

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

Minutes of the Regular Meeting held September 28, 2015

The meeting was called to order at 9:02 a.m.

Board Members Present: John Barmore, Chair
 Karen Ellenbecker
 Larry Holland
 Rudolph Konrad
 Martin Matson
 Gerald Pace
 Carmelo Patti

Board Members Not Present: Tom Klusman (excused)
 Mark Nicolini (excused)
 Michael J. Murphy (excused)
 Gust Petropoulos (arrived at 9:04 a.m.)

Retirement System Staff Present: Bernard J. Allen, Executive Director
 Beth Cleary, Deputy Director
 David Silber, Chief Investment Officer
 Erich Sauer, Pension Investment Analyst
 Tom Courtright, Pension Investment Analyst
 Mary Turk, Business Operations Analyst
 Karen McElwee Lloyd, Mgmt. Services
 Analyst/Disability Benefits Coordinator
 Jan Wills, Board Stenographer

Others Present: Debbie Sweeney, Hays Company, Jean Burnside, Milwaukee Retirees Assn.; Molly King, Budget Office; and Miriam Horwitz and Maurita Houren, City Attorney's Office.

Approval of Minutes. Mr. Allen presented the minutes of the Regular Meeting held July 27, 2015. It was moved by Mr. Holland, seconded by Mr. Matson, and unanimously carried, to approve the Minutes of the Regular Meeting held July 27, 2015.

Chief Investment Officer Report. As a matter of information, Board members received a copy of the CIO Report. Mr. Silber handed out a copy of the Performance Update Charts. Mr. Sauer reported the Fund's value at the end of August was \$4.77 billion dollars, with a return of -3.7 percent, net of fees, and outperformed the blended benchmark by 0.1 percent. He reported that, as of September 25, 2015, the Fund return was down 1.7 percent for the month of September and had an approximate value of \$4.69 billion. The Fund's return year-to-date is down 2.0 percent, net of fees. Mr. Sauer reported that, as of September 25, 2015 the Fund has year-to-date: capital market loss of \$83.8 million; paid out \$251.4 million dollars in benefits and expenses and received contributions of \$95.6 million. He indicated

that the ERS Fund withdrew this month: \$10 million from BlackRock Bond Index, \$10 million from Reams, and \$10 million from Wellington to pay benefits and expenses.

Approval of UBS A&Q and CMERS Low Beta LLC Contract Amendment. As a matter of information, Board members received a copy of the First Amendment to the Letter Agreement By and Among the ERS of the City of Milwaukee, CMERS Low Beta LLC and UBS Alternative and Quantitative Investments LLC. Mr. Sauer spoke about the First Amendment stating that due to the Volcker Rule of the Dodd Frank Act banks are no longer able to offer hedge fund and private equity products that have the same name as the investment manager name, which required UBS to change its name. He stated that this amendment recognizes the fact that UBS A & Q has changed their name to UBS Hedge Fund Solutions. After discussion, it was moved by Mr. Matson, seconded by Mr. Patti, and unanimously carried, to approve the First Amendment to the Letter Agreement.

Approval of Bank of New York Mellon (Newton) Contract Amendment. As a matter of information, Board members received a copy of the First Amendment to the Investment Agreement. Mr. Courtright spoke about the contract amendment stating that ERS was notified in June 2015 of the departure of Mr. Simon Pryke who is the firm's Chief Investment Officer at that time. He talked about the personnel changes, which staff felt was very routine turnover of personnel. Mr. Courtright also stated the firm made a fairly simple change to its trade allocation policy and briefly spoke about the changes. After discussion, it was moved by Mr. Matson, seconded by Mr. Pace, and unanimously carried, to approve the contract amendment.

Mr. Silber stated that the ERS has engaged Reinhart to negotiate on ERS' behalf the real assets contract. He said that staff is also continuing to make progress on the consulting arrangements approved earlier this year. Lastly, Mr. Silber reported that staff is working hard with Callan to make sure we have all the analytics and some good options for the Board to consider at its November Investment Committee meeting regarding the public equity portion of ERS' portfolio.

Investment Committee Report. Mr. Petropoulos reported that at its September 3rd meeting, the Investment Committee received an update on the Fund's performance. While equity markets declined globally in August, the Fund slightly outperformed its benchmark during the month and is down approximately -0.3%, net of fees, Year-To-Date through August.

He noted that Callan presented the Public Equity Structure Review, covering topics such as the merits of active management versus indexed strategies, how small cap and value strategies compare to large cap and growth strategies, and how CMERS' current portfolio compares to the global opportunity set. Callan and ERS Staff plan to continue the Structure Review at the November Investment Committee meeting and will be prepared to provide options to consider going forward at that time.

Mr. Petropoulos stated that the Committee approved an amendment to CMERS' Securities Lending program with its custodian, Northern Trust. ERS Staff also presented due diligence reports on Reams and BlackRock.

Finally, two of the Fund's private equity managers, Abbott Capital and Private Advisors, presented to the Committee in closed session.

