

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

Minutes of the Regular Meeting held March 28, 2011

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

Board Members Present:           John Barmore  
  Konrad Ellenberger  
  Larry Holland  
  W. Martin Morics, Chair  
  Gust Petropoulos

Board Members Not Present:     William Carey (excused)  
  Michael J. Murphy (arrived at 9:07 a.m.)  
  Ron Walter (arrived at 9:25 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; Jon Granger, PDG Consulting; Jean Burnside and Agnes Stearns, Milwaukee Retirees Association.

**Approval of Minutes.** Mr. Allen presented the minutes of the Regular Meeting held February 28, 2011. It was moved by Mr. Holland, seconded by Mr. Ellenberger, and unanimously carried, to approve the Minutes of the Regular Meeting held February 28, 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 at the end of February the Fund had a value of \$4.44 billion, and a return of 2.6 percent, which outperformed its blended benchmark by about 20 basis points. He noted the main drivers for outperformance in February came from the domestic equity and fixed income portfolios. Within the domestic equity portfolio, Turner and DFA both outperformed their benchmarks by 1.7 percent and 1.1 percent, respectively. For fixed income, Loomis Sayles outperformed its benchmark by 1.4 percent. Mr. Silber reported that through March 25, 2011, month-to-date the Fund is down approximately 0.6 percent, which puts the year-to-date return for 2011 at 3.5 percent. He stated the Fund's active managers are delivering a good relative performance so far this year with 11 of the 14 managers outperforming their respective benchmarks. Mr. Silber noted that the domestic equity, global equity and fixed income composites are all outperforming their respective benchmarks year-to-date. He reported that the Fund's value as of March 25, 2011 was \$4.42 billion.

Mr. Silber reported that the Fund will be withdrawing \$24 million in March: \$7 million from Earnest, \$7 million from Turner, and \$10 million from DFA to pay monthly benefits and expenses. He also reported that through March 25, 2011 the Fund had: capital market gains of \$150.3 million; paid out \$52.2 million in expenses; and received contributions of \$7.2 million. Discussion ensued.

Mr. Rick handed out copies of a book from the Research Foundation of CFA Institute “A Primer for Investment Trustees”, stating it provides a great refresher for those Trustees that have been on the Board for some period of time, as well as provides a lot of information for the newer Trustees.

**Investment Committee Report.** Mr. Murphy reported that at the March 24, 2011 meeting, the Investment Committee heard a presentation from Allianz Capital, our Domestic Equity Small Cap Growth manager. Staff presented the Annual Value Added report comparing ERS’ portfolio against its passive benchmarks. In addition, Callan provided presentations on ERS’ public and private equity programs.

The second part of the public equity presentation will be scheduled for discussion at the May 19<sup>th</sup> Investment Committee.

**Approval of Proposed Private Equity Funding.** Mr. Murphy reported the Investment Committee approved a plan to grow ERS’ private equity program from 2% to 5% over the next 3-5 years. Also, the Investment Committee recommends approval of additional commitments to our existing private equity fund of funds managers, Mesirow Financial and Abbott Capital. Specifically, the Committee recommended an additional \$30 million to Mesirow Financial Fund V and up to \$55 million to Abbott Capital’s 2011 Fund. It was moved by Mr. Murphy, seconded by Mr. Barmore, and unanimously carried, to approve the proposed private equity funding.

**Administration and Operations Committee Report.** Mr. Barmore noted that several items have been deferred for next month’s meeting.

**Approval of Jefferson Wells Statement of Work.** As a matter of information, Board members received a copy of the Statement of Work #6. Mr. Barmore stated this is a continuation of the existing contract with Jefferson Wells. It was moved by Mr. Barmore, seconded by Mr. Holland, and unanimously carried, to approve the Statement of Work #6.

#### **New Business.**

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

Active Death Benefits reported	\$19,903.53
Retired Death Benefits reported	\$38,123.59
Refund of Member Contributions paid	\$87,502.06

It was moved by Mr. Barmore, 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:

John Barmore                      Salt Conference 2011  
 Sponsor:                              Skybridge Capital  
 Dates:                                    May 10 – 13, 2011  
 Location:                                Las Vegas, NV  
 Estimated Cost:                        \$1,800

Bruce Thomas &  
 David Silber                      Due Diligence Trip  
 Sponsor:                                Earnest Partners  
 Date(s):                                 June 20 – 21, 2011  
 Location:                                Atlanta, GA  
 Estimated Cost:                        \$700 per person

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

**Referral of 2012 Budget to A & O Committee.** Mr. Morics indicated this was an administrative function and directed this be taken up by the A & O Committee.

**Referral of Buck Consultants Contract to A & O Committee.** Mr. Allen indicated that Buck's agreement concludes at the end of 2011. Next year ERS is scheduled for a 5-year experience study and ERS would like to retain Buck to do that as they have been our actuary for a long time. Mr. Allen stated that following the experience study ERS would like to go out to the market for either a request for quote or request for information. Mr. Morics directed this be taken up by the A & O Committee.

