

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

Minutes of the Regular Meeting held November 28, 2016

The meeting was called to order at 9:10 a.m.

Board Members Present: John Barmore, Chair
 Deborah Ford
 Larry Holland
 Tom Klusman
 Rudolph Konrad
 Martin Matson
 Mark Nicolini
 Gerald Pace
 Carmelo Patti
 Gust Petropoulos

Board Members Not Present: Nik Kovac (excused)

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
 Karen McElwee, Mgmt. Services Analyst/
 Disability Benefits Coordinator
 Mary Turk, Business Operations Analyst
 Jan Wills, Board Stenographer

Others Present: Larry Langer, Patryk Tabernacki, Buck Consultants; Miriam Horwitz, Andrea Fowler, Patrick McClain, City Attorney's Office; Dennis Yaccarino, Budget Office; Thomas Hayes, former City Attorney.

Approval of Minutes. Mr. Allen presented the minutes of the Regular Meeting held October 20, 2016. It was then moved by Mr. Matson, seconded by Mr. Nicolini, and unanimously carried, to approve the Minutes of the Regular Meeting held October 20, 2016.

Chief Investment Officer Report. As a matter of information, Board members received a copy of the CIO Report. Mr. Courtright handed out copies of the Performance Update Chart. Mr. Courtright reported the Fund's value as of October 31, 2016 was \$4.81 billion dollars, with an estimated return in October of 0.9 percent, net of fees, and outperformed the blended benchmark, net of fees, by 35 basis points. The Fund has outperformed the benchmark, net of fees, over the year-to-date, but not the three- and ten-year periods. The main drivers of October returns, he said, were manager performance from Brandes which added 24 basis points and the lagged nature of real estate with 12 basis points. Mr. Courtright indicated that as of November 25, 2016,

the Fund return is up 7.2% year-to-date, net of fees, with the Fund value at \$4.85 billion dollars. Eight of the Fund's 17 active managers are outperforming year-to-date, net of fees. The Total Fund, Public Equity, Fixed Income, and Absolute Return asset classes are outperforming their respective benchmarks year-to-date, net of fees. Mr. Courtright stated that the Fund has year-to-date: capital market gains of \$341.5 million; paid out \$317.7 million dollars in benefits and expenses and received contributions of \$101.8 million. Cash withdrawals this month include \$8 million from Cornerstone, \$6 million each from DFA U.S. and Polen, \$5 million from Northern Trust and \$4 million from Earnest.

Mr. Silber stated Callan would be present at the December 8 Investment Committee meeting to continue their conversation regarding the Real Estate program in which Board members would be asked for their feedback on various options for the real estate program. Mr. Silber said Brandes will attend the meeting to provide a performance update. He stated that Brandes, as the ERS' longest-serving active manager on the international side, will give a non-U.S. perspective on investments.

Investment Committee Report.

At its November 10 meeting, the Investment Committee received the Fund's 3rd quarter performance report. The Fund delivered strong performance during the quarter, generating a return of 4.3% and outperforming its benchmark by 70 basis points. Many of the style biases that were implemented in the recent Public Equity and Fixed Income structure reviews worked in the Fund's favor during the quarter, as value, small-cap, and Emerging Markets stocks all rebounded strongly in the aftermath of the Brexit vote. In addition, exposure to High yield credit added value to the Fund. Staff also provided a performance update through November 9, the day after the election, showing the Fund holding up well and increasing its outperformance versus its benchmark, year to date.

Staff presented routine due diligence reports on MFS Investment Management and Loomis Sayles & Company.

The Investment Committee spent the majority of its time in closed session with Callan discussing its private Real Estate program and what characteristics CMERS wants the Fund's real estate portfolio to have going forward. This discussion will continue at the December 8 Investment Committee meeting.

The Committee heard a presentation from Allianz Global Investors, who provided an update on the Structured Alpha 1000 Plus strategy they manage on CMERS' behalf.

Finally, the Committee approved the contract documents necessary to make the \$15 million commitment to Private Advisors' Fund VII that Callan had previously recommended earlier this year.

The Committee recommended approval of the following item:

- 1.) Approval of Private Advisors Small Company Private Equity Fund VII Contract.

Approval of Private Advisors Small Company Private Equity Fund VII Contract.

