

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

Minutes of the Regular meeting of the Board held March 23, 1981.

The meeting was called to order at 1:16 p.m. by Chairman Cooper.

PRESENT: Ronald R. Beaudoin, John C. Cooper, Carl E. Hanneman, Sandra Hoeh, W. Martin Morics, Harry G. Slater, Edmund M. Wisniewski and Thomas E. Hayes - Legal Advisor, Robert G. Nehls - Secretary and Duamel Vellon - Asst. Secretary.

EXCUSED: Eunice J. Lockhart-Moss.

ALSO PRESENT: Eugene Gilbert - Bache Halsey Stuart Shields, Inc. and Jeff Lyons - Bureau of Budget and Management Analysis.

Minutes

The Secretary submitted proposed minutes of the Regular Meeting of February 23, 1981. It was thereupon moved by Mr. Morics and seconded by Alderman Hoeh to accept the minutes as presented. ?

Investment Committee Report

Mr. Morics reported that the Investment Committee had met three times since the February 23, 1981 meeting of the Board relative to the Bache contract and that copies of the minutes of the March 4 and March 12 meetings were included with the agenda of this meeting for informational purposes. He further reported that at the Investment Committee meeting held prior to the Special Meeting this date, the Committee had voted to recommend that the Board direct the City Attorney to draft a contract with Bache along the following guidelines:

- a) Duties to remain as proposed in the draft of the contract (see Investment Committee minutes of March 12, 1981.)
- b) A 30-day termination notice be a part of the contract.
- c) Bache's compensation to be 30% of the investment transactions but not to exceed \$75,000.00.
- d) Re duties, no specified number of hours for consultation; and,
- e) The compensation for 1981 to be 9/12 of \$75,000 (\$56,250) the contract to become effective April 1, 1981.

It was thereupon moved by Mr. Morics and seconded by Mr. Wisniewski to accept the recommendations of the Investment Committee and that the contract as delineated above be approved and adopted.

Mr. Hayes entered.

An explanation of the contract was given by Mr. Hayes in which he further explained that any year which wasn't a full calander year would be prorated.

Mr. Slater entered.

Mr. Gilbert indicated that there would be no problem with the contract as recommended by the Committee and further, that he would provide all the same services as he had in the past.

There being no objections, the motion was unanimously carried.

Alderman Hoeh left.

City Attorney re Fiduciary Liability Insurance

Mr. Hayes explained that the City Attorney's office was in the process of reviewing the question of fiduciary liability insurance and they would report back to the Board as soon as possible.

City Attorney re Variable Demand Notes

The Secretary presented an amendment to the Charter Ordinance as prepared by the City Attorney's office on request by the Board relative to variable demand notes, copies sent with meeting notice.

Mr. Hayes explained that the amendment limits the ability to invest in the name of the trust company to variable demand notes. It was thereupon moved by Mr. Morics, seconded by Mr. Wisniewski and unanimously carried to forward this amendment to the proper Common Council committee recommending adoption. Mr. Hayes reminded the Board that the contract with the trust company would have to be amended in order to implement this amendment when it finally is approved by the Common Council.

Loomis Sayles Contract

The Secretary reported that the funding had been approved (\$75,000) for the hiring of Loomis Sayles as the Board's third money manager, but that to date, no certified copy of the resolution to that effect had been received; he indicated that as soon as it is received, copies would be sent to the Board members. He presented copies of a proposed agreement between Loomis Sayles and the Annuity and Pension Board, copies sent with meeting notice.

Discussion ensued as to the date the contract would become effective and the possibility of prorating the fees to be paid. Mr. Hayes reminded the Board members that the funding was approved for 1981 and that it was irrelevant whether it was for managing for a 9 or 12 month period because it was based on a quarterly fee. Further discussion ensued regarding various phraseology of the contract.

It was thereupon moved by Mr. Hanneman and seconded by Mr. Wisniewski to approve the contract as submitted.