Approval of Northern Trust Company Contract Amendment. As a matter of information, Board members received a copy of a transmission letter from the City Attorney's Office, dated August 14, 2015, with a copy of the contract amendment attached. Mr. Petropoulos reported that the Committee approved an amendment to CMERS' Securities Lending program with its custodian, Northern Trust. The Investment Committee approved immediate execution of the contract due to time constraints. After discussion, it was moved by Mr. Matson, seconded by Mr. Holland, and unanimously carried, to approve the Northern Trust contract amendment.

New Business.

Retirements, Death Claims, and Refunds. Mr. Allen presented the following activity, as well as Service Credits, for the months of July and August 2015.

Active Death Benefits reported	
July 2015	\$0.00
August 2015	\$31,494.38
Retired Death Benefits reported	
July 2015	\$84,155.72
August 2015	\$55,151.74
Refund of Member Contributions paid	
July 2015	\$153,667.95
August 2015	\$92,020.66

It was moved by Mr. Petropoulos, seconded by Mr. Konrad, 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,	
Thomas Courtright	Real Assets Manager Due Diligence
Sponsor:	Undisclosed
Location:	Undisclosed
Date(s):	August 27-28, 2015
Estimated Cost:	\$500.00 per person
Erich Sauer	Fiduciary Investors Symposium
Sponsor:	Conexus Financial
Location:	Chicago, IL
Date(s):	October 18-20, 2015
Estimated Cost:	\$950.00

David Silber,
 Erich Sauer,
 Thomas J. Courtright Northern Trust Due Diligence
 Sponsor: Northern Trust
 Location: Chicago, IL
 Date(s): October 28, 2015
 Estimated Cost: \$80.00 per person

David Silber,
 Thomas Courtright Abbott Capital & Neuberger Berman
 Sponsor: Abbott Capital & Neuberger Berman
 Location: New York, NY
 Date(s): November 4-5, 2015
 Estimated Cost: \$1,000.00 per person

It was moved by Mr. Petropoulos, seconded by Mr. Holland, and unanimously carried, to approve the conference requests submitted by Mr. Silber, Mr. Courtright and Mr. Sauer.

Approval of Renewal of Fiduciary Liability Insurance. As a matter of information, Board members received a copy of the Board Proposal for the ERS of the City of Milwaukee Fiduciary Liability Insurance Program, November 1, 2015 to November 1, 2016. Ms. Sweeney walked the Board members through the proposal. After discussion, it was moved by Mr. Konrad, seconded by Mr. Patti, and unanimously carried, to approve the renewal of Fiduciary Liability Insurance through The Hayes Companies.

Approval to Suspend Disability Benefits for Non-Compliance with Re-examination Requirement: Jose Cavazos. As a matter of information, Board members received a copy of a memorandum from Ms. Lara, dated September 22, 2015. Mr. Allen stated that Mr. Cavazos has declined to participate and comply with the re-examination provisions; therefore, staff is requesting that his benefit be suspended until such time as he complies. Once in compliance, Mr. Cavazos will receive all monies due to him. It was moved by Mr. Holland, seconded by Mr. Petropoulos, and unanimously carried, to approve the suspension of disability benefits for Mr. Cavazos until he complies with the re-examination requirements.

Approval of Dr. Lischak Resolution. Mr. Allen presented the following resolution:

WHEREAS, Dr. Michael W. Lischak was appointed to the City of Milwaukee, Employees' Retirement System, Medical Council December 21, 2009 as an alternate on the Medical Council and then served continuously from February 4, 2011 to August 7, 2015, and

WHEREAS, Dr. Lischak diligently and professionally evaluated applications for Ordinary Disability and Duty Disability for the Employees' Retirement System, and

WHEREAS, Dr. Lischak brought a significant balance of knowledge and experience to the Medical Council, and

WHEREAS, Dr. Lischak devoted considerable time to reviewing medical files in preparation for each Medical Council meeting, be it

Resolved, By the Annuity and Pension Board that it hereby expresses its' sincere appreciation for the valuable and conscientious service of Dr. Lischak, and be it

FURTHER RESOLVED, that this resolution be spread upon the permanent records of this Board and a suitably engrossed copy be presented to Dr. Michael W. Lischak.

It was moved by Mr. Patti, seconded by Mr. Matson, and unanimously carried, to approve the Resolution for Dr. Lischak.

Approval of Strategy Regarding In re Motors Liquidation Company, et al. Bankr. Case No. 09-5-26(REG) Motors Liquidation Company Avoidance Action Trust vs. JPMorgan Chase Bank, N.A., et al., Adv. Pro. No. 09-00540(REG). Mr. Barmore advised that the Annuity and Pension Board may vote to convene in closed session on the following item (F.), as provided in Section 19.85(1)(g), Wisconsin State Statutes, for conferring with legal counsel concerning strategy to be adopted by the body with respect to litigation in which it is or is likely to become involved. The Board may then vote to reconvene in open session following the closed session. It was moved by Mr. Holland, and seconded by Mr. Patti, that the Board convene in closed session. The motion prevailed by the following roll call vote: AYES: Ms. Ellenbecker, Messrs. Holland, Konrad, Matson, Murphy, Pace, Patti, Petropoulos and Barmore. NOES: None.