The Board did not go into closed session for item III.A., Approval of Private Advisors Small Company Private Equity Fund VII Contract. It was moved by Mr. Petropoulos, seconded by Mr. Matson, and unanimously carried, to approve the Private Advisors Small Company Private Equity Fund VII Contract.

Administration and Operations Committee Report.

Mr. Patti stated at its November 28, 2016 Administration and Operations Committee meeting at 8:30 a.m., the staff provided an overview of IT projects and contracts as well as an organizational overview. He stated all IT projects are on schedule with no issues. Mr. Patti stated the reclassification process is still in progress and he said staff is working with DER to fill various positions and vacancies. Mr. Patti said the Committee met in closed session to discuss the Level 3 contract and SSR contract for ad hoc IT administrative services and they are before the board for approval subject to city attorney’s final approval per the committee’s recommendation.

Approval of Level 3 Communications, LLC Contract and Approval of SSR Contract and Statement of Work. Mr. Patti advised that the Annuity and Pension Board may vote to convene in closed session on these items 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.

The Board convened in closed session at 9:25 a.m. and reconvened in open session at 9:40 a.m. at which time they took a break until 9:52 a.m.

It was moved by Mr. Petropoulos, seconded by Mr. Klusman, and unanimously carried, to approve the Level 3 Communications, LLC Contract and SSR Contract and Statement of Work.

New Business.

Retirements, Death Claims, and Refunds. Mr. Allen presented the following activity, as well as Service Credits for the months of September 2016.

Active Death Benefits reported	\$0.00
Deferred Death-Member Only Refund	\$4,590.69
Retired Death Benefits reported September 2016	\$51,309.92
Refund of Member Contributions paid September 2016	\$341,732.99

It was moved by Ms. Ford, seconded by Mr. Konrad, and unanimously carried, to approve the Retirements, Death Claims, and Refunds.

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

Jerry Allen	2017 Legislative Conference
Sponsor:	NCPERS
Location:	Washington, DC
Date:	January 29-31, 2017
Estimated Cost:	\$1,900.00

David Silber, John Barmore	Public Funds Roundtable
Sponsor:	Institutional Investor
Location:	Los Angeles, CA
Date:	April 25-28, 2017
Estimated Cost:	\$1,800.00 per person

Erich Sauer	CFA Annual Conference
Sponsor:	CFA Institute
Location:	Philadelphia, PA
Date:	May 21-24, 2017
Estimated Cost:	\$2,800.00

It was moved by Mr. Matson, seconded by Mr. Nicolini, and unanimously carried, to approve the conference requests submitted by Messrs. Allen, Silber, Barmore, and Sauer.

Presentation by Buck Consultants. Mr. Langer presented background information to the Board regarding the 2017 Actuarial Valuation as well as additional ERS projects. He spoke about the January 1, 2017 Actuarial Valuation, Experience Review, Stable Contribution Policy Review and Proposed Calendar. Discussion ensued among the Board members.

(Mr. Pace left at 11:11 a.m.)

Paid Time-off for Employee Trustees to Attend Board Meetings and Board-approved Travel per Chapter 350-219. Mr. Allen noted any requested hours above 32 hours must be approved by the Finance and Personnel Committee and City Council. Mr. Allen stated excused time includes Board meetings, Investment Committee meetings, Administration & Operations Committee meetings, due diligence trips and conferences.

It was moved by Mr. Nicolini, seconded by Mr. Holland, and unanimously carried, to approve the paid time-off for employee-elected trustees to attend board meetings and board-approved travel per Chapter 350-219.

Active General City Member Election Results. As a matter of information, Board members received a copy of the Active General City Member Election Results from Election Commission Director Neil Albrecht. The votes were as follows: Joseph T. Ganzer, 254; Kathy Brengosz, 249; Thomas J. Bell, 292; Patrick W. Case, 47; Molly King. Mr. Allen noted there would be a run-off election on December 9 between the top two vote-getters: Joseph T. Ganzer and Thomas J. Bell.

2017 Board and Committee Meeting Dates – Draft. As a matter of information, Board members received a copy of the 2017 Board and Committee Meeting Dates – Draft. Board members were requested to provide any changes at the December meeting.