An amendment to the motion was made by Mr. Cooper and seconded by Mr. Morics to change the wording in Section II. line 7 to read, "This authority ~~shall~~ may without..."

Mr. Hayes explained that the change was not necessary; however, the amendment prevailed, upon roll call, by the following vote:

AYES: Members Beaudoin, Morics, Slater and the Chairman.

NOES: Members Hanneman and Wisniewski.

A further amendment was made by Mr. Morics and seconded by Mr. Slater to change the wording in Section V line 8 to read, "...all investments shall be made handled prudently.." the amendment failed by the following vote:

AYES: Members Morics, Slater and the Chairman.

NOES: Members Beaudoin, Hanneman and Wisniewski.

The City Attorney reported that the fee schedule would be amended to indicate an effective date of April 1, 1981 rather than January 1.

It was thereupon moved by Mr. Beaudoin and seconded by Mr. Hanneman to reconsider the amendment relative to the wording change in Section II line 7. The motion prevailed by the following vote:

AYES: Members Beaudoin, Hanneman, Wisniewski and the Chairman.

NOES: Members Morics and Slater.

The question was again put to amend the motion by changing the wording in Section II line 7 to read "This authority ~~shall~~ may without..."; the amendment failed by the following vote:

AYES: Members Morics, Slater and the Chairman.

NOES: Members Beaudoin, Hanneman and Wisniewski.

The original motion to approve the contract as submitted was then put to vote; the motion, upon roll call, prevailed by the following vote:

AYES: Members Beaudoin, Hanneman, Morics and Wisniewski.

NOES: Member Slater and the Chairman.

Mr. Morics [✓] voted for the contract and not for the selection of a third money manager.

1981 Employer Contributions

The Secretary reported that at the Board's direction, he had written to the City Treasurer, MECCA and MATC indicating that due to the late payment of their employer's share of the pension contributions, interest was due and payable to the

Employees' Retirement System.

He further reported that MECCA had paid the interest amount due; that MATC had written and requested that the interest charge be waived as they mailed the check for the contribution before January 31 but wasn't delivered until Monday - February 2; he further reported that because the City Treasurer had issued partial payments prior to the January 31, 1981 deadline and the interest generated by their partial payments was greater than the interest due on the late payment, the request for interest due be dropped. Mr. Hayes indicated that it was the City Attorney's opinion that request for interest not be pursued any further.

Upon discussion, it was moved by Mr. Hanneman and seconded by Mr. Beaudoin that the City Attorney institute the proper legal action to collect the interest due from all parties. The motion upon roll call prevailed by the following vote:

AYES: Members Beaudoin, Hanneman, Slater and the Chairman.

NOES: Members Morics and Wisniewski.

Brokerage Commissions and Bond Immunization

The Chairman referred this matter to the Investment Committee.

Convention Status Report/City Proposals re Seminars

The Secretary reported that there had been some changes by the Common Council regarding conventions and seminars and briefly explained them; this year the Board had submitted requests for Mr. Cooper and Ms. Lockhart-Moss and two staff members to attend conventions.

Mr. Cooper appointed a sub-committee consisting of Mr. Hanneman, himself and Alderman Hoeh to review convention and seminar policy on an informal basis.

Report on Investments

As a matter of information, the Secretary presented lists of investment transactions settled during the month of February, 1981, copies sent with meeting notice and to be attached to these minutes.

He also presented a letter from First Wisconsin Trust dated March 5, 1981 relative to interest which was due September 1, 1980 in the amount of \$78,750.00 indicating that the interest would be credited to the account as of March 3, 1981.

The Secretary indicated that staff proposals for additional auditing procedures in the Employees' Retirement System office would be submitted at the next regular meeting.

Report on Bills and Cash Flow

As a matter of information, the Secretary presented lists of bills for March and a cash flow statement reporting cash inflow, outflow and cash available for security investments, copies sent with meeting notice; a copy of lists of bills to be attached to these minutes.

Retirements, Refunds, Death Claims

The 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.

