

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

Minutes of the Regular Meeting held July 20, 2010

The meeting was called to order at 9:03 a.m.

Board Members Present: John Barmore
 William C. Carey
 Larry Holland
 W. Martin Morics, Chair
 Gust Petropoulos

Board Members Not Present: Konrad Ellenberger (excused)
 Michael J. Murphy (excused)
 Ron Walter (excused)

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 Cleary and Rudolph Konrad, City Attorney's Office; Jon Granger, PDG Consulting; Larry Langer, Buck Consultants.

Approval of Minutes. Mr. Allen presented the minutes of the Regular Meeting held June 28, 2010. Mr. Carey requested an addition to page 5 under Acceptance of Actuarial Valuation – January 1, 2010, “Mr. Langer was questioned as to a change in the actuary letter previously distributed to Board Members. He responded that a numerical oversight was rectified.” Mr. Barmore also requested an addition under the Administration and Operations Committee Report regarding the CTO positions. It should read “top three or so.” It was moved by Mr. Carey, seconded by Mr. Holland, and unanimously carried, to approve the Minutes of the Regular Meeting held June 28, 2010 as amended.

Discussion ensued with respect to the CTO position interviews.

Mr. Morics stated if there were no objections, he would like item VII. G. Revised Actuarial Valuation – January 1, 2010 be taken up at this time

Revised Actuarial Valuation – January 1, 2010. As a matter of information, Board members received a copy of the Revised Actuarial Valuation. Mr. Morics stated that in reviewing the actuary's report there is an error on the interest accrual on the employee contributions. He said it affects the asset values by less than a 10th of a percent, but does not affect the contribution or anything else. Mr. Langer stated that the purpose for the amendment is that during the course of reviewing the report it was noticed that there was a discrepancy between the Valuation Report, the work papers they had since the end of June, and the presentation. He noted the presentation given to the Board had all the proper numbers; they just did not get posted in the Valuation Report. Mr. Langer briefly talked about the process used in determining the actuarial value of assets. He said the change in the actuarial value of assets from \$4.817 billion to \$4.814 billion. In the end the contributions

stay at \$0, and the funded status of the plan stays at 112.8 percent. After discussion, it was moved by Mr. Carey, seconded by Mr. Barmore, and unanimously carried, to accept the revised Actuarial Valuation – January 1, 2010.

(At this point, the agenda was taken in order.)

Chief Investment Officer Report. As a matter of information, Board members received a copy of the CIO Report, dated July 15, 2010. Mr. Rick handed out a copy of the Performance Update Charts. Mr. Silber reported that the Fund finished the end of June with a value of \$3.78 billion. The Fund had a return of -2.4 percent during the month which slightly underperformed its benchmark's return of -2.3 percent. He stated the decline in global markets in May and June has offset the nice gains we saw in the first four months of 2010. Mr. Silber said the underperformance in June was driven by the domestic equity composite and the fixed income composite.

He reported that five of the six active domestic equity managers underperformed during the month, and within fixed income, Loomis was responsible, underperforming by 1 percent in June. He stated for the international equity composite, William Blair outperformed its benchmark by 3 percent in June. Mr. Silber reported that through July 19, 2010 the Fund is up approximately 2.8 percent month-to-date, which puts the year-to-date return at -0.2 percent. The Fund's value through July 19, 2010 is \$3.89 billion. He reported that the Fund will be withdrawing \$22 million in July: \$10 million from Loomis Sayles; \$6 million from Reams; and \$6 million from DFA (US) to pay monthly benefits and expenses. Mr. Silber indicated that as of July 19, 2010 year-to-date, the Fund had: capital market losses of \$11.7 million; paid out \$141.9 million in expenses; and received contributions of \$78.4 million. Discussion ensued.

Approval of Amendment to Oppenheimer Contract – Name Change to Allianz Global Investors. Mr. Rick handed out the amendment to the Oppenheimer contract received from the City Attorney's Office, date July 16, 2010. Mr. Rick indicated this was a technical amendment as Oppenheimer Capital has changed their name to Allianz Global Investors, as Allianz owns Oppenheimer. It was moved by Mr. Petropoulos, seconded by Mr. Barmore, and unanimously carried, to approve the amendment to the Oppenheimer contract.

Mr. Rick noted that there is an Investment Committee meeting scheduled for July 22, 2010 at 9:00 a.m. to interview the Global Fixed Income finalists.

Administration and Operations Committee Report. Mr. Barmore reported that the Committee met prior to the Board meeting. He stated Jefferson Wells presented their internal audit report.

Annual Review/Approval of the A & O Audit Charter and the Internal Audit Charter. Mr. Barmore said the Committee also did the annual review of the A & O Audit Charter and Internal Audit Charter. He indicated there were a few changes recommended by staff and the Committee accepted those changes. It was moved by Mr. Barmore, seconded by Mr. Carey, and unanimously carried, to approve the A & O Audit Charter and the Internal Audit Charter with the changes recommended by staff.

