

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

Minutes of the Regular Meeting held July 27, 2015

The meeting was called to order at 9:05 a.m.

Board Members Present:           John Barmore, Chair  
  Tom Klusman  
  Rudolph Konrad  
  Martin Matson  
  Mark Nicolini  
  Gerald Pace  
  Carmelo Patti  
  Gust Petropoulos

Board Members Not Present:    Karen Ellenbecker (excused)  
  Larry Holland (arrived at 9:07 a.m.)  
  Michael J. Murphy (arrived at 9:15 a.m.)

Retirement System Staff Present:   Bernard J. Allen, Executive Director  
  Beth Cleary, Deputy Director  
  David Silber, Chief Investment Officer  
  Erich Sauer, Pension Investment Analyst  
  Tom Courtright, Pension Investment Analyst  
  Melody Johnson, ERS Financial Manager  
  Karen McElwee Lloyd, Mgmt. Services  
  Analyst/Disability Benefits Coordinator  
  Mary Turk, ERS Business Operations Analyst  
  Suzanne Fortier, Board Stenographer

Others Present: Miriam Horwitz, Maurita Houren and Ellen Tangen, City Attorney's Office; Jean Burnside, Milwaukee Retirees Association, and Joseph Russell, von Briesen & Roper.

**Approval of Minutes.** Mr. Allen presented the minutes of the Regular Meeting held June 22, 2015. It was moved by Mr. Klusman, seconded by Mr. Petropoulos, and unanimously carried, to approve the Minutes of the Regular Meeting held June 22, 2015.

**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. Courtright reported the Fund's value at the end of June was \$4.97 billion dollars, and the fund outperformed its benchmark in June with a return of -0.1 percent. He reported that as of July 24, 2015, the Fund return was down 0.1 percent July, month-to-date, and had an approximate value of \$4.97 billion. The Fund's return year-to-date is up approximately 2.8 percent, net of fees. Mr. Courtright reported that the Fund has year-to-date: capital market gains of \$144.1 million; paid out \$189.8 million dollars in benefits and expenses and

received contributions of \$89.9 million. He indicated that the ERS Fund withdrew this month: \$9 million from Northern Trust S&P 500; \$6 million from Polen, \$4 million from BlackRock Alpha Tilts, \$3 million from CastleArk, and \$2 million from DFA (U.S.) to pay benefits and expenses.

Mr. Silber spoke about the September 3, 2015 Investment Committee meeting agenda items. He stated that staff is continuing to work on the extension of the general consulting contract, and will be turning it over to the City Attorney's Office this week.

**Investment Committee Report.** Mr. Petropoulos reported that at its July 23 meeting, the Investment Committee received the Fund's preliminary 2<sup>nd</sup> Quarter performance report. Overall, the Fund had a return of 0.8%, net of fees, and outperformed its benchmark by an estimated 78 basis points during the quarter. The outperformance was driven largely by the Fund's manager selection.

He stated that ERS Staff presented due diligence reports on Earnest and Cornerstone, two U.S. equity managers. ERS Staff and Callan answered a number of questions from Committee members related to the reports and the performance of these two managers.

Mr. Petropoulos reported that the Committee interviewed four investment managers as part of the ERS' Real Assets Manager search. The investment managers interviewed were: Cohen & Steers, Principal Financial Group, State Street Global Advisors, and Wellington Management Company. The Committee selected one finalist in closed session and directed ERS Staff to conduct fee negotiations, due diligence, and legal negotiations with the selected finalist. The selection is contingent on successful due diligence and negotiations.

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

**Selection of Real Assets Manager.** It was moved by Mr. Petropoulos, seconded by Mr. Holland, and unanimously carried, to accept the Investment Committee Report and approve the selection of the real assets manager.

**Legislative Committee Report.** As a matter of information, Board members received a copy of the ERS Rules and Regulations (Draft\_2). Mr. Konrad reported that the Committee met and is recommending adoption of the proposed changes.

**Consideration of Proposed Amendment to ERS Board Rules regarding Duty Disability and Review of Duty Disability Application Form.** Mr. Konrad walked the Board members through the proposed changes contained in Draft\_2 of the Rules and Regulations. Discussion ensued.

**Consideration of Proposed Amendment to ER Board Rules to Conform ERS Travel Reimbursement Policy to New City Policy.** As a matter of information, Board members received copies of the ERS Rules and Regulations X. Conferences and Professional Development and an updated Travel Expense form. Mr. Konrad walked the Board members through the proposed changes. Discussion ensued.

