

PROCEEDINGS OF ANNUITY AND PENSION BOARD

Minutes of the Regular Meeting held March 27, 1978.

The meeting was called to order at 2:01 P. M. by Chairman Robert W. Walker.

PRESENT: Messrs. Ronald R. Beaudoin, Carl E. Hanneman, Clarence M. Miller, W. Martin Morics, Roy B. Nabors, Robert W. Walker, Edmund M. Wisniewski, and Miss Ruth A. Poehlmann; also Mr. Thomas E. Hayes, Legal Adviser, Rudolph E. Pede, Secretary, Robert G. Nehls, Assistant Secretary, and Chris Foerster, Accountant.

ALSO PRESENT: Messrs. Robert L. Barnes and Lloyd Nordstrom, Actuaries, The Wyatt Company; Messrs. Jack Windsor, Richard Farren, and Richard Stanley, Heritage Investment Advisors, Inc., Investment Managers; and Mr. Joe Ellis, representing Labor Negotiator.

Minutes

It was moved by Mr. Morics, seconded by Mr. Wisniewski and unanimously carried, that the minutes of the regular meeting held February 27, 1978 be approved as submitted.

Report on Election

The Assistant Secretary presented the following report dated March 6, 1978 received from the Election Commission relative to the March 3, 1978 election of an employee member:

"March 6, 1978

Annuity and Pension Board
City of Milwaukee

Gentlemen

I hereby report the following on the election held Friday, March 3, 1978, for one Member of the Annuity and Pension Board of the City of Milwaukee.

Ronald R. Beaudoin and Raymond J. Lewandowski were nominated at the primary held January 27, 1978 having the two highest number of votes received and the run-off election was held on March 3, 1978 with the following results:

Votes received: Ronald R. Beaudoin 4,464

Raymond J. Lewandowski 2,984

Ronald R. Beaudoin having received the highest number of votes cast was elected a Member of the Annuity and Pension Board of the Employees' Retirement System of the City of Milwaukee.

Ballots were put in the vault of the Election Commission, sealed, and will be destroyed unopened in 90 days.

Very truly yours

(signed)

THADDEUS C. STAWICKI, Executive Secretary
BOARD OF ELECTION COMMISSIONERS"

The Assistant Secretary further reported that Mr. Beaudoin took his oath of office and that his term would expire January 1981.

The report was ordered placed on file.

Actuary's Report - 5-Year Valuation

Messrs. Robert L. Barnes and Lloyd Nordstrom, Actuaries of The Wyatt Company in Chicago, presented the Experience Study of the Employees' Retirement System of the City of Milwaukee for the period January 1, 1972 thru December 31, 1976, copies of which were previously sent to Board members.

In the study they compared the experience regarding Salary Scales and Interest to the Assumptions. They concluded that the salary assumption should be raised to 5-1/4% and the interest assumption to 6-1/2% per annum.

They recommend that the Service Retirement age for policemen and firemen be reduced from age 58 to age 56 based on actual experience.

They further recommend that the assumed percentage of all male employees selecting Option 3 be increased to 80% and all female employees be reduced to 5%.

The net result of these assumption changes would be a decrease of .392% in required City contributions; however, when the December, 1977 Social Security changes are taken into account this results in a net increase of .623% in required City contributions.

During the above discussion, Messrs. Hayes, Nabors and the Investment Managers arrived.

After discussion, it was moved by Mr. Hanneman and seconded by Mr. Miller, that the 5-Year Actuarial Valuation as provided in Section 36.15 (14) of the City Charter be adopted. The motion prevailed by the following vote:

Mr. Nabors left the meeting.

AYES: Messrs. Beaudoin, Hanneman, Miller, Walker, Wisniewski and Miss Poehlmann.

NOES: Mr. Morics.

