position for ERS. Mr. Morics advised that the Annuity and Pension Board may vote to convene in closed session on the following item (D. and E.), as provided in Section 19.85 (1) (c), Wisconsin State Statutes, for considering employment, promotion, compensation or performance evaluation data of any public employee over which the governmental body has jurisdiction or exercises responsibility. He noted it was his intention to adjourn from closed session. It was moved by Mr. Barmore, seconded by Mr. Carey, and unanimously carried, that the Board convene in closed session on these items and adjourn from closed session.

The Board convened in closed session at 9:38 a.m.

There being no further business, Mr. Morics adjourned the meeting at approximately 11:20 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.)