**Approval to Suspend Disability Benefits for Non-Compliance with Periodic Medical Re-examination – Harrison Kern.** As a matter of information, Board members received a copy of a memorandum from staff, dated March 21, 2011. Mr. Allen indicated that Mr. Kern has not complied with the requirements for re-examination, so ERS is required by law to suspend his disability benefits until such time as Mr. Kern complies. It was moved by Mr. Murphy, seconded by Mr. Petropoulos, and unanimously carried, to approve the suspension of Mr. Kern's disability benefit until he complies.

**Approval of Request from MPSO to Contact the System's Actuary.** As a matter of information, Board members received a copy of the MPSO request, dated March 16, 2011. Mr. Morics indicated this is a routine request made to the Board. It was moved by Mr. Petropoulos, seconded by Mr. Ellenberger, and unanimously carried, to approve the request of the MPSO with the understanding that all costs will be borne by the MPSO.

### **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:

Fire – New Applications - Duty

Thomas Balistreri  
 Effective 11/26/10

Recommendation

Approval (Extended Life)

Police – Re-examinations

Keith Baines  
 Jean Docter  
 Ayman Khatib  
 Dexter Love  
 Brenda Nogalski  
 Anne Tanner

Recommendation

Approval  
 Approval  
 Approval  
 Approval  
 Approval

Fire – Re-examinations

Daniel Dombrowski  
 Marshall Gradinjan  
 Elizabeth Hinckley  
 Martin Hinsenkamp  
 Annette Johnson  
 Robert Norton  
 Gary Sweet  
 Thomas Timeus  
 Kyle Dannies  
 John Nencka

Recommendation

Approval  
 Approval  
 Approval  
 Approval  
 Approval  
 Approval  
 Approval  
 Approval  
 Approval  
 Approval

GC New Applications – Ordinary

Michael Albright  
 Effective 3/4/11

Recommendation

Approval

GC Re-examinations – Ordinary

Twyla Devine  
 Victor Perez  
 Mary Scovell  
 John Craney  
 Debbie Purdy  
 Lenora Grace  
 Sherri Carter  
 Harold Baumbach  
 Richard Dama  
 James Ganzlin  
 Rita Coker

Recommendation

Approval  
 Approval  
 Approval  
 Approval  
 Approval  
 Approval  
 Approval  
 Approval  
 Approval  
 Approval  
 Approval

GC Re-examinations – Duty

Robert Heather  
 Allen Cook  
 Rodney Lemberger

Recommendation

Approval  
 Approval  
 Approval

Mr. Allen noted that Mr. Balistreri is currently on a service retirement, and staff is waiting on a pending City Attorney opinion that would award Mr. Balistreri an extended life disability.

He noted the Board may want to carry over Mr. Balistreri's approval until they receive and accept the legal opinion. It was moved by Mr. Holland, and seconded by Mr. Ellenberger, to accept the aforementioned recommendations of the Fire and Police Panel Physicians and the Medical Council, with the exception of Mr. Balistreri which will be laid over until the next Board meeting. After discussion, the motion unanimously carried.

### **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 Whyte Hirschboeck Dudek as follows:

**Potential Claim Against DeBraska.** Dated March 4, 2011. Mr. Konrad indicated that Mr. Greer came to the same conclusion as the City Attorney's Office in reference to this matter.

It was moved by Mr. Petropoulos, seconded by Mr. Holland, and unanimously carried, to accept the Whyte Hirschboeck Dudek 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. Mr. Allen noted the Budget Repair Bill has been included on this report.

**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.

**State of Wisconsin vs. Bradley DeBraska, Case No. 2009-CF-000695.** Mr. Morics indicated this issue has been satisfied with the Whyte Hirschboeck Dudek opinion that was discussed earlier in the meeting. Mr. Allen noted that this will now be removed from the agenda.

### **Informational**

The following is a list of informational items:

- 1) Report on Claims and Litigation – Memorandum dated March 28, 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 Report.
- 4) February 28, 2011 City Attorney Opinion to Ald. Dudzik.
- 5) March 3, 2011 City Attorney Opinion to MPS.
- 6) March 10, 2011 Letter to Mr. Morics from MPS.

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.

Mr. Rick talked about the ERS Holdings Report, which lists out all of ERS' securities holdings as well as our managers and values. He stated that one issue that has come to light in the last year is that ERS has received a lot of open records requests regarding holdings, primarily focused in the private real estate area and private equity. Mr. Rick said the requests come in various forms such as newspapers and other data gathering companies, who resell it to other investment managers, etc. He indicated that staff has been working with Townsend and the City Attorney's Office with respect to releasing this private market information, which could be detrimental to ERS' ability to get full value when we decide to sell these properties or funds. Mr. Rick suggested to the Board that instead of providing the current reports, he would summarize the real estate and private equity totals instead of identifying each manager, and their holdings. He stated that he could provide the current information under separate cover marked "confidential" to all Board members in the weekly mailing.

Mr. Morics briefly talked about the February 28, 2011 City Attorney opinion to Alderman Dudzik. He also talked about the March 3, 2011 letter to him from MPS, stating he would be preparing a response along with Mr. Allen. That response will be in the April Board meeting packet under informational for Board members review prior to sending to MPS. Ms. Cleary briefly talked about the difference between City employees and employees of the City agencies, and how the bill affects them. Discussion ensued with respect to the City of Milwaukee having Home Rule.

There being no further business, Mr. Morics adjourned the meeting at 9:37 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.)**