After further discussion, it was moved by Mr. Hanneman, seconded by Mr. Miller and unanimously carried, that the Actuary continue the 5-Year Valuation Studies as provided in Section 36.15 (14) of the City Charter and include in the 5-Year Valuation Studies the Fire and Police Survivorship fund as provided in Section 36.05 (8) of the City Charter and to include alternatives open to the Board.

The Assistant Secretary then read the letter dated February 2, 1978 from the Finance and Personnel Committee requesting that the 5-Year Actuarial Assumptions be submitted to them for review. It was moved by Mr. Hanneman, seconded by Mr. Miller and unanimously carried, that the Assistant Secretary submit the 5-Year Actuarial Assumptions to the Finance and Personnel Committee for review.

Messrs. Barnes and Nordstrom left the meeting.
Mr. Morics left the meeting.

Investments

Mr. Windsor presented the Investment Manager's agenda and lists of investment transactions committed since the February 27, 1978 Board meeting, copies sent with meeting notice and to be attached to these minutes.

Mr. Morics arrived.

Mr. Stanley reviewed the fixed income transactions and the stock options program transactions and status. Mr. Stanley noted that the fund currently had outstanding options on 5-1/2 million dollars of ~~underlying~~ ^{fixed} securities.

Mr. Farren reviewed and discussed the activity in the equity portfolio which included additions to five (5) existing holdings. He also noted the sale of a low interest bank convertible bond.

Mr. Windsor reviewed and discussed the Short Term Investment status. Mr. Windsor also requested an opportunity to review the new interest assumption and present his comments at a future meeting.

The Investment Managers left the meeting.

Mini Institute

The Assistant Secretary reported that the attendance at the One Day High Intensity Mini Institute on June 5, 1978 in Milwaukee was approved for three Board members by the Common Council on March 3, 1978.

Mr. Nabors arrived.

After discussion, it was agreed that Messrs. Beaudoin, Hanneman, and Wisniewski be authorized to attend.

The Assistant Secretary also pointed out that the City Comptroller, City Attorney and Employees' Retirement System office could request funding for this institute from City Service's Special Institute Training Fund (applications for which were distributed).

1977 Audit

As a matter of information, the Assistant Secretary reported that the Management Letter had not been received nor had the Comptroller reviewed the 1977 Audit Report of the Employees' Retirement System as submitted by Price Waterhouse and Company. It was agreed to lay this matter over.

Wick Hearing

The Assistant Secretary reported that the Roman Wick hearing on the denial of his Duty Disability application is tentatively scheduled for April 12, 1978.

After discussion of the hearing procedures, it was moved by Miss Poehlmann, seconded by Mr. Miller and unanimously carried, that legal adviser Thomas Hayes review the disability hearing provisions in Charter Ordinance No. 417 on appeal procedures and recommend an alternate procedure.

Investment Transactions

As a matter of information, the Assistant Secretary presented list of Investment Transactions settled during the month of February 1978, copies sent with meeting notice and to be attached to these minutes.

Bills

The Assistant Secretary presented a list of bills for February in the amount of \$17,152.14, copies sent with meeting notice and to be attached to these minutes. It was moved by Mr. Wisniewski, seconded by Mr. Hanneman and unanimously carried, that the bills be approved and payments ratified.

Retirements, Death Claims, and Refunds

The Assistant Secretary presented lists of activity since the last Board meeting, copies sent with meeting notice and to be attached to these minutes:

Retirements for the month of March 1978

Active Death Benefits paid	\$81,079.13
March 20, 1978	

Retired Deaths paid	\$ 5,306.78
March 20, 1978	

Refund of Member Contributions paid thru	\$58,722.98
March 10, 1978	

It was moved by Miss Poehlmann, seconded by Mr. Miller and unanimously carried, that the above indicated retirements, death claims and refunds be approved.