It was moved by Mr. Nicolini and seconded by Mr. Konrad, to approve the proposed amendments to the ERS Board Rules. Mr. Matson stated that the 45 days on the expense form is fine and his office will use ERS' rule to process the reimbursement form. However, he stated that if anyone takes a cash advance the 45 days would be in conflict with the city ordinance and his office will refuse the request. Mr. Matson recommended that ERS staff read the city ordinance as it was changed within the last six months. He stated that if a cash advance is involved, he believed you only had ten business days to submit. Mr. Petropoulos and Mr. Konrad suggested inserting language regarding the cash advance timeline. Mr. Barmore suggested "the cash advance request must comply with city requirements" then you are not tied to a date, but the city policy. Mr. Konrad stated that sentence could be added to both of the provisions on the 45 days.

Further discussion ensued regarding the Rules and Regulations. After discussion, the motion carried including the amendment regarding cash advances.

### **New Business.**

**Retirements, Death Claims, and Refunds.** Mr. Allen presented the following activity, as well as Service Credits for the month of June 2015.

Active Death Benefits reported	\$39,437.20
Retired Death Benefits reported	\$23,468.73
Refund of Member Contributions paid	\$355,851.76

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

Erich Sauer	MFS Investment Week
Sponsor:	MFS
Location:	Boston, MA
Date(s):	September 14-18, 2015
Estimated Cost:	\$1,535.00
Thomas J. Courtright	DFA Investment Forum
Sponsor:	Dimensional Fund Advisors
Location:	Chicago, IL
Date(s):	September 17, 2015
Estimated Cost:	\$95.00

Mr. Allen noted that he and Mr. Nicolini were going to attend the Baird Conference on September 14, 2015 in Kohler, WI and the only cost would be mileage. Mr. Barmore stated the cost would be \$50. Mr. Holland expressed interest in attending also. It was moved by Mr. Petropoulos, seconded by Mr. Pace, and unanimously carried, to approve the conference requests submitted by Messrs. Sauer, Courtright, Allen, Nicolini and Holland.

**Approval to Suspend Disability Benefits for Non-Compliance with Outside Earnings Limitation.** As a matter of information, Board members received a list of retirees who were not in compliance with the Outside Earnings Limitations. Mr. Allen handed out an updated list and spoke about this requirement. He noted that several people had complied since the Board packet had been sent out, and once the remaining individuals comply, their benefit will be reinstated. After discussion, it was moved by Mr. Klusman, seconded by Mr. Matson, and unanimously carried, to approve the suspension of disability benefits until compliance with the Outside Earnings Limitations. Discussion ensued regarding the compliance deadline; this issue was referred to the Legislative Committee for discussion.

**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, 2015, 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 approval disability reports of the Medical Council and Medical Panel applications, and report such action to the Board at the Regular Meeting in September, 28 2015. Denials will be held for action by the Board at its next regular meeting.

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

**Approval of Appointment to Medical Council – Dr. Azhar Yunus.** As a matter of information, Board members received a copy of a memorandum, dated June 24, 2015. Mr. Allen spoke about the request for appointment. It was moved by Mr. Nicolini, seconded by Mr. Pace, and unanimously carried, to approve the appointment of Dr. Yunus to the Medical Council.

**Approval of the Annual Report of the Annuity and Pension Board 77<sup>th</sup> Edition, December 31, 2014.** As a matter of information, Board members received a copy of the Annual Report. Mr. Allen handed out a corrected copy to the Board members. Mr. Allen noted there was one correction to the labeling of one of the sections, but nothing regarding any of the plan assets. After discussion, it was moved by Mr. Matson, seconded by Mr. Pace, and unanimously carried, to approve the annual report as corrected.

**Approval of Waiver for City-Appointed Doctor.** As a matter of information, Board members received a copy of a letter from DER, dated July 17, 2015, along with Dr.

Doniparthi's resume. After discussion, it was moved by Mr. Holland, seconded by Mr. Petropoulos, and unanimously carried, to approve the waiver for the city-appointed doctor.

**City Attorney Presentation re: Amendments to MCC 36 – IRS Determination Letter.** As a matter of information, Board members received copies of the Draft and a redlined copy of the Draft, dated July 21, 2015. Ms. Tangen was present and discussed the amendments to Chapter 36 pertaining to the IRS Determination letter. Discussion ensued.