The Board convened in closed session at 9:30 a.m. and reconvened in open session at 10:08 a.m.

It was moved by Mr. Pace, seconded by Mr. Matson, and unanimously carried, to move forward as presented by staff.

(Mr. Holland left the meeting at 10:08 a.m.)

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>
Willie Huerta	Approval
Effective 5/1/2014	
Christopher Manney	Approval
Effective 11/12/2014	
<u>Police – Re-examinations</u>	<u>Recommendation</u>
Keith Baines	Approval
Angela July	Approval
Christopher Lehner	Approval
Janette Mosley	Approval
<u>Fire – Re-examinations</u>	<u>Recommendation</u>

Maureen Aniakudo	Approval
Thomas Scholz	Approval
Christopher Underwood	Approval
Jeffrey Wenzel	Approval
Thomas Repaci	Approval
Nicholas Adamski	Approval
Michael Ambroch	Approval
Gilbert Baltutis	Approval
Toni Breidenbach	Approval
Teresa Clyse	Approval
Nancy Hutchinson	Approval
John Karner	Approval
James Kopp	Approval
Thomas Locke	Approval
Glenn Mish	Approval
John Schmaelzle	Approval
William Soderbeck	Approval
Hanife Veshi-Heller	Approval
Mark Ashworth	Approval

GC New Applications – OrdinaryRecommendation

Stuart Smith	Approval
Effective 5/23/2015	
Phyllis Blount	Approval
Effective 1/7/2015	
Melissa Jones (MPD)	Denial
Jon Osowski (MPD)	Denial

GC Re-examinations – OrdinaryRecommendation

Patricia Fischer	Approval
Wendy Lu Cox	Approval
Damion Powell	Approval
Vernetta Johnson	Approval
Gerardo Gonzales	Approval
Timothy Williams	Approval
Hazel Perez	Approval
Sciphio Scott	Approval
Rozene Ellis	Approval
Terry Shaw	Approval

GC Re-examinations – DutyRecommendation

Augusto Gamboa	Approval
Craig Fairbanks	Approval

It was moved by Mr. Pace, and seconded by Mr. Matson, to accept the aforementioned recommendations of the Fire and Police Medical Panel Physicians and the Medical Council. The motion carried, with Mr. Patti being recorded as objecting.

Disability Findings

Robert Garcia. Mr. Allen presented the findings submitted by Hearing Examiner Fiorenza whose Decision states “The law applied to the facts in this case support the decision in denying the duty disability benefits for which Robert Garcia applied. The findings and decision are based on a fair and objective review of the evidence.” Correspondence was also received from the City Attorney’s Office dated September 14, 2015 indicating it did not intend to file a brief.

Jon Osowski. Mr. Allen presented the findings submitted by Hearing Examiner Gerlach whose Decision states “I recommend that the decision of the Annuity and Pension Board denying Mr. Osowski’s application for duty disability benefits be affirmed.” Correspondence was also received from the City Attorney’s Office dated July 27, 2015 indicating it did not intend to file a brief.

Paul Sanchez. Mr. Allen presented the findings submitted by Hearing Examiner Hogan whose Decision states “The decision of the Medical Council denying applicant’s ordinary disability, confirmed by the independent reviewer, is affirmed. It is recommended to the Annuity and Pension Board that the application be denied.” Correspondence was also received from the City Attorney’s Office dated September, 2, 2015 indicating it did not intend to file a brief.

It was moved by Mr. Konrad, seconded by Mr. Matson, and unanimously carried, to accept the recommendations of Hearing Examiner Fiorenza, Hearing Examiner Gerlach and Hearing Examiner Hogan.

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:

Effect of § 62.624 Wis. Stat. on Duty Disability Applications. As a matter of information, Board members received a copy of the legal opinion dated September 22, 2015. Ms. Horwitz and Ms. Houren spoke about the opinion. Mr. Allen handed out a revised opinion request dated July 31, 2015, which included copies of two legal opinions from Whyte Hirschboeck Dudek dated February 7, 2011 and March 23, 2012, respectively. Lengthy discussion ensued. It was moved by Mr. Petropoulos, seconded by Mr. Patti, and unanimously carried, that this legal opinion be referred to the Legislative Committee.

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. Also included were copies of the CMERS.com Website Metrics: July, 2015 and August, 2015.

Informational

The following is a list of informational items:

- 1) Report on Claims and Litigation – Memorandum dated September 28, 2015, 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 2015 - 2016.
- 3) Class Action Lawsuit Report.
- 4) Adjusted Quarterly Cost Basis of Equity – June 30, 2015.

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. Petropoulos, seconded by Mr. Patti, and unanimously carried, to accept and place on file the aforementioned informational items.

There being no further business, Mr. Barmore adjourned the meeting at 10:35 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.)