Fire Medical Panel Reports

The Assistant Secretary presented application for Duty Disability Retirement under Chapter 891.45 of the Wisconsin Statutes, Presumption of Employment Connected Disease, from #F-10336 Richard R. Behl, effective April 30, 1978, and submitted report of the Fire Medical Panel certifying that he is physically incapacitated for the performance of duty because of heart defect or disease which under Chapter 891.45 of the Wisconsin Statutes is presumed to have been caused by his employment. It was moved by Mr. Wisniewski, seconded by Miss Poehlmann and unanimously carried, to accept the certification of the Fire Medical Panel and that Mr. Behl be placed on Duty Disability Retirement under the provisions of Chapter 891.45 of the Wisconsin Statutes.

The Assistant Secretary also presented report of the Fire Medical Panel relative to the re-examination of #F-10757 John L. Spanbauer, retired on Duty Disability Retirement under Chapter 891.45 of the Wisconsin Statutes, Presumption of Employment Connected Disease, certifying that he be continued on Duty Disability Retirement because of heart defect or disease which is presumed to have been caused by his employment. It was moved by Mr. Miller, seconded by Mr. Hanneman and unanimously carried, to accept the certification of the Fire Medical Panel and that Mr. Spanbauer be continued on Duty Disability Retirement under the provisions of Chapter 891.45 of the Wisconsin Statutes.

The Assistant Secretary also presented report of the Fire Medical Panel relative to the re-examination of #F-26069 Thomas R. Fuss, certifying that he be continued on Duty Disability Retirement. It was moved by Mr. Hanneman, seconded by Miss Poehlmann and unanimously carried, to accept the certification of the Fire Medical Panel and that Mr. Fuss be continued on Duty Disability Retirement.

Police Medical Panel Report

The Assistant Secretary presented report of the Police Medical Panel relative to the re-examination of #SP-10694 Norbert J. Herrick, certifying that he be continued on Ordinary Disability Retirement. It was moved by Mr. Hanneman, seconded by Mr. Miller and unanimously carried, to accept the certification of the Police Medical Panel and that Mr. Herrick be continued on Ordinary Disability Retirement.

Report of Special Physician Panel - 90% Duty Disability

The Assistant Secretary presented reports of the Special Three-Physician Panel relative to the annual re-examination of #SP-18393 Lawrence A. Olson, a former Police Patrolman, certifying that he be continued on Duty Disability enlarged 90% allowance. It was moved by Mr. Beaudoin, seconded by Mr. Hanneman and unanimously carried, to accept the certifications of the Special Three-Physician Panel and that Mr. Olson be continued on Duty Disability enlarged 90% allowance.

After discussion on the heart and lung disability law, the Chairman directed the Assistant Secretary to write the City Attorney for modification of Section 36.05 (3) of our law to include the provisions of Chapter 891.45 of the Wisconsin Statutes, "Presumption of Employment Connected Disease" (heart and lung law).

Mr. Hayes left the meeting.

Report of Special Committee to Select an Executive Director

Mr. Morics reported that the Oral Board and Annuity and Pension Board members met on March 14, 1978 to interview the applicants for the Executive Director position. A special meeting will be called when City Service certifies the list of eligibles.

The meeting adjourned at 4:37 P. M.



Assistant Secretary

Heritage
Investment Advisors, Inc.

EMPLOYES' RETIREMENT SYSTEM OF THE
CITY OF MILWAUKEE

A G E N D A

March 27, 1978

- I. Short Term Investments - \$29,994,000
- II. Fixed Income Portfolio
 - A. Review of Recent Transactions
- III. Option Program
 - A. Review of Recent Transactions
- IV. Common Stock Portfolio
 - A. Review of Recent Transactions

Heritage
Investment Advisors, Inc.

