

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

Minutes of the Annual Meeting held January 25, 2016

The meeting was called to order at 9:07 a.m.

Board Members Present: John Barmore, Chair
 Karen Ellenbecker
 Rudolph Konrad
 Martin Matson
 Michael J. Murphy
 Mark Nicolini
 Carmelo Patti
 Gust Petropoulos

Board Members Not Present: Larry Holland (excused)
 Tom Klusman (excused)
 Gerald Pace

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, ERS Business Operations Analyst
 Suzanne Zagorski, Board Stenographer

Others Present: Miriam Horwitz, City Attorney's Office; Molly King, Budget Office; and Jean Burnside, Milwaukee Retirees Association.

Officers for 2016.

Election of Chair. Mr. Barmore passed the gavel to Mr. Petropoulos, Vice Chair. Mr. Petropoulos asked for a motion for nominations for Chair. It was moved by Mr. Murphy and seconded by Mr. Nicolini to nominate Mr. Barmore for Chair. Mr. Petropoulos asked three more times for any further nominations. There being no further nominations, nominations were closed and a unanimous vote was cast for Mr. Barmore as Chair of the Annuity and Pension Board.

Mr. Petropoulos passed the gavel back to Mr. Barmore.

Election of Vice-Chair. Mr. Barmore asked for a motion for nominations for Vice-Chair. It was moved by Mr. Murphy and seconded by Mr. Nicolini to nominate Mr. Petropoulos for Vice-Chair. Mr. Barmore asked three more times for any further nominations. There being no further nominations, nominations were closed and a unanimous vote was cast for Mr. Petropoulos as Vice-Chair of the Annuity and Pension Board.

Approval of Minutes. Mr. Allen presented the minutes of the Regular Meeting held December 17, 2015. It was moved by Mr. Patti, seconded by Mr. Matson, and unanimously carried, to approve the Minutes of the Regular Meeting held December 17, 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. Courtright reported the Fund's value as of December 31, 2015 was \$4.71 billion dollars, with a return of -1.5 percent, net of fees, and underperformed the blended benchmark by 0.5 percent in December. He reported that, as of January 22, 2016, the Fund's return was down -4.5 percent month-to-date, and had an approximate value of \$4.56 billion. He reported that the Fund finished 2015 with capital market gains of \$39.8 million; paid out \$370.6 million dollars in benefits and expenses and received contributions of \$113.7 million. Mr. Courtright stated that, as of January 22, 2016, the Fund has year-to-date: capital market loss of \$210.7 million; paid out \$2.2 million dollars in benefits and expenses and received contributions of \$61.6 million. He indicated that the ERS Fund planned to withdraw this month: \$15 million from BlackRock Intermediate Agg Index, \$10 million from Loomis, \$10 million from Reams and \$5 million from Wellington to pay monthly benefits and expenses. Discussion ensued.

Abbott Capital Due Diligence Report. As a matter of information, Board members received a copy of a memorandum from Mr. Courtright dated January 25, 2016. Mr. Courtright stated that he and Mr. Silber visited Abbott in November. He said there were no major issues that came out of the meeting. He reported that Abbott has announced that it is discontinuing its ACE program in order to concentrate on the AP Funds program, and ERS staff feels there are a lot of benefits to the AP program and will continue to monitor that change. Mr. Courtright noted that Abbott's Chief Investment Officer, Thad Gray, announced that he is retiring in 2017. Lengthy discussion ensued.

Approval of Abbott Capital AP 2016 Private Equity Fund of Funds Contract. Mr. Barmore advised that the Annuity and Pension Board may vote to convene in closed session on this item, as provided in Section 19.85(1) (e), Wisconsin State Statutes, to deliberate or negotiate the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session. The Board may then vote to reconvene in open session following the closed session. It was moved by Mr. Petropoulos, and seconded by Mr. Matson, that the Board convene in closed session. The motion prevailed by the following roll call vote: AYES: Ms. Ellenbecker, Messrs. Konrad, Matson, Murphy, Nicolini, Patti, Petropoulos and Barmore. NOES: None.

The Board convened in closed session at 9:30 a.m. and reconvened in open session at 9:48 a.m.