Refund of Member Contributions paid:

March 6, 1981

\$30,028.70

Active Death Benefits paid:

March 13, 1981

25,716.65

Retired Death Benefits paid:

March 13, 1981

848.61

It was thereupon moved by Mr. Wisniewski, seconded by Mr. Hanneman and unanimously carried to accept the reports as submitted.

Medical Council Reports

The Secretary presented applications for Ordinary Disability and reports of the Medical Council for C-45286 Marilyn Miller; A-14231 Cecil Alford and C-36056 Herman Banks, Jr. certifying that they be retired on Ordinary Disability Retirement. It was thereupon moved by Mr. Beaudoin, seconded by Mr. Hanneman, and unanimously carried to accept the recommendations of the Medical Council and that Mrs. Miller effective February 1, 1981; Mr. Alford effective March 6, 1981 and Mr. Banks effective March 21, 1981 be retired on Ordinary Disability Retirement.

The Secretary also presented an application for Ordinary Disability and report of the Medical Council for C-36560 Lucille J. Weidner recommending denial of the application for Ordinary Disability. It was thereupon moved by Mr. Beaudoin, seconded by Mr. Hanneman and unanimously carried to accept the recommendation of the Medical Council and that Lucille J. Weidner's application for Ordinary Disability Retirement be denied.

The Secretary also presented application for Duty Disability and report of the Medical Council for C-42948 Marion Casey certifying that she be retired on Duty Disability as the result of an injury occurring in the actual performance of duty. It was thereupon moved by Mr. Hanneman, seconded by Mr. Wisniewski and unanimously carried to accept the recommendation of the Medical Council and that effective December 1, 1980 Marian Casey be retired on Duty Disability Retirement as the natural and proximate result of an injury occurring in the actual performance of duty.

The Secretary also presented reports of the Medical Council relative to their re-examinations of Blanche Foelker, Adelheid E. Grastad, Neil V. Hanne, Loretta A. Hoedel, Kenneth J. Koch, Edward F. Leistikow, Neil F. Manske, Robert McFadyen, Burton Ottow and Floyd N. Roberg certifying that they be continued on Ordinary Disability Retirement. It was thereupon moved by Mr. Wisniewski, seconded by Mr. Hanneman and unanimously carried that the aforementioned be continued on Ordinary Disability Retirement.

The Secretary also presented reports of the Medical Council relative to the re-examinations of Eugene Dominiak and Donald P. Walton certifying that they be continued on Duty Disability Retirement. It was thereupon moved by Mr. Hanneman, seconded by Mr. Morics and unanimously carried that the aforementioned be continued on Duty Disability Retirement.

Fire Medical Panel Reports

The Secretary presented reports of the Fire Medical Panel relative to the re-examinations of Ralph A. Ebert and Kenneth F. Ulatowski certifying that they be continued on Duty Disability Retirement under the provisions of Chapter 891.45 of the Wisconsin Statutes, Presumption of Employment Connected Disease. It was thereupon moved by Mr. Wisniewski, seconded by Mr. Beaudoin and unanimously carried that the aforementioned be continued on Duty Disability Retirement under the provisions of Chapter 891.45 of the Statutes.

The Secretary also presented reports of the Fire Medical Panel relative to the re-examinations of Sylvester A. Maultra and George J. Rejman certifying that they be continued on Duty Disability Retirement. It was thereupon moved by Mr. Slater, seconded by Mr. Hanneman and unanimously carried that the aforementioned be continued on Duty Disability Retirement.

Police Medical Panel Reports

The Secretary presented an application for Duty Disability Retirement and report of the Police Medical Panel for Wayne Wegenke recommending denial of the application for Duty Disability. It was thereupon moved by Mr. Hanneman, seconded by Mr. Beaudoin and unanimously carried to accept the recommendation of the Police Medical Panel and that Mr. Wegenke's request for Duty Disability Retirement be denied.