EMPLOYES' RETIREMENT SYSTEM OF THE
CITY OF MILWAUKEE

Fixed Income Portfolio

Portfolio Improvement Swap

<u>Purchased</u>		<u>Cost</u>	<u>Yield</u>	<u>Rating</u>	
\$1,000,000	Montgomery Ward Credit 8 7/8% 3/15/03	\$992,500	8.95%	A	
<u>Sold</u>		<u>Proceeds</u>	<u>Gain/ (Loss)</u>	<u>Yield</u>	<u>Rating</u>
\$ 500,000	Pitney Bowes 9% 10/15/95	\$506,555	\$8,319	8.85%	A
\$ 500,000	International Tel. & Tel. 8.90% 10/1/95	\$502,165	\$2,165	8.85%	A

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EMPLOYES' RETIREMENT SYSTEM OF THE
CITY OF MILWAUKEE

Options Program

<u>Date of Sale</u>			<u>Cost</u>
3/13	20	Abbot Labs August 60's	\$ 2,151
3/15	50	Coca Cola November 40's	4,760
3/9	50	Dow July 25's	3,896
3/14	100	Household Finance July 20's	2,272
3/13	92	IT & T July 30's	4,366
3/11	50	J.C. Penney August 35's	10,346
3/11	14	J.C. Penney November 40's	985
3/3	50	Kerr McGee July 45's	5,381
3/14	30	Kerr McGee October 50's	3,519
3/11	100	Phillips August 30's	10,109
3/3	50	RCA July 25's	4,760
3/4	50	Xerox July 45's	7,594
3/4	50	Xerox July 50's	<u>1,785</u>
		Total	\$61,924

Purchases, Expirations or Calls

None

3/27/78

*Heritage
Investment Advisors, Inc.*

EMPLOYES' RETIREMENT SYSTEM OF THE
CITY OF MILWAUKEE

Common Stock Portfolio

<u>Purchased</u>		<u>Cost</u>	<u>Cost Per Share</u>	<u>Rating</u>	<u>Yield</u>	<u>Shares Held</u>
11,000	AMF	\$ 182,490	\$16.59	A-	7.47%	140,000
30,000	American Express	958,750	31.96	A	4.38	90,000
4,000	Sears	96,520	24.13	A+	5.26	120,000
2,600	Simmons	36,062	13.87	B+	8.07	105,600
6,600	Sunbeam	<u>121,867</u>	18.46	A	<u>6.50</u>	186,600
	Total	\$1,395,689			5.13%	

<u>Sold</u>		<u>Cost</u>	<u>Proceeds</u>	<u>Gain/ (Loss)</u>	<u>Shares Remaining</u>
200,000	Chase Manhattan 4 7/8% Conv. 5/1/93	\$200,000	\$147,750	\$(52,250)	-0-

3/27/78

INVESTMENT TRANSACTIONSSettled Month of FebruaryREDEMPTIONS

	<u>Securities</u>	<u>Rate</u>	<u>Maturity</u>
\$ 100,000.00	Philadelphia Electric Co. - 1st Mtge.	2.875%	2- 1-1978
200,000.00	Southwestern Public Service Co. - 1st Mtge.	3.5	2- 1-1978
200,000.00	Chicago Burlington & Quincy R.R. - 1st Mtge.	4.375	2- 1-1978
50,000.00	Denver & Rio Grande Western R.R. - Equipment Trust Certificate	5.375	2- 1-1978
100,000.00	Illinois Central R.R. - Equipment Trust Cert.	4.125	2- 1-1978
321,103.90	Gov't. Nat'l. Mtge. Assn. - U. S. Government Guaranteed	Various	Various

SALES

\$ 300,000.00	New York, Chicago & St. Louis - 1st Mtge.	3	4- 1-1986
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PURCHASES

\$ 500,000.00	Baltimore Gas & Electric - 1st Mtge.	8.25	9-15-2007
1,000,000.00	Northern States Power - 1st Mtge.	7.5	2- 1-2003

PURCHASES - Common Stock

\$ 280,000.00	Commonwealth Edison - 10,000 shs	-	-
103,324.00	Sunbeam Corp. - 5,200 shs	-	-
231,100.00	Sterling Drug - 17,000 shs	-	-
250,140.00	Kerr McGee Corp. - 6,000 shs	-	-
40,450.50	Xerox Corp. - 900 shs	-	-
182,490.00	A. M. F., Inc. - 11,000 shs	-	-
326,145.00	American Express Co. - 10,200 shs	-	-

3/27/78

40.

