

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

Minutes of the Regular Meeting held June 24, 2013

The meeting was called to order at 9:06 a.m.

Board Members Present: John Barmore, Chair
 William C. Carey
 Larry Holland
 Martin Matson
 Carmelo Patti
 Gust Petropoulos
 Ron Walter

Board Members Not Present: Michael J. Murphy (arrived at 10:32 a.m.)

Retirement System Staff Present: Bernard J. Allen, Executive Director
 Beth Cleary, Deputy Director
 David Silber, Interim Chief Investment Officer
 Erich Sauer, Pension Investment Analyst
 Melody Johnson, ERS Chief Financial Officer
 Michael Becker, Pension Accounting Specialist
 Byron Dean, Pension Accounting Specialist
 Suzanne Fortier, Board Stenographer

Others Present: Rudy Konrad, City Attorney's Office; Mark Nicolini, Budget Office; Deborah Ford, DER; Wayne Morgan, Carla Gogin and Darlene Middleman, Baker Tilly; Larry Langer, Patryk Tabernacki and Kevin Peng, Buck Consultants; Jean Burnside, Milwaukee Retirees Association; and Bradley DeBraska, MPSO.

Approval of Minutes. Mr. Allen presented the minutes of the Special Meeting held May 17, 2013, Regular Meeting held May 28, 2013, and the Special Meeting held June 6, 2013. Mr. Matson noted that he was in attendance at the June 6, 2013 meeting. It was moved by Mr. Petropoulos, seconded by Mr. Matson, and unanimously carried, to approve the minutes of the Special Meeting held May 17, 2013, the Regular Meeting held May 28, 2013, and the Special Meeting held June 6, 2013 as amended.

Chief Investment Officer Report. As a matter of information Board members received a copy of the CIO Report. Mr. Silber handed out a copy of the Performance Update Charts. Mr. Sauer reported that the Fund ended May with a value of \$4.52 billion, which represented a monthly return of 0.3 percent, gross of fees, and outperformed its benchmark return by 60 basis points.

Mr. Sauer reported that, as of June 21, 2013, the Fund is down approximately 3.1 percent for the month of June, which brings the year-to-date return up approximately 4.7 percent. He

stated that the estimated Fund value, as of June 21, 2013, is \$4.46 billion. The Fund had year-to-date: capital market gains of \$211.2 million; paid out \$139.5 million in benefits and expenses; and received contributions of \$149.8 million. He reported that, due to the large contribution from the plan sponsor received in June, the ERS will not need to make any manager withdrawals this month.

Mr. Silber updated the Board on the meetings with Callan for the Private Equity Secondary Fund-of-Funds search and the upcoming meetings and interviewing. He stated that the third and final review of the service levels with Northern Trust was completed, and over the next month or so, staff will be meeting with the City Attorney's Office to strategize an approach on how to negotiate fees, service levels, as well as the contract negotiations. Mr. Silber stated that the actuarial contributions that ERS received did push our cash allocation above the 1.5 percent allowed by the guidelines. He said that staff met with Callan and identified a plan to get this allocation back within the allowed guidelines. All the other allocations are within guidelines. Mr. Silber indicated that when this occurred in January 2013 after ERS received \$70 million in contributions, ERS kept the money in cash, and by the end of February ERS was back within the 1.5 percent allocation. He noted that this will also save on transaction fees. Discussion ensued.

Investment Committee Report. Mr. Barmore stated that this is noticed for closed session. He said that if there were no objections, this will be held until after completion of IV. New Business.

(At this point the agenda was taken out of order.)

New Business.

Retirements, Death Claims, and Refunds. Mr. Allen presented the following activity, as well as Service Credits for the month of May 2013.