The Secretary also presented reports of the Police Medical Panel relative to the re-examinations of Robert Buxbaum and Henry Legwinski certifying that they be continued on Duty Disability Retirement. It was thereupon moved by Mr. Hanneman, seconded by Mr. Wisniewski and unanimously carried that the aforementioned be continued on Duty Disability Retirement.

Special Three Physician Panel

The Secretary reported that the required medical reports have been received from three doctors assigned to the 90% duty disability application of Patrolman Paul R. Hibbard indicating unanimous agreement that he has a duty incurred disability that impairs his ability to earn a livelihood as provided in Section 36.05(3)(c) of the Retirement Act. It was then moved by Mr. Hanneman, seconded by Mr. Wisniewski and unanimously carried that the Board accept the findings of the Special Three-Physician Panel and that Patrolman Paul Hibbard is eligible for the enlarged 90% Duty Disability Allowance and that such allowance be made effective October 1, 1980 the first of the month following September 17, 1980 the date of the receipt of his application.

The Secretary also reported that a newspaper article had indicated that one retiree from the System receiving an Enlarged 90% Duty Disability on account of an "equivalent disability" was earning a livelihood. He further informed the Board that there was no requirement in the law requiring a statement of earnings or adjustment to pension benefit clause due to outside earnings. He also explained that there were no legal opinions on file regarding the definition of the work "impair" as found in Section 36.05(3)(c) of the Law which states:

"In the event however, that such fireman or policeman who is eligible to recover duty disability has a disability involving the loss of use of both eyes or the full loss of use of one eye and one limb or the full loss of the use of two limbs or an equivalent disability that would impair the member's (retiree's) ability to earn a livelihood and such disability is determined by a majority action of a panel consisting of three (3)..."

It was thereupon directed by the Chairman that the City Attorney prepare a legal opinion regarding what the Board could do in this type situation where a member, while receiving the enlarged 90% Duty Disability Retirement Allowance under the "equivalency" provision was earning a livelihood.

Miscellaneous - Sewerage Commission

The Secretary presented a letter from the Milwaukee Metropolitan Sewerage District dated March 20, 1980, copies sent with meeting notice, wherein they request permission to have Mr. Robert Barnes of the Wyatt Company generate the following information for their auditors:

- a) The actuarial present value of vested accumulated plan benefits; and,
 - b) The actuarial present value of non-vested accumulated plan benefits
- (both items as they relate solely to the Sewerage Commission Members).

The cost of this undertaking to be paid by the Sewerage Commission and expected not to exceed \$700.00. It was thereupon moved by Mr. Hanneman, seconded by Mr. Beaudoin and unanimously carried to approve the request.

There being no further business, the meeting adjourned at 3:20 p.m.

Robert G. Nehls

Secretary

INVESTMENT TRANSACTION FOR THE MONTH OF FEBRUARY, 1981

I) Bond Transactions

A) Prepayments/Maturities
Description

	Rate	Maturity Value	Book Value	Proceeds	Gain/(Loss)
Freddie Mac's - Certificate - monthly	various	19,036.60	19,036.60	19,036.60	-0-
GNMA - Gov. Guaranteed - monthly	various	116,990.81	116,990.81	116,990.81	-0-
*GNMA - Gov. Guaranteed - monthly	various	15,855.65	15,855.65	15,855.65	-0-
SBA Term Loan - Guaranteed - monthly	various	76,727.17	76,727.17	76,727.17	-0-

B) Sales - Formula

United Gas Pipe Line - Deb. 6/1/82	5.375	92,000.00	92,086.77	86,468.96	(5,617.81)
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C) Purchases
Description

