

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

Minutes of the Regular Meeting held December 17, 2009

The meeting was called to order at 12:25 p.m.

Board Members Present: John Barmore
 William C. Carey
 Larry Holland
 W. Martin Morics, Chair
 Michael J. Murphy
 Ron Walter

Retirement System Staff Present: Bernard J. Allen, Executive Director
 Martin Matson, Deputy Director
 Thomas Rick, Chief Investment Officer
 David Silber, Pension Investment Analyst
 Bruce Thomas, Pension Investment Analyst
 Suzanne Fortier, Board Stenographer

Others Present: Elizabeth Conradson Cleary, City Attorney's Office; Jon Granger, PDG Consulting.

Approval of Minutes. Mr. Allen presented the minutes of the Regular Meeting held December 2, 2009. It was moved by Mr. Carey, seconded by Mr. Holland, and unanimously carried, to approve the Minutes of the Regular Meeting held December 2, 2009.

Chief Investment Officer Report. As a matter of information, Board members received a copy of the CIO Report, dated December 11, 2009. Mr. Rick handed out a copy of the Performance Update Charts. Mr. Thomas reported that through November 2009 the Fund's value was \$3.91 billion and underperformed its benchmark by 40 basis points during November. Year-to-date the Fund is outperforming, but underperformed over longer time periods. He stated that in November all the domestic managers underperformed their benchmarks. Mr. Thomas indicated the largest underperformers were Turner's 1.2 percent underperformance, and Earnest with 90 basis points of underperformance. He stated that real estate also continues to be a contributor to underperformance. Positives for November include Brandes and DFA's outperformance of 114 and 60 basis points, respectively, while fixed income outperformed by 43 basis points. Mr. Thomas reported that month-to-date the Fund is up approximately 1.6 percent, and year-to-date the Fund is up approximately 23.1 percent, with seven of the Fund's 11 managers outperforming year-to-date. He stated the Fund's approximate value as of December 16, 2009 is \$3.97 billion.

Mr. Thomas reported that for December ERS will be withdrawing \$24 million: \$5 million from the Barclays Alpha Tilt strategy; \$14 million from Loomis Sayles, and \$5 million from Reams to pay monthly benefits and expenses. As of December 16, 2009, year-to-date, the Fund had: capital market gains of \$747.8 million; paid out \$240.9 million in payroll and expenses; and received contributions of \$30.5 million.

Mr. Rick stated that we have about a \$21 million payroll for December, so ERS should be right around or slightly under \$4 billion for year end.

Investment Committee Report. Mr. Murphy reported the Investment Committee met just prior to this meeting. As a result of Artisan no longer being a manager for ERS, the Committee met with three small cap managers and made a decision and work will begin with the City Attorney's Office for negotiations. Once negotiations are finalized this will be brought back to the Board in January. Mr. Murphy stated the Committee also approved the target allocation, and the additional funds for the outside legal experts. It was moved by Mr. Murphy, seconded by Mr. Holland, and unanimously carried, to approve the Investment Committee report, including approval of the interim target allocations and additional funds for outside legal experts.

Administration and Operations Committee Report. Mr. Barmore stated the Committee met as a sub-committee due to the lack of a quorum. He stated staff provided an update on the Special Projects and briefly talked about those projects.

Approval of Saber Contract. As a matter of information, Board members received a hand out of a copy of the Saber Contract. Mr. Matson and Ms. Cleary briefly talked about the contract. It was moved by Mr. Barmore and seconded by Mr. Holland, to approve the Saber Contract. After lengthy discussion, the motion unanimously carried.

Approval of Deloitte & Touche Contract. As a matter of information, Board members received a hand out of a copy of the Deloitte & Touche Contract. Mr. Matson briefly talked about the contract. After discussion, it was moved by Mr. Barmore, seconded by Mr. Carey, and unanimously carried, to approve the Deloitte & Touche contract.

Approval of SPC Contract. As a matter of information, Board members received a hand out of a copy of the SPC Contract. Mr. Matson briefly talked about the contract. After discussion, it was moved by Mr. Barmore, seconded by Mr. Murphy, and unanimously carried, to approve the SPC contract.

Approval of Symphony Contract. As a matter of information, Board members received a hand out of a copy of the Symphony Contract. Mr. Matson briefly talked about the contract. After discussion, it was moved by Mr. Barmore, seconded by Mr. Murphy, and unanimously carried, to approve the Symphony contract.

Approval to Extend S & S Contract for Control Framework. Mr. Matson stated this contract was approved by the Board in June 2009. He indicated that staff knew what dollars were needed and the hours associated with the dollars. For a number of reasons, there is about two more weeks of hours needed, so staff is asking permission to extend the contract for 30 days. Mr. Matson stated there would be no additional money needed as that is within the current contract. It was moved by Mr. Barmore, seconded by Mr. Carey, and unanimously carried, to approve a 30 day extension to the S & S Contract for control framework.

Approval of Lease for Remote Office Site. Mr. Barmore noted this is a place holder and will be kept in Committee.

New Business.

Retirements, Death Claims, and Refunds. Mr. Allen presented the following activity, as well as Service Credits for the month of December 2009.

Active Death Benefits reported	\$320.47
Retired Death Benefits reported	\$8,140.87
Refund of Member Contributions paid	\$73,654.14

It was moved by Mr. Barmore, seconded by Mr. Carey, and unanimously carried, that the above-indicated retirements, death claims, and refunds be approved.