It was moved by Mr. Murphy, seconded by Mr. Nicolini, and unanimously carried, to approve the Abbott Capital AP 2016 Private Equity Fund of Funds Contract.

Approval of BlackRock Contract Amendment. Mr. Silber handed out a copy of the Fourth Amendment to the Investment Agreement. He stated getting this amendment done was an incredible effort by Ms. Fowler from the City Attorney's Office so that staff could present it for consideration today. Mr. Silber said that this is a pretty big piece that allows ERS to move forward with implementing the majority of the public equity structure review that was approved at the end of 2015. He walked the Board members through the contract. It was moved by Mr. Murphy, seconded by Mr. Matson, and unanimously carried, to approve the BlackRock contract

amendment.

Investment Committee Report. Mr. Murphy reported that Mr. Dan Fuss of Loomis Sayles presented to the Committee. He provided an overview of the global perspective as it relates to ERS’ portfolio and his thoughts on the future of the global market. Discussion ensued.

Administration and Operations Committee Report. Mr. Patti reported that the Committee received updates on the IT Portfolio, 2015 completed projects and activities, and the organizational/personnel re-classes. He stated that the Committee reviewed and approved the 2016 Statement of Work for the Experis Contract, which included the 2016 rates of payment. Mr. Patti reported that the Committee voted to go in to closed session to discuss the selection of a Disability Claims Processing Vendor. Staff provided an update to the RFP process, which included a review of two proposals received and a staff selection recommendation, which will be addressed later this meeting under New Business.

Approval of Experis Internal Audit Contract Amendment and Statement of Work #2. As a matter of information, Board members received a copy of the First Amendment to the Agreement, along with the Consulting Services Agreement – Statement of Work #2. It was moved by Mr. Patti, seconded by Mr. Matson, and unanimously carried, to approve the Contract Amendment and Statement of Work #2.

New Business.

Authorization to Sign Vouchers. The Secretary presented the following resolution in accordance with Section 36.15 (11) of the Retirement Act:

RESOLVED, That the following persons are hereby designated and authorized to sign vouchers for payments from funds of the Employees' Retirement System or to authorize fund transfers with the custodian bank:

Any two of the following:

- Chairman, John Barmore _____
- or
- Vice Chairman, Gust Petropoulos _____
- or
- City Comptroller, Martin Matson _____
- or
- Special Deputy Comptroller, Toni Biscobing _____
- or
- Deputy Comptroller, Glen Steinbrecher _____
- or
- Secretary & Executive Director, Bernard J. Allen _____
- or
- Deputy Director, Beth Conradson Cleary _____
- or
- Chief Investment Officer, David Silber _____
- And be it

FURTHER RESOLVED, That a duly-attested copy of this resolution, bearing on its face specimen signatures of the above-designated persons, shall be forwarded to the City Treasurer and the Custodian Bank.

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

Active Death Benefits reported	\$0.00
Retired Death Benefits reported	\$26,889.73
Refund of Member Contributions paid	\$169,552.94

Retirements, death claims, and refunds were accepted and placed on file.

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

Carmelo Patti	Public Funds Summit
Sponsor:	Opal Group
Location:	Scottsdale, AZ
Date(s):	January 13-15, 2016
Estimated Cost:	\$1,400.00

Miriam Horwitz	2016 Winter Seminar
Sponsor:	NAPPA
Location:	Washington, DC
Date(s):	February 17-19, 2016
Estimated Cost:	\$1,624.20

Gust Petropoulos	Real Assets Conference
Sponsor:	JP Morgan
Location:	New York, NY
Date(s):	May 3-5, 2016
Estimated Cost:	\$2,000.00

Carmelo Patti	2016 Annual Conference & Exhibition
Sponsor:	NCPERS
Location:	San Diego, CA
Date(s):	May 14-19, 2016
Estimated Cost:	\$3,500.00

Mr. Allen handed out an updated list of conference requests as Mr. Patti is attending the Trustee Education and Development session prior to the conference. It was moved by Mr. Matson, seconded by Mr. Konrad, and unanimously carried, to approve the conference requests submitted by Mr. Patti, Mr. Petropoulos and Ms. Horwitz.