		Maturity Value	Book Value	Cost	Disc. (Premium)
Boston VLCC Tanker IV 5/4/2001	9.5	200,000.00	154,864.00	154,864.00	45,136.00
GNMA Pool #46351 - Gov. Guaranteed	12.25	1,009,639.25	937,702.45	937,702.45	71,936.80
Fed. Home Loan Bank - Certificate	14.0	1,000,000.00	1,000,000.00	1,000,000.00	-0-
Mountain Fuel Supply - Deb. 8/1/01	8.875	1,200,000.00	841,740.00	841,740.00	358,260.00
* U.S. Treasury Bond 11/15/10	12.75	750,000.00	772,968.75	772,968.75	(22,968.75)
* U.S. Treasury Bond 11/15/10	12.75	2,000,000.00	1,977,500.00	1,977,500.00	22,500.00
* GNMA Pool #90412 10/15/09	9.5	668.26	668.26	668.26	-0-
* U.S. Treasury Bond 11/15/10	12.75	2,000,000.00	1,931,250.00	1,931,250.00	68,750.00
* GNMA Pool #24283 12/15/08	9.0	726,414.74	530,736.77	530,736.77	195,677.97
* GNMA Pool #23274 10/15/08	9.0	756,430.04	554,085.00	554,085.00	202,345.04
* GNMA Pool #26151 10/15/08	9.0	1,794,160.14	1,310,858.25	1,310,858.25	483,301.89
* U.S. Treasury Bond 11/15/10	12.75	1,000,000.00	1,019,375.00	1,019,375.00	(19,375.00)

II) Stock Transactions

A) Sales
Description

	Number of Shares	Book Value	Proceeds	Gain/(Loss)
Lone Star	25,000.00	736,702.59	825,707.38	89,004.80
Shell Oil	92,400.00	1,172,665.03	4,342,462.36	3,169,797.33
Standard Oil of Indiana	65,000.00	1,259,813.97	4,364,734.15	3,104,920.18
Raytheon	27,000.00	2,011,243.50	2,550,589.79	539,346.29
Union Pacific	40,000.00	1,606,263.52	2,677,940.42	1,071,676.90
Tide Water	30,000.00	533,367.41	1,223,193.79	689,826.38
G.K. Technologies	20,000.00	534,611.93	738,035.33	203,423.40
Texas Instruments	8,000.00	741,208.48	894,107.58	152,899.10
Central & Southwestern	28,500.00	562,494.57	347,123.35	(215,371.22)
Eastman Kodak	10,400.00	763,713.10	728,667.64	(35,045.46)
General Instruments	10,000.00	885,000.00	780,433.91	(104,566.09)
Georgia Pacific	30,000.00	806,112.97	852,431.50	46,318.53
St. Joe Minerals	55,000.00	1,698,536.00	1,571,217.42	(127,318.58)
Dresser Industries	12,000.00	333,598.22	534,802.10	201,203.88
Kaneb	20,000.00	442,368.31	525,406.39	83,038.08
Sterling Drug	200.00	4,203.70	4,281.85	78.15
H & R Block	14,000.00	412,766.88	442,805.18	30,038.30
Kerr McGee	5,000.00	269,276.56	343,788.50	74,511.94
Mobil	8,000.00	547,072.08	559,889.76	12,817.68
Halliburton	19,000.00	938,348.90	1,362,519.42	424,170.52
Parker Hannifin	60,000.00	1,758,511.91	1,705,194.99	(53,316.92)
* Kaneb	200.00	5,188.71	5,975.80	787.09
* Holiday Inns	19,900.00	429,703.10	437,266.75	7,563.65
* Shering Plough	13,100.00	489,481.00	502,490.18	13,009.18

B) Purchases
Description

	Number of Shares	Cost
MGIC Investment	39,200.00	1,119,552.00
Northwest Bancorp.	11,300.00	326,056.00
Genstar Ltd.	20,000.00	646,501.00
W.R. Grace	9,000.00	440,680.00
Nasco Corp.	9,000.00	266,580.00
Stauffer Chemical	36,000.00	892,397.20
Corning Glass	5,800.00	346,318.00
Eli Lilly	5,000.00	309,850.00
Jewel Co.	35,000.00	1,302,792.00
Cessna Aircraft	36,000.00	1,088,718.00
* Sysco	5,900.00	197,650.00
* American Home Products	13,000.00	386,492.50
* Deere & Co.	8,800.00	386,408.00
* Jewel Co.	8,000.00	296,649.10
* McDonalds	7,200.00	394,704.00
* Capital Cities	1,400.00	83,524.00