Active Death Benefits reported	\$0.00
Retired Death Benefits reported	\$115,227.14
Refund of Member Contributions paid	\$11,668.13

It was moved by Mr. Holland, seconded by Mr. Matson, 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:

John Barmore, Jerry Allen, Mike Becker, David Silber and Margaret Daun
Sponsor: Northern Trust
Location: Chicago, IL
Date(s): June 10, 2013
Estimated Cost: \$100 (Approved by the Chair between meetings)

Jerry Allen	Midwest Public Funds Summit
Sponsor:	Information Management Network
Location:	Chicago, IL
Date(s):	June 17, 2013
Estimated Cost:	\$60.80 (Approved by the Chair between meetings)

Erich Sauer & Carmelo Patti	Due Diligence Trips
Sponsor:	DFA and Brandes
Location:	San Diego, CA and Santa Monica, CA
Date(s):	August 5 – 7, 2013
Estimated Cost:	\$1,550

John Barmore	2013 Institutional Investing in Infrastructure Conference
Sponsor:	Institutional Real Estate, Inc.
Location:	Half Moon Bay, CA
Date(s):	October 8 – 10, 2013
Estimated Cost:	\$1,500

Carmelo Patti	Introduction to Investments
Sponsor:	Callan College
Location:	San Francisco, CA
Date(s):	October 28 – 31, 2013
Estimated Cost:	\$1,600

It was moved by Mr. Petropoulos, seconded by Mr. Patti, and unanimously carried, to approve the conference requests submitted by Messrs. Barmore, Allen, Becker, Silber, Sauer, Patti, and Ms. Daun.

Acceptance of Baker Tilly 2012 Financial Audit. As a matter of information, Board members received the Basic Financial Statements and Supplemental Information as of and for the Year Ended December 31, 2012 and the Independent Auditor's Report. Mr. Morgan spoke about the 2012 Financial Audit and required communications. Ms. Middleman stated that there were no unusual or significant transactions that happened in the plan during the year that would require Baker Tilly to inform the Board. Ms. Middleman indicated that Baker Tilly did not encounter any difficulties with management in performing the audit, there were no identified misstatements, no encountered disagreements with management, and to Baker Tilly's knowledge, there were no consultations with other accountants. She indicated that there were no significant issues that should be brought to the Board's attention; therefore, there are no additional communications that need to be disclosed. Ms. Middleman stated that, overall, this has been a straightforward year as there were no adjustments, nor any big deficiencies noted in internal controls that would rise to the attention of the Board.

Mr. Morgan spoke about the financial statements. After discussion, it was moved by Mr. Petropoulos, seconded by Mr. Holland, and unanimously carried, to accept and place on file.

Referral of Management Letter to A & O Committee. As a matter of information, Board members received a copy of the Baker Tilly Management Letter. Mr. Matson stated that, as there were no findings, there is nothing to discuss. It was moved by Mr. Matson, seconded by Mr. Petropoulos, and unanimously carried, to receive and place on file the Management Letter.

Acceptance of Actuarial Valuation – January 1, 2013. As a matter of information, Board members received a copy of the Employees' Retirement System of the City of Milwaukee Actuarial Valuation Report as of January 1, 2013. Mr. Langer handed out a presentation book dated June 24, 2014. Mr. Langer, Mr. Peng and Mr. Tabernacki provided an overview of 2012 plan year, actuarial valuation process; stable employer contribution policy; and reported on the January 1, 2013 valuation results. Lengthy discussion ensued.

(Mr. Murphy arrived at 10:32 a.m. and stepped out at 10:45 a.m.)

Acceptance of PABF Actuarial Valuation – January 1, 2013. As a matter of information, Board members received a copy of the City of Milwaukee Policemen's Annuity and Benefit Fund Actuarial Valuation Report as of January 1, 2013. Mr. Peng provided an overview of the PABF Actuarial Valuation as of January 1, 2013.

After further discussion, it was moved by Mr. Petropoulos, and seconded by Mr. Holland, to accept and place on file the Actuarial Valuations for ERS and the PABF. The motion prevailed with Mr. Carey opposing.

Approval of the Annual Report of the Annuity and Pension Board 75th Edition, December 31, 2012. As a matter of information, Board members received a copy of the Annual Report, 7th Edition. It was moved by Mr. Petropoulos, seconded by Mr. Holland, and unanimously carried, to approve the Annual Report 75th Edition.