EXPENSE FUND BILLS - FEBRUARY 1978

<u>Vendor</u>	<u>Amount</u>
For ratification at Board Meeting March 27, 1978 -	
Barron's - Subscription Fee - One Year	\$ 28.00
City Treasurer - Payroll P.P. 2 & 3	15,003.50
City Treasurer - Social Security Taxes	778.50
City Treasurer - Group Life Insurance	128.76
City Treasurer - Blue Cross Insurance	<u>1,213.38</u>
Total Expenses	\$17,152.14

SERVICE RETIREMENTS - MONTH OF MARCH 1978

<u>Active Service No.</u>	<u>Name and Department</u>	<u>Date of Retirement</u>
C- 9440	Arthur J. Zeisse - Bureau of Sanitation	3- 1-78
C- 9478	Frank J. Krebs - Municipal Equipment	3- 1-78
C-18216	George W. Koerner - Building Inspection	3- 1-78
A-19885	Catherine A. Pawlicki - School Board	3- 1-78
C-21623	Dorothy Bau - City Attorney's Office	3- 1-78
C-25388	Florence H. Witkowski - School Board	3- 1-78
C-26406	Helen Beduhn - School Board	3- 1-78
C-33107	Josephine Orth - Public Library	3- 1-78
C-44494	Vera Frans - Building Inspection (Lump Sum)	3- 1-78
C-16774	Donald F. Schelvan - Bureau of Sanitation	3- 4-78
C-38388	Robert W. Laube - Bureau of Forestry	3- 4-78
F-14920	Eugene P. O'Connell - Fire Department	3- 8-78
C-26819	Evelyn E. Klump - School Board	3- 9-78
C-37512	William T. Duane - School Board	3-11-78
C-17300	Gilbert P. Ruthenberg - Municipal Equipment	3-15-78
C-22119	Joseph J. Kehrner - School Board	3-15-78
C- 7385	Louis M. Seefeld - School Board	3-17-78
P-10818	Thomas E. Cornwell, Jr. - Police Department	3-23-78
A-15007	Rosa G. Neumann - School Board	3-23-78
A-16997	Sophie Hudziak - School Board	3-23-78
C-12518	Roman F. Zoladkiewicz - Sewerage Commission	3-25-78
C-17066	Stephen Beres - Sewerage Commission	3-25-78
C-28819	Harvey A. Redemann - Bureau of Forestry	3-30-78

Election of 7-Year Annuity

A-10461 Steve L. Janicek died December 23, 1977 and his widow, Constance, elected a 7-Year annuity to become effective March 1, 1978.

Election of 10-Year Annuity

C-20571 Harvey A. Garbisch died January 20, 1978 and his widow, Betty, elected a 10-Year annuity to become effective March 1, 1978.

REFUND OF MEMBER CONTRIBUTIONS

paid February 24, 1978 -

<u>Active No.</u>	<u>Name</u>		
SF-28721	Robert R. Jablonski		
C-33060	Linda Marx		
C-33656	Christine Renock		
SP-44751	Bonnie E. Bauer		
		Total	\$19,532.66

paid March 10, 1978 -

<u>Active No.</u>	<u>Name</u>		
A-19949	Gerald J. Holfert		
C-33771	Susan L. Romeis		
C-33906	Margaret Williams		
C-35374	Robert L. Taylor		
SP-35953	Peter J. Musante, III		
SP-37171	William E. Ramthun		
SP-44754	Michael J. Bialk		
		Total	\$39,190.32
		GRAND TOTAL	\$58,722.98