Reorganization of Reading R.R. Co.
Exchanged existing Bond Series D 3 1/8 5/1/95
for Series C - 1 8% 4/1/88

Increase in Book Value

Book Value	Market Value
36,000.00	197,000.00
200,000.00	200,000.00

164,000.00

EXPENSE FUND BILLS - FEBRUARY, 1981VendorAmount

Stores Billing	
Salaries P.P. 3-4	\$ 3,237.81
Dr. Steve L. Chojnacki - Medical Council Fee 2/20/81	21,657.24
Dept. of Administration - Long Distance Telephone, Jan. '81	150.00
First Wisconsin Trust Co. - Coupon collection and shipping charges	22.96
First National Bank of Stevens Point - Rental fee on storage file - 6 months	1,789.91
Funds Advisory Company - First Quarter Investment Fee	110.00
(First Wisconsin Trust market value 12/31/80 - \$31,145,314)	14,804.00
Heritage Investment Advisors - First Quarter Investment Fee	
(First Wisconsin Trust market value 12/31/80 - \$435,853,160)	37,246.00
Meidinger and Associates - Performance Evaluation Fee (9/30/80)	
(Two managers and combined fund)	13,500.00
Milwaukee Industrial Clinic - Orthopedic Evaluation and Medical Report re Marion Casey	236.00
West Allis Orthopedic Clinic - Orthopedic Evaluation and Medical Report re Robert O. Raines	200.00
Wisconsin Telephone Company - Telephone charges for February '81	300.51
The Wyatt Company - Fourth Quarter 1980 actuary fee	<u>4,500.00</u>
	\$97,754.43

SERVICE RETIREMENTS - MARCH, 1981

<u>Active No.</u>	<u>Name and Department</u>	<u>Retirement Date</u>
C-30012	Everett M. Newcomb - Treasurer's Office	2/24/81
A- 6769	Helen Varga - Health Department	3/01/81
A- 7277	John E. Wright - Municipal Equipment	3/01/81
A- 8821	Helen Kasper - Milwaukee Public Library	3/01/81
C-25967	Theresa L. Malkowski - M.A.T.C.	3/01/81
C-27641	Mary L. Fox - School Board	3/01/81
C-28961	Marie L. Monday - Health Department	3/01/81
C-47630	Roy Ramstack - Dept. of City Development	3/01/81
C-34643	Eleanore Spinella - School Board	3/01/81
C-46748	Rodcliff G. Dunn - Dept. of City Development	3/01/81
C-30333	Francis B. Foley - Harbor Commission	3/01/81
C-39268	Nellie L. Mosby - School Board	3/05/81
C-15641	Herbert A. Siegreest - Bureau of Sanitation	3/06/81
C-36397	Sallie T. Osmanski - School Board	3/06/81
P-13140	Franklin A. Smith - Police Department	3/07/81
C-14159	Earl H. Honeyager - Sewerage Commission	3/07/81
C-10049	Gustav Smigielski - Forestry	3/12/81
A-19331	Marie Bauer - Election Commission	3/12/81
F- 9547	Robert T. Jendrzewek - Fire Department	3/13/81
C-24451	Willard J. Kosek - School Board	3/15/81
C-18170	Alfred W. Bartolotti - Sewerage Commission	3/14/81
P-15879	James W. Carlson - Police Department	3/16/81
A- 8173	Vernon Wischer - Water Department	3/20/81
C-10703	Donald E. Wiedmann - Sewerage Commission	3/21/81
C-24418	Leonard Pflieger - Sewerage Commission	3/21/81
A- 8578	Harold Banholzer - Water Department	3/28/81
P-13377	Joseph S. Marczewski - Police Department	3/28/81
P-15060	Stanley J. Gozdowiak - Police Department	3/28/81
A-18491	Louise M. Frelke - School Board	3/28/81
C-34535	Frank Korenic - Bureau of Bridges & Buildings	3/30/81

Voluntary Separation - Immediate Allowance

C-25018	Norman E. Hintz - Bureau of Bridges & Buildings	3/11/81
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Voluntary Separation - Deferred to Age 60

A-18521	John E. Verhulst - Building Inspection	3/27/81
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2/23/81

44.