Approval of Resolution for Milwaukee Retiree Association President Jean Burnside. At the request of Board Chairman Mr. Barmore, a resolution was prepared for Jean Burnside which reads:

A Resolution

WHEREAS, Jean Burnside served with distinction as President of the Milwaukee Retiree Association and faithfully and conscientiously discharged her duty to represent the interests of all the beneficiaries of the City of Milwaukee Employees' Retirement System during her tenure of office from January 2011 to September 2016;

NOW THEREFORE BE IT RESOLVED, the Annuity and Pension Board hereby expresses its deep and sincere appreciation and gratitude to Jean Burnside for her invaluable, selfless and loyal service; and be it

FURTHER RESOLVED, that this resolution be recorded in the permanent records of this Board and that a suitably engrossed copy be forwarded to Jean Burnside.

ADOPTED November 28, 2016
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It was moved by Mr. Nicolini, seconded by Mr. Klusman, and unanimously carried, to approve the Resolution for Milwaukee Retiree Association President Jean Burnside.

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

Robert Hehn
Effective 12/25/2015

Recommendation

Approval

Police – Re-examinations - Duty

Jayne Cler
 Christopher Lehner
 Janette Mosley
 Cindy Warren

Recommendation

Approval
 Approval
 Approval
 Approval

Fire – Re-examinations - Duty

Jeffery Beamon
 Timothy Newman
 Thomas Scholz
 Todd Schultz
 Christopher Underwood

Recommendation

Approval
 Approval
 Approval
 Approval
 Approval

GC New Applications – Duty

Rochelle Baldwin
 Scott Geiger

Recommendation

Denial
 Denial

GC New Applications – Ordinary

Rochelle Baldwin
 Effective 07/13/2016

Recommendation

Approval

Scott Geiger
 Effective 11/04/2016

Approval

GC Re-examinations – Ordinary

Carol Hart
 Teofilo Maldonado

Recommendation

Approval
 Approval

It was moved by Mr. Patti, seconded by Ms. Ford, and unanimously carried, to accept the aforementioned recommendations of the Fire and Police Medical Panel Physicians and the Medical Council.

Disability Findings – Jon Osowski. Mr. Barmore presented the findings submitted by Hearing Examiner John A. Fiorenza whose Decision states “The decision of the Annuity and Pension Board is affirmed and the application of Mr. Osowski for retirement under Ordinary Disability is denied.” Neither parties will be filing a brief in response to the Hearing Examiner’s Decision.

It was moved by Mr. Patti, seconded by Mr. Klusman, and unanimously carried, to approve the disability findings regarding Mr. Osowski.

Unfinished Business.

Legal Opinions and Service Requests Pending and Legal Opinions. As a matter of information, the Board members received a copy of the Legal Opinions and Service Requests Pending and Legal Opinions. Ms. Horwitz stated the City Attorney's office is up to date as there are no pending requests for legal opinions. She stated the service requests pending relate to two new contract reviews. The other two contracts were approved at today's meeting. Ms. Horwitz noted there's one service request outstanding with the Reinhart firm.

Legislation Requests Pending and Proposed Legislation. As a matter of information, Mr. Allen stated there are no pending requests for legislation. Mr. Allen stated, based upon what the actuary is recommending, there may be some legislation at the Common Council level next year.

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. He stated the Pension Accounting Manager vacancy was filled with an internal promotion to Mark Niemiec who had been doing backup on payroll for eight years. Mr. Allen stated an offer is being made to fill the Network Administrator position while two additional positions remain to be filled.

It was moved by Mr. Petropoulos, seconded by Mr. Holland, and unanimously carried, to accept the Legal Opinions and Service Requests Pending and Legal Opinions, the Legislation Requests Pending and Proposed Legislation, and the Executive Director's Report – Inventory of ERS Projects.

Informational

The following is a list of informational items:

- 1) Report on Claims and Litigation.
- 2) Conferences.
- 3) Class Action Lawsuit Report.
- 4) Adjusted Quarterly Basis of Equity – September 30, 2016.
- 5) Minutes of the Administration & Operations Committee Meeting Held October 20, 2016.
- 6) Minutes of the Investment Committee Meeting Held November 10, 2016.

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.

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

There being no further business, Mr. Barmore adjourned the meeting at 11:50 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.)