The meeting was called to order at 9:09 a.m.

Board Members Present: John Barmore, Chair
Michael Daun
Konrad Ellenberger
Michael J. Murphy
Gust Petropoulos
Ron Walter

Board Members Not Present: William C. Carey (excused)
Larry Holland (excused)

Retirement System Staff Present: Bernard J. Allen, Executive Director
Martin Matson, Deputy Director
Elizabeth Cleary, Deputy Director
Thomas Rick, Chief Investment Officer
Kelly Reid, Chief Technology Officer
David Silber, Pension Investment Analyst
Suzanne Fortier, Board Stenographer
Karen McElwee Lloyd, Mgmt. Services Analyst

Others Present: Rudolph Konrad, City Attorney’s Office; Jean Burnside, Retirees Association; Tom Klusman and Brad DeBraska, MPSO.

Approval of Minutes. Mr. Allen presented the minutes of the Regular Meeting held February 27, 2012. It was moved by Mr. Petropoulos, seconded by Mr. Walter, and unanimously carried, to approve the Minutes of the Regular Meeting held February 27, 2012.

Chief Investment Officer Report. As a matter of information, Board members received a copy of the CIO Report. Mr. Rick handed out a copy of the Performance Update Charts. Mr. Silber reported that for February alone the Fund had a return of 3.6 percent and outperformed its benchmark by about 50 basis points. For the first two months of the year the Fund is up 8.1 percent, and outperforming its benchmark by 130 basis points. He indicated that the main reason the Fund outperformed in February was simply that a majority of the Fund’s managers had very strong relative returns and outperformed their benchmarks. Ten of the Fund’s 12 active managers outperformed in February, with Loomis, T. Rowe Price, Blair, BlackRock Alpha Tilts and Allianz contributing the most. Mr. Silber noted that the Fund has been able to hang on to these gains through March, plus add to it as ERS is up another 80 basis points. This puts the Fund’s year-to-date return through March 23, 2012 at 9 percent and the Fund’s approximate value is $4.28 billion.
He indicated the Fund will be withdrawing about $25 million in March: $10 million from Northern Trust; $6 million from BlackRock Alpha Tilt; $5 million from DFA (US); $2 million from Allianz; and $2 million from Earnest to pay monthly benefits and expenses later in the month. Mr. Silber reported that as of March 23, 2012 the Fund had: capital market gains of $349.9 million; paid out $53.6 million in benefits and expenses; and received contributions of $34.9 million. Discussion ensued.

**Investment Committee Report.** Mr. Murphy reported that over two days the Investment Committee heard presentations from seven investment managers who run concentrated US equity strategies. After significant discussion, the Investment Committee selected two finalists and two alternates. He said that the Investment staff, along with the City Attorney’s office and Callan were directed to conduct negotiations and official due diligence on the selected finalists.

**Approval of Finalists for Large Cap US Equity Managers.** Mr. Barmore asked Mr. Rick if it was necessary to convene in closed session. Mr. Rick stated that if any Board members would like to discuss the manager selections, then the Board should convene in closed session. It was moved by Mr. Murphy, seconded by Mr. Petropoulos, and unanimously carried, to approve the finalists for the Large Cap US Equity managers.

(Please note that the Board did not convene in closed session as noticed.)

**Administration and Operations Committee Report.** Mr. Barmore reported that Experis presented the Benefits Administration audit related to health and life insurance. One audit item was reportable related to monthly reconciliations of the health insurance not being done timely. However, staff completed the reconciliations during the audit. Going forward this is no longer auditable, as the city has now self-funded all the health insurance plans.

He reported that Mr. Venkat Manchu has accepted the position of Functional Applications Manager, and the other reclassifications are now in progress with DER. All technology projects are moving forward with the exception of the FileNet upgrade. There was discussion with the committee, and staff will be collecting additional information from other retirement systems using FileNet, (in relation to the upgrade) at the PRISM conference in early May. The system was up 100% during the month of February.

Mr. Barmore stated that staff presented the information to close out the 2011 budget. The ERS owes the city $1.3 million to close out 2011. He noted that the committee asked that the spreadsheet presented be updated to present a clearer picture for the Board. The 2013 budget will be coming to the committee next month.

**Approval of Experis Statement of Work.** As a matter of information, Board members received a copy of the Statement of Work. Mr. Barmore reported that the audit plan was presented for 2012, and the Statement of Work was approved by the committee and is before you today for approval. The hours will now be around 1100 per year as the ERS has completed a “base line” for all auditable areas of work. It was moved by Mr. Barmore, seconded by Mr. Daun, and unanimously carried, to approve the Experis Statement of Work.
New Business.

Retirements, Death Claims, and Refunds. Mr. Allen presented the following activity, as well as Service Credits for the month of February 2012.