REFUND OF MEMBER CONTRIBUTIONS

Paid March 6, 1981 -

Active No.

Name

C-34335	Paul E. Huelsback
C-34681	Joanne E. Urbaniak
C-37964	Mary E. Lofy
C-38598	John E. Anderson
SP-45510	John R. Herlosky
SP-47670	Diana D. Martinez
SP-49303	Ronald J. Nord

Total: \$30,028.70

DEATH CLAIMS

Active Death Benefits paid March 13, 1981

<u>Active No.</u>	<u>Name</u>	<u>Date of Death</u>	<u>Amount</u>
C-44837	Ronald Nitkowski	8/30/80	\$ 5,735.15
C-39264	Estelle W. McElwee	12/ 8/80	1,402.87
C-42943	Phyllis Genskow	1/18/81	2,979.60
C-45576	Arlene H. Dahlmann	1/24/81	5,128.71
SP-47671	Edward D. Mathis	2/22/81	<u>10,470.32</u>
			\$25,716.65

Retired Death Benefits paid March 13, 1981

<u>Retired Number</u>	<u>Active Number</u>	<u>Name</u>	<u>Date of Death</u>	<u>Amount</u>
1456	408	Frances G. McMahon	4/27/78	\$ 123.36
2280	801	John Riley	12/25/80	132.54
3194	2109	William A. Rutzinski	1/22/81	90.19
3633	122	Louena M. Flach	2/10/81	84.15
3453	3199	Joseph P. Hartman	2/14/81	169.35
3425	928	Barney K. Parys	2/26/81	<u>249.02</u>
				\$ 848.61

EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE

PROCEEDINGS OF THE ANNUITY AND PENSION BOARD

Minutes of the Special Meeting held March 24 1981.

The meeting was called to order at 11:40 a.m. by Vice Chairman Wisniewski.

PRESENT: Ronald R. Beaudoin, John C. Cooper, Carl E. Hanneman, W. Martin Morics, Harry G. Slater, Edmund M. Wisniewski and Thomas E. Hayes - Legal Advisor, Robert G. Nehls - Secretary and Duamel Vellon - Asst. Secretary.

EXCUSED: Sandra Hoeh and Eunice J. Lockhart-Moss.

ALSO PRESENT: Mr. Eugene Gilbert of Bache Halsey Stuart Shields, Inc. and Mr. Richard Nehlan of Funds Advisory, Inc.

Presentation - Funds Advisory, Inc.

A presentation was made by Mr. Richard Nehlan relative to the Fund's performance review for 1980, copies of the report on file in the office of the Employees' Retirement System and distributed to Board members prior to the meeting.


Messrs. Hayes and Cooper entered; chairmanship to Mr. Cooper.

Mr. Nehlan presented a general overview touching on various sectors of the environment including the economy, monetary, political and technical aspects.

Relative to the actual performance of the Fund, Mr. Nehlan reported that the heavy weighting in cash equivalents in 1980 was due to two large cash contributions in January and the fact that they had adverse feelings toward long-term bonds, especially when short term interest rates were so high at the time. As a result of their investment strategy, Funds Advisory reported an 11.8% rate of return for the total fund.

A more detailed review of both the equity and fixed income portions of the portfolio followed along with a brief question and answer period.

There being no further business, the meeting adjourned at 1:00 p.m.


Secretary

EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE

PROCEEDINGS OF THE ANNUITY AND PENSION BOARD

Minutes of the Special Meeting held March 26, 1981.