New Business.

Retirements, Death Claims, and Refunds. Mr. Allen presented the following activity, as well as Service Credits for the month of July 2010.

Active Death Benefits reported	\$13,124.75
Retired Death Benefits reported	\$17,339.91
Refund of Member Contributions paid	\$12,092.25

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

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

Tom Rick & Jerry Allen	2010 CII Fall Meeting
Sponsor:	Council of Institutional Investors
Location:	San Diego, CA
Date (s):	September 19 - 21, 2010
Estimated Cost:	\$1,500 each

David Silber	GMO Fall Conference
Sponsor:	GMO
Location:	Boston, MA
Date (s):	October 26 – 27, 2010
Estimated Cost:	\$800

It was moved by Mr. Carey, seconded by Mr. Petropoulos, and unanimously carried, to approve the conference requests submitted by Messrs. Rick, Allen and Silber.

Approval of August Resolution. Mr. Allen presented the following resolution:

WHEREAS, No regular meeting of the Board will be held during the month of August, 2010, therefore be it

RESOLVED, By the Annuity and Pension Board that the Secretary is authorized and directed to pay bills, retirement allowances, death claims and refund of contributions, and take whatever action may be necessary to administer the system, including approve disability reports of the Medical Council and Medical Panel applications, and report such action to the Board at the Regular Meeting in September, 2010. Denials will be held for action by the Board at its next regular meeting.

It was moved by Mr. Carey, seconded by Mr. Petropoulos, and unanimously carried, to approve the August Resolution.

Approval to Suspend Disability Benefits for Non-Response to Outside Earnings Request. As a matter of information, Board members received a list of members who have not complied with the Outside Earnings requirement. Mr. Allen handed out an updated listing

and stated that these members have not complied with the Outside Earnings requirement in Chapter 36, and he asked for approval to suspend their benefits until they comply. It was moved by Mr. Holland, seconded by Mr. Carey, and unanimously carried, to approve suspension of disability benefits until members comply.

Medical Reports.

Fire and Police Duty Disability and Duty Disability Re-examinations and all Ordinary Disabilities and General City Duty Disability. Mr. Allen presented certifications of the Fire and Police Medical Panel Physicians and the Medical Council relative to Duty Disability Retirement benefits as follows:

<u>Police – New Applications - Duty</u>	<u>Recommendation</u>
Kurt Lacina	Denial
<u>Police – Re-examinations</u>	<u>Recommendation</u>
Angel Alderman	Approval
Richard Bates	Approval
Patrice Bayer	Approval
Edward Prah	Approval
<u>Fire – Re-examinations</u>	<u>Recommendation</u>
David Fass	Approval
Matthew Kirklewski	Approval
Khari Merritt	Approval (Exempt from Re-Exam)
Hal Boston	Approval
<u>GC New Applications – Ordinary</u>	<u>Recommendation</u>
Anna Rivers	Approval
Effective 7/3/10	
James Friedland	Approval
Effective 7/24/10	
<u>GC Re-examinations – Ordinary</u>	<u>Recommendation</u>
Carol Scott	Approval
Alberto Ramirez	Approval
Dwayne Mann	Approval
Annie Hatcher	Approval
Andrew Steck	Approval
Roemonda Hicks	Approval
<u>GC Re-examinations – Duty</u>	<u>Recommendation</u>
George Korkos	Approval

It was moved by Mr. Holland, seconded by Mr. Barmore, 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 Opinions Obtained. Mr. Allen noted there were no legal opinions.

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 anything to report that needed closed session. Mr. Allen answered in the negative.

Informational

The following is a list of informational items:

- 1) Report on Claims and Litigation – Memorandum dated July 20, 2010, 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 September 2010 through April 2011.
- 3) Class Action Lawsuit Report.
- 4) Adjusted Quarterly Cost Basis of Equity – June 30, 2010.
- 5) Minutes of the Administration and Operations Committee Meeting held June 16, 2010.
- 6) Correspondence from Budget Office re: System Actuary.
- 7) Revised Actuarial Valuation – January 1, 2010.

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

- 8) Report on Bills.
- 9) Deployment of Assets.
- 10) Securities Lending Revenue and Budget Reports.
- 11) Preliminary Performance Report/Asset and Manager Allocation Pie Charts.
- 12) ERS Holdings Report.

7/20/2010

It was moved by Mr. Holland, seconded by Mr. Barmore, and unanimously carried, to accept and place on file informational items 1 through 6 and 8 through 12.

Brief discussion ensued with respect to retiree healthcare.

There being no further business, it was moved by Mr. Carey, seconded by Mr. Barmore, and unanimously carried, to adjourn the meeting at 9:59 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.)