Active Death Benefits reported $62,249.02
Retired Death Benefits reported $11,241.56
Refund of Member Contributions paid $124,896.36

It was moved by Mr. Ellenberger, 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:

Jerry Allen
Spring Meeting
Sponsor: Council of Institutional Investors
Location: Washington, DC
Date(s): April 1 – 3, 2012
Estimated Cost: $1,200

Tom Rick &
John Barmore
Due Diligence Trip
Sponsor: Cornerstone Capital
Location: Atlanta, GA
Date(s): April 19 – 20, 2012
Estimated Cost: $750 each

Tom Rick &
John Barmore
Due Diligence Trip
Sponsor: Polen Capital
Location: Boca Raton, FL
Date(s): May 1 – 2, 2012
Estimated Cost: $750 each

Tom Rick &
Jerry Allen
Defining Risk Conference
Sponsor: Pensions & Investments
Location: Chicago, IL
Date(s): June 12, 2012
Estimated Cost: $85 each
It was moved by Mr. Petropoulos, seconded by Mr. Ellenberger, and unanimously carried, to approve the conference requests submitted by Messrs. Allen, Rick, and Barmore.

**Referral of 2013 Budget to A & O Committee.** Mr. Barmore stated this is an annual item and referred this item to the A & O Committee.

**Approval to Suspend Disability Benefits for Non-Compliance with Periodic Medical Re-examination – Jasmine Lewis.** As a matter of information, Board members received a copy of a memorandum, dated March 20, 2012. Mr. Allen handed out a timeline for Jasmine Lewis’ Re-exam. Mr. Allen indicated that staff has been trying unsuccessfully to get Ms. Lewis to schedule a re-examination. After discussion, it was moved by Mr. Murphy and seconded by Mr. Barmore, to approve the suspension of disability benefits for Ms. Lewis until such time as she complies. After further discussion, the motion unanimously carried.

**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:

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<thead>
<tr>
<th>Police – Re-examinations</th>
<th>Recommendation</th>
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<tbody>
<tr>
<td>William Gorman</td>
<td>Approval</td>
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<tr>
<td>Timothy Sanger</td>
<td>Approval</td>
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<th>Fire – Re-examinations</th>
<th>Recommendation</th>
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<tr>
<td>Diane Brown</td>
<td>Approval</td>
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<tr>
<td>Pieter Gallagher</td>
<td>Approval</td>
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<tr>
<td>Thomas Scholz</td>
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<td>Charles Smalley</td>
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<th>GC New Applications – Ordinary</th>
<th>Recommendation</th>
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<tr>
<td>Patricia Fischer</td>
<td>Approval</td>
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<tr>
<td>Effective 3/9/2012</td>
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<tr>
<td>Mary Frank</td>
<td>Approval</td>
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<tr>
<td>Effective 12/22/2011</td>
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<tr>
<td>Michael Gniot</td>
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<td>Effective 2/17/2012</td>
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<th>GC Re-examinations – Ordinary</th>
<th>Recommendation</th>
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<tr>
<td>Nestor Figueroa</td>
<td>Approval</td>
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<tr>
<td>Rita Coker</td>
<td>Approval</td>
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<tr>
<td>Duane Rondorf</td>
<td>Approval</td>
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</tbody>
</table>
James Braatz Approval
Angela Morales Approval
GC Re-examinations – Ordinary (cont’d) Recommendation
Twyla Devine Approval
Victor Perez Approval
John Craney Approval
Debbie Purdy Approval
Lenora Grace Approval
GC Re-examinations – Duty Recommendation
Vince Maniscalco Approval
Rodney Lemberger Approval

It was moved by Mr. Petropoulos, seconded by Mr. Ellenberger, 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 before the Board.

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. Lengthy discussion ensued with respect to Mr. Klusman’s request to address the Board on the process used for the possible replacement of Mr. Matson at Deputy Director. Mr. Barmore indicated that, as Chair, he would make the decision, barring any motion, that the Board would not take comments from Mr. Klusman today, but the MPSO would be welcome to submit their questions in writing to Mr. Allen. Mr. Barmore asked Mr. Allen to comment on the mechanics of an administrative promotion or interdepartmental promotion. Mr. Allen talked about the steps he took when he became aware that Mr. Matson was basically running unopposed for the City Comptroller position.

Mr. Allen informed the Board that he had received a legal opinion that was requested by the Board regarding the reservation of rights ordinance passed by the Common Council last fall. He noted that he received it late Friday so it was not included in the packet, but Mr. Greer would be at the April Board meeting to discuss the opinion.
Informational

The following is a list of informational items:

1) Report on Claims and Litigation – Memorandum dated March 26, 2012, which gives the status of litigation involving the ERS, as prepared by staff of the ERS and City Attorney’s office.
2) List of Client Conferences and Trustee Education for 2012.
4) Minutes of the Investment Committee Meeting held February 8, 2012.

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

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

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

There being no further business, Mr. Barmore adjourned the meeting at 9:53 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 Employes’ Retirement System, 789 N. Water Street, Suite 300.)