Referral to A&O Committee – Close out of 2015 Budget. Mr. Allen stated this is a routine housekeeping item.

Referral to A&O Committee – Baker Tilly Financial Audit Communication. Mr. Allen stated this is a routine housekeeping item.

It was moved by Mr. Patti, seconded by Ms. Ellenbecker, and unanimously carried, to refer items VI. D. and E. to the Administrations and Operations Committee.

Request to Cancel PSO Election – Brian Spielman. As a matter of information, Board members received a copy of correspondence from Mr. Spielman. Mr. Allen stated the Mr. Spielman is asking the Board pursuant to the Charter provision, 36-05-7-b-4, to cancel his protective survivorship option due to his divorce. After discussion, it was moved by Mr. Matson, seconded by Mr. Patti, and unanimously carried, to approve Mr. Spielman's request to cancel his PSO election.

Selection and Approval of Disability Claims Processing Vendor. Mr. Barmore advised that the Annuity and Pension Board may vote to convene in closed session on this item (G.), as provided in Section 19.85(1)(e), Wisconsin State Statutes, to deliberate or negotiate the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session. The Board may then vote to reconvene in open session following the closed session. It was moved by Mr. Patti, and seconded by Mr. Petropoulos, that the Board convene in closed session. The motion prevailed by the following roll call vote: AYES: Ms. Ellenbecker, Messrs. Konrad, Matson, Murphy, Nicolini, Patti, Petropoulos, and Barmore. NOES: None.

The Board convened in closed session at 10:14 a.m. and reconvened in open session at 10:48 a.m.

Mr. Barmore stated that the Board approved the vendor selection for disability claims process and for staff to enter into contract negotiations with the selected vendor.

ERS Investment Staff Compensation (Analysts). Mr. Barmore advised that the Annuity and Pension Board may vote to convene in closed session on this items (H.), as provided in Section 19.85 (1)(c), for considering employment, promotion, compensation or performance evaluation data of any public employe over which the governmental body has jurisdiction or exercises responsibility. The Board may then vote to reconvene in open session following the closed session. It was moved by Mr. Petropoulos, 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. Konrad, Matson, Murphy, Nicolini, Patti, Petropoulos, and Barmore. NOES: None.

The Board convened in closed session at 10:50 a.m. and reconvened in open session at 11:07 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>
Alan Parks	Denial
<u>Police – Re-examinations</u>	<u>Recommendation</u>
John Burke	Approval
Dexter Love	Approval
Michael Schuster	Approval
<u>Fire – Re-examinations</u>	<u>Recommendation</u>
Denise Bekeris	Approval
Claude Hunter	Approval
Shawn Joannes	Approval
Matthew Kirklewski	Approval
Clarence Swamp	Approval
Paul Singer	Approval
Anthony Wichman	Approval
<u>GC Re-examinations – Ordinary</u>	<u>Recommendation</u>
Jose Cavazos	Approval
Craig Weiss	Approval
Thomas Lalasz	Approval
Michael Albright (MPD)	Approval
<u>GC Re-examinations – Duty</u>	<u>Recommendation</u>
Joseph Alferi	Approval
Dewreal Ford	Approval

It was moved by Mr. Murphy, seconded by Mr. Matson, and unanimously carried, to accept the aforementioned recommendations of the Fire and Police Medical 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. Ms. Horwitz updated the Board on the pending requests.

Legal Opinions Obtained. Mr. Allen stated there were no legal opinions.

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.

Informational

The following is a list of informational items:

- 1) Report on Claims and Litigation – Memorandum dated January 25, 2016, 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.
- 3) Class Action Lawsuit Report.
- 4) Minutes of the Investment Committee Meeting held December 8, 2015.
- 5) Minutes of the Administration and Operations Committee Meeting held December 15, 2015.
- 6) Copies of the Board Rules and Regulations and ERS Ethics Policy.

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.

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

There being no further business, Mr. Barmore adjourned the meeting at 11:19 a.m.

Bernard J. Allen
Secretary and Executive Director

1/25/2016

(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.)