The meeting was called to order at 11:35 a.m. by Chairman Cooper.

PRESENT: Ronald R. Beaudoin, John C. Cooper, Carl E. Hanneman, W. Martin Morics, Harry G. Slater, Edmund M. Wisniewski and Thomas E. Hayes - Legal Advisor, Robert G. Nehls - Secretary and Duamel Vellon - Asst. Secretary.

EXCUSED: Sandra Hoeh and Eunice J. Lockhart-Moss.

ALSO PRESENT: Messrs. Jack Windsor, Richard Farren and Richard Stanley - Heritage Investment Advisors and Eugene Gilbert - Bache Halsey Stuart Shields, Inc.

Presentation - Heritage Investment Advisors

A presentation was made by Messrs. Windsor, Farren and Stanley relative to the Fund's performance for 1980, copies of their report on file in the office of the Employees' Retirement System and distributed to Board members prior to the meeting.

An introduction and brief overview was made by Mr. Windsor who also distributed copies of an agenda, page 8 of which is attached and made a part of these minutes. Mr. Windsor reported a 10.1% total rate of return for the Fund for 1980.

A more detailed report of the equity portion of the portfolio was made by Mr. Farren and on the fixed income portion by Mr. Stanley. They reported that preparation for transfer of assets (to Funds Advisory and Loomis Sayles) was complete and that approximately \$9.7 million in stocks would be transferred along with \$65.3 million in cash.

Mr. Windsor explained that the volatility of the market, the world as it has become and the world of evaluation of investment results as it has become, implies strongly that a redeployment of cash policy to change the portfolio to affect a return is inadequate and therefore, requested the Board's authorization to sell, outside of the formula and over the remainder of this year, bonds with an estimated par value of \$75 million (the controlling number is the "maximum realized loss" figure of \$15 million) which represents about 5% of the cost of the portfolio. He stated that this would result in a price realization of about 80% of the cost.

Mr. Windsor further explained that he expected the opportunities would be in the cases of maturities in excess of 10 years and generally coupons under 8%. He explained that there appeared to be no practical way that the cash flow in the portfolio, which consists of income of about \$25 million per year, can very dramatically offset the maturity structure of the bond portfolio and suggested that the only way it can be done is by selling some of the bonds in the portfolio.

Mr. Windsor also explained that it is the thought of Heritage that they may get a good opportunity this year, to make the sales if interest rates turn down one or two hundred basis points and there would then be some nice market moves on some of the long term low coupon bonds.

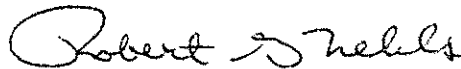
He also explained that this projected sale will give Heritage a chance to establish this redeployment under the most favorable conditions they have had in several years. He also explained that it was their understanding, although it would have to be confirmed, that this would have no affect on the actuarial calculations.

Mr. Hayes cautioned the Board that there were some legal restrictions on giving blanket authority such as this but indicated also that if some sort of "package" could be prepared, it may be legally permissible for a one-time sale.

Mr. Windsor indicated that they would put some sort of package together and put their request and comments in writing for submission to the Board.

It was thereupon moved by Mr. Hanneman and seconded by Mr. Beaudoin that the Board pass whatever is necessary for implementation of the requested sales authorization as proposed by Heritage. As this item was not on the agenda, the Chair ruled the motion out of order and referred this matter to the Investment Committee.

There being no further business, the meeting adjourned at 12:45 p.m.



Secretary

EMPLOYEES' RETIREMENT SYSTEM OF

THE CITY OF MILWAUKEE

Requested Sale Authorization

In accordance with your operating guidelines, we request authorization to sell portfolio bonds at losses over the remainder of 1981 as follows:

Estimated Par Value	\$75,000,000
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Maximum Realized Loss	\$15,000,000
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Sale Candidates

Maturities in Excess of 10 Years

Coupons generally under 8%

Sectors

Utility

Finance

Canadian

Industrial

Title XI