Approval of Retiree Member Election Bulletin 184. As a matter of information, Board members received a copy of the Retiree Member Election Bulletin 184. Mr. Allen stated that Mr. Carey's term was expiring on December 31, 2013.

Approval of Active Member Election Bulletin 185. As a matter of information, Board members received a copy of the Active Member Election Bulletin 185. Mr. Allen stated that Mr. Petropoulos' term was expiring on December 31, 2013.

After discussion, it was moved by Mr. Patti, seconded by Mr. Matson, and unanimously carried, to approve the Election Bulletins 184 and 185.

Mr. Barmore indicated that he would hold off on item III. A. until the end of the agenda.

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:

Police – New Applications - DutyRecommendation

Dwight Copeland
Effective 3/15/2013

Approval

Fire – New Applications – DutyRecommendation

Dennis Dineen
6/25/2013

Approval - Extended Life

Police – Re-examinationsRecommendation

Jane Jacobson
Timothy Sanger

Approval

Approval

Fire – Re-examinationsRecommendation

Jeffrey Anderson
Toni Breidenbach
Daniel Dombrowski
Craig Halpert
Timothy Newman
Thomas Thill
Christopher Underwood

Approval

Approval

Approval

Approval

Approval

Approval

Approval

GC New Applications – DutyRecommendation

Maurice Nicholson

Denial

GC New Applications – OrdinaryRecommendation

Maurice Nicholson
Jorge Rivera
Effective 6/4/2013
Patricia Campbell
Effective 6/14/2013
Thomas Rick
Effective 5/13/2013
David Grutza
Effective 11/9/2012

Denial

Approval

Approval

Approval

Approval

<u>GC New Applications – Ordinary (cont'd)</u>	<u>Recommendation</u>
Peter Helfenstein Effective 2/5/2013	Approval
<u>GC Re-examinations – Ordinary</u>	<u>Recommendation</u>
Anne Loren Nann	Approval
Roben Collins	Approval
Carol Gradinjan	Approval
Yoron Whitfield	Approval
Kenneth Meyer	Approval
Marvin Siravo	Approval
Marsha Conner	Approval
Renea Rewolinski	Approval
Lamar Donaldson	Approval
Stephan Huber	Approval
Roxann Fisher	Approval
<u>GC Re-examinations – Duty</u>	<u>Recommendation</u>
Albert Henry	Approval

It was moved by Mr. Petropoulos, seconded by Mr. Holland, and unanimously carried, to accept the aforementioned recommendations of the Fire and Police Medical 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 indicated there were no legal opinions in the packet. Discussion ensued with respect to a request sent to the City Attorney's Office by Mr. Barmore.

Legislation Requests Pending and Proposed Legislation. As a matter of information, Mr. Allen presented a list of pending requests for legislation and spoke about Common Council File Number 130184.

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. Mr. Allen handed out a report on May's website activity for cmers.com.

Informational

The following is a list of informational items:

- 1) Report on Claims and Litigation – Memorandum dated June 24, 2013, 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 2013.
- 3) Class Action Lawsuit.
- 4) Minutes of the Investment Committee Meeting held April 18, 2013.
- 5) Minutes of the Administration and Operations Committee Meeting held May 21, 2013.

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

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

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

Mr. Barmore directed the Board take up Item III. A.

Approval of Small Cap Growth Manager. Mr. Barmore advised that that the Annuity and Pension Board may vote to convene in closed session on item III. A., as provided in Section 19.85(1)(e), Wisconsin State Statutes, for deliberating or negotiating the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session. Mr. Barmore indicated that it was his intent to adjourn the meeting from closed session. It was moved by Mr. Petropoulos, and seconded by Mr. Holland, that the Board convene in closed session and adjourn the meeting from closed session. The motion prevailed by the following roll call vote: AYES: Messrs. Carey, Holland, Matson, Patti, Petropoulos and Barmore. NOES: None.

(Mr. Murphy returned to the meeting during closed session.)

There being no further business, Mr. Barmore adjourned the meeting at 11:15 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.)