**Performance Evaluation of Chief Investment Officer.** Mr. Barmore advised that the Annuity and Pension Board may vote to convene in closed session on the following item (I.), as provided in Section 19.85 (1)(c), for considering employment, promotion, compensation or performance evaluation data of any public employe over which the governmental body has jurisdiction or exercises responsibility. The Board may then vote to reconvene in open session following the closed session. It was moved by Mr. Holland, and seconded by Mr. Petropoulos, that the Board convene in closed session. The motion prevailed by the following roll call vote: AYES: Messrs. Holland, Klusman, Konrad, Matson, Murphy, Nicolini, Pace, Patti, Petropoulos and Barmore. NOES: None.

The Board convened in closed session at 10:10 a.m. The Board reconvened in open session at 10:24 a.m.

### **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:

<u>Police – Re-examinations</u>	<u>Recommendation</u>
Michael Salomone	Approval
Virgil Cotton	Approval
<u>Fire – Re-examinations</u>	<u>Recommendation</u>
Jeffery Anderson	Approval
Cindy Magestro	Approval
Timothy Newman	Approval
Scott Van Roo	Approval
Christine Jacobs	Approval
Charles Smalley	Approval
Robert Biskobing	Approval
<u>GC New Applications – Ordinary</u>	<u>Recommendation</u>
Christopher Manney (MPD)	Denial
Deborah Pohlmann	Denial

<u>GC Re-examinations – Duty</u>	<u>Recommendation</u>
Robert Donahue	Approval
Daniel Gonzales	Approval
<u>GC Re-examinations – Ordinary</u>	<u>Recommendation</u>
Laurie Goetzke	Approval
Sonya Hunter-Brooks	Approval
Lora Monfre	Approval
Cassandris Smith	Approval
Mark Gallaway	Approval
Marcia Friske	Approval
Terry Moore	Approval
Roxann Fisher	Approval
David Grutza	Approval
Mildred Hooks	Approval
Charles Barbour	Approval

After discussion, it was moved by Mr. Holland, seconded by Mr. Pace, 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. Ms. Horwitz spoke about pending legal opinion requests. After discussion, staff was directed to revise the request regarding the State budget act Section 62.624 regarding an applicant applying for a mental injury. Ms. Horwitz also spoke about the Northern Trust Securities Lending Contract Addendum.

**Service Requests Obtained.** Mr. Allen presented a legal opinion obtained from the City Attorney as follows:

**Medical Council Physician Services Agreement.** As a matter of information, Board members received a copy of a letter and agreement from the City Attorney's Office, dated July 22, 2015. Ms. Houren spoke about the agreement. After discussion, it was moved by Mr. Holland, seconded by Mr. Patti, and unanimously carried, to accept the medical council physician services agreement.

**Legislation Requests Pending and Proposed Legislation.** As a matter of information, Mr. Allen presented a list of pending requests for legislation. Mr. Allen reported that the Finance and Personnel Committee and the Common Council approved Common Council File 150083 authorizing additional time off for certain employee trustees.

Discussion ensued with respect to pending changes to the Board Rules and Regulations and pending state 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 as well as the CMERS.com website metrics report for June 2015.

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

### **Informational**

The following is a list of informational items:

- 1) Report on Claims and Litigation – Memorandum dated July 27, 2015 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 2015-2016.
- 3) Class Action Lawsuit Report.
- 4) Minutes of the Administration and Operations Committee Meeting held June 16, 2015.
- 5) Minutes of the Legislative Committee Meeting held July 10, 2015.

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. Patti, and unanimously carried, to accept and place on file the aforementioned informational items.

**Jason Mucha v. COM, et al: Case No. 2014CV00303.** Mr. Barmore advised that the Annuity and Pension Board may vote to convene in closed session on the following item (D.), as provided in Section 19.85(1)(g), Wisconsin State Statutes, to confer with legal counsel concerning strategy to be adopted by the body with respect to litigation in which it is or is likely to become involved. Mr. Barmore stated 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 from closed session. The motion prevailed by the following vote: AYES: Messrs. Holland, Klusman, Matson, Murphy, Nicolini, Pace, Patti, Petropoulos and Barmore. NOES: None. Due to a conflict of interest, Mr. Konrad recused himself from the vote and closed session, and left the meeting at 10:55 a.m.

The Board convened in closed session at 10:55 a.m.

There being no further business, Mr. Barmore adjourned the meeting at 11:03 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.)