Conference Requests. Mr. Allen handed out a request to attend the following conference:

Beth Cleary	Evolving Fiduciary Obligations of Pension Plans
Sponsor:	National Association of Public Pension Attorneys
Dates:	February 3 – 5, 2010
Location:	Washington, DC
Estimated Cost:	\$2,252

It was moved by Mr. Murphy, seconded by Mr. Carey, and unanimously carried, to approve the conference request submitted by Ms. Cleary.

Active Member Run-Off Election Results. Mr. Allen presented the letter of certification from the Election Commission on the results of the active member run off election. Mr. Morics directed this be accepted and placed on file.

Acceptance of Resignation of Thomas Fischer. As a matter of information, Board members received a copy of Mr. Fischer's resignation letter, dated December 2, 2009.

Acceptance of Resignation of Angela Henschel. As a matter of information, Board members received a copy of Ms. Henschel's resignation letter, dated December 14, 2009.

Mr. Morics directed the resignation letters of Mr. Fischer and Ms. Henschel be accepted and placed on file.

Approval of Special Election Bulletin No. 181. As a matter of information, Board members received a copy of Bulletin No. 181 announcing a Special Election to fill the unexpired term of Mr. Fischer. It was moved by Mr. Holland, seconded by Mr. Murphy, and unanimously carried, to approve Bulletin No. 181.

Approval of MPS' Request to Contact System's Actuary. As a matter of information, Board members received a copy of a letter from MPS, dated December 7, 2009. It was moved by Mr. Murphy, seconded by Mr. Carey, and unanimously carried, to approve the request of MPS to contact System's Actuary, with all costs being borne by MPS.

Approval to Appoint Dr. Michael Lischak as Alternate for Medical Council. As a matter of information, Board members received copies of a memorandum, dated December 8, 2009 and information on Dr. Lischak's background. After discussion, it was moved by Mr. Carey, seconded by Mr. Holland, and unanimously carried, to approve the appointment of Dr. Lischak as an alternate to the Medical Council.

Medical Reports.

Fire and Police Duty Disability and Duty Disability Re-examinations. Mr. Allen presented certifications of the Fire and Police Medical Panel Physicians relative to Duty Disability Retirement Benefit as follows:

<u>Police – Re-examinations</u>	<u>Recommendation</u>
Michael Salomone	Approval
Jayne Cler	Approval
Harrison Kern	Approval
Jasmine Lewis	Approval
Keith Miller	Approval
Joseph Suttle	Approval
<u>Fire – Re-examinations</u>	<u>Recommendation</u>
Martin Hinsenkamp	Approval
Patrick Sierra	Approval
Larry Smith	Approval
Michael Strehlow	Approval
Thomas Timeus	Approval
Mark Ashworth	Approval
Kyle Dannies	Approval
Thomas Repaci	Approval

All Ordinary Disabilities and General City Duty Disability. Mr. Allen presented certifications of the Medical Council relative to Duty Disability Retirement as follows:

<u>New Applications – Ordinary</u>	<u>Recommendation</u>
John Mayer	Approval
Effective 12/23/09*	
Suzanne Castro	Approval
Effective 10/1/09	
Andre Evans	Approval
Effective 12/18/09	

*See memo dated December 9, 2009 changing retirement date to January 30, 2010.

<u>Re-examinations – Ordinary</u>	<u>Recommendation</u>
Donald Cole	Approval

Re-examinations – Ordinary (cont'd)Recommendation

Gloria Hodges	Approval
Steven May	Approval
Samuel Yates	Approval
Craig Winstead	Approval
Sandra Pampuch	Approval
Leona Clark	Approval

Re-examinations – DutyRecommendation

Eugene Heron	Approval
Genevieve Lynk-Burnett	Approval
Joseph Alferi	Approval
Artaska McCoy	Approval
Mark Madritsch	Approval
Suzanne Castro	Approval
Andre Evans	Approval

It was moved by Mr. Barmore, seconded by Mr. Murphy, and unanimously carried, to accept the aforementioned recommendations of the Fire and Police 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.

Legal Service Requests Obtained. Mr. Allen presented a legal service requests obtained from the City Attorney as follows: Saber Software contract; MailCom Consulting and ERS contract, and Deloitte & Touche Professional Services 2010 contract. Ms. Cleary briefly talked about the contracts.

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.

Milwaukee Police Supervisors' Organization vs. ERS, et al. Case No. 05-CV-006697 and State of Wisconsin vs. Bradley DeBraska, Case No. 2009-CF-000695. Mr. Morics asked if there was any need to convene in closed session on these two items. Mr. Allen answered in the negative. Brief discussion on the status of the MPSO case.

Informational

The following is a list of informational items:

- 1) Report on Claims and Litigation – Memorandum dated December 17, 2009, which gives the status of litigation involving the ERS, as prepared by staff of the ERS and City Attorney's office.
- 2) List of conferences from January 2010 through October 2010.
- 3) Class Action Lawsuit Report.

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

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

Discussion ensued with respect to the Court of Appeal of Richard Luksysz. It was moved by Mr. Murphy, seconded by Mr. Barmore, and unanimously carried, to accept and place on file the aforementioned informational items.

There being no further business, it was moved by Mr. Carey, seconded by Mr. Murphy, and unanimously carried, to adjourn the meeting at 1:07 p.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.)