

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

Minutes of the Regular Meeting held May 23, 2016

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

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

Board Members Not Present: Tom Klusman (excused)
 Michael J. Murphy

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
 Matthew Ogren, Pension Investment Intern
 Karen McElwee, Mgmt. Services
 Analyst/Disability Benefits Coordinator
 Mary Turk, Business Operations Analyst
 Jan Wills, Board Stenographer

Others Present: Maurita Houren, City Attorney's Office; Molly King, Budget Office; Jean Burnside, Milwaukee Retirees Association.

Approval of Minutes. Mr. Allen presented the minutes of the Regular Meeting held April 25, 2016. Mr. Barmore noted one correction to the April 25, 2016 minutes. Mr. Barmore's name has been added to the 2016 Madison Investment Conference on June 2, 2016. It was then moved by Mr. Petropoulos, seconded by Mr. Holland, and unanimously carried, to approve the Minutes of the Regular Meeting held April 25, 2016.

Chief Investment Officer Report. As a matter of information, Board members received a copy of the CIO Report. Mr. Sauer handed out a copy of the Performance Update Chart. Mr. Sauer reported the Fund's value as of April 30, 2016 was \$4.80 billion dollars, with a return of 1.1 percent, net of fees, and slightly outperformed the blended benchmark. He reported that, as of May 20, 2016, the Fund return was down -1.3 percent month-to-date, and had an approximate value of \$4.74 billion. Nine of the 16 active managers are outperforming, net of fees. The Fund's return year-to-date is up 2.2 percent, net of fees. Mr. Sauer reported that the Fund has year-to-date: capital market gains of \$79.2 million; paid out \$132.3 million dollars in benefits and expenses and received contributions of \$74.4 million. He indicated that the ERS Fund withdrew this month: \$10 million from Northern Trust, \$8 million from MFS, \$6 million from Polen, and \$4 million each from Loomis and Newton to pay benefits and expenses.

Abbott Capital AP2015 Private Equity Fund of Funds Contract Amendment. It was moved by Mr. Patti, seconded by Mr. Nicolini, and unanimously carried, to approve the Abbott Capital AP2015 Private Equity Fund of Funds Contract Amendment.

Mr. Silber recognized Mr. Sauer for earning his CFA Charter this year. Chartered Financial Analyst (CFA) is regarded as the premier designation among investment professionals and requires passing three rigorous exams. Mr. Sauer also has his CAIA designation.

Administration and Operations Committee Report. Mr. Matson reported that the election of vice-chair is tabled until the entire committee meets. He reported the committee discussed Experis' Internal Audit Reports of Investments Audit Report, Information Technology General Controls Audit, Software Licensing Audit, Benefit Payroll Audit Report, Contributions Audit Report, and Vendor Management Audit Report. Mr. Matson said Experis provided an update on the Risk Assessment and Statement of Work with no internal control deficiencies reported. For the IT Projects Portfolio update, Mr. Matson stated the following projects were in progress: Windows Server Upgrade, Tape Libraries Upgrade, Network Infrastructure Firmware Upgrade and various MERITS Optimization projects. The FileNet P8 Upgrade and 2016 Desktop Rotation/Windows 10 Upgrade were successfully completed. For the organizational/personnel update, Mr. Matson stated the various reclassification and reorganization requests are still in progress and that several positions will be filled with promotional opportunities within the office. He stated the approval of the internal audit charter is on today's agenda and the Hewlett-Packard contract, due to pending negotiations, will be tabled until the next meeting. It was moved by Mr. Matson, seconded by Mr. Patti, and unanimously carried, to approve the Experis Statement of Work and to approve the Internal Audit Charter. Mr. Barmore stated the approval of the Hewlett-Packard contract is held over.

New Business.

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

Active Death Benefits reported	\$47,266.98
Retired Death Benefits reported	\$37,854.51
Refund of Member Contributions paid	\$243,035.29

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. There were no conference requests at this time.

Acceptance of Amendment of Indemnification Agreement between the City of Milwaukee and the Employees' Retirement System. Mr. Allen stated this agreement, brought back for renewal, indemnifies all the trustees and all officers and employees of the ERS against any potential liability. It was moved by Mr. Holland, seconded by Ms. Ellenbecker, and unanimously carried, to approve the indemnification agreement.

Approval to Suspend Disability Benefits for Non-Compliance with Periodic Medical Re-examination. Mr. Allen stated Mr. Reginald Barken was notified of his obligation to be re-examined and that, due to his non-compliance, his benefit is subject to suspension. Once he complies, his benefit will be re-instated, along with back payments. It was moved by Ms. Ellenbecker, seconded by Mr. Pace, and unanimously carried, to approve the suspension of disability benefits for non-compliance.

Approval of Resolution for Office Supervisor II Suzanne M. Zagorski. Mr. Allen presented a board resolution regarding Ms. Zagorski's 37-year. It was moved by Mr. Barmore, seconded by Mr. Petropoulos, and unanimously carried, to approve the resolution for Ms. Zagorski.

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 – Re-examinations</u>	<u>Recommendation</u>
Jean Docter	Approval
Craig Wachowiak	Approval
<u>Fire – New Applications – Duty</u>	<u>Recommendation</u>
Scott Hoth	Approval
Effective 05/24/2016	
<u>Fire – Re-examinations</u>	<u>Recommendation</u>
Martin Hinsenkamp	Approval
<u>GC New Applications – Ordinary</u>	<u>Recommendation</u>
Jerry Allen	Approval
Effective 07/04/2015	
<u>GC Re-examinations – Ordinary</u>	<u>Recommendation</u>
Marina Bartleson	Approval
Rodney De Pass	Approval
Saverio Bruno	Approval

It was moved by Mr. Holland, seconded by Nicolini, 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. Mr. Allen mentioned the indemnification agreement approved by the board today.

Legal Opinions Obtained. Ms. Houren stated there were none to report.

Legislation Requests Pending and Proposed Legislation. As a matter of information, Mr. Allen presented a list of pending requests for legislation. Mr. Allen reported the only open item is the paid release for elected board members. He stated a draft, written by Mr. Silber, of proposed board rules defining the role of board members attending due diligence trips, will be circulated to board members.

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.

It was moved by Mr. Matson, seconded by Mr. Pace, and unanimously carried, to accept and place on file the aforementioned Unfinished Business items and Executive Director's report.

Informational

The following is a list of informational items:

- 1) Report on Claims and Litigation – Memorandum dated May 23, 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 2016.
- 3) Class Action Lawsuit Report.
- 4) Adjusted Quarterly Cost Basis of Equity.
- 5) Minutes of the Administration and Operations Committee Meeting held April 21, 2016.

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

- 6) Report on Bills.
- 7) Deployment of Assets.
- 8) Securities Lending Revenue and Budget Reports.
- 9) Preliminary Performance Report/Asset and Manager Allocation Pie Charts.

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

Mr. Barmore adjourned the meeting at 9:34 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.)