EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE
MINUTES OF THE JUNE 15, 2016 PENSION BOARD MEETING

1. Call to Order

The Chairman called the meeting to order at 8:30 a.m. at the Marcus Center for the Performing Arts, 929 North Water Street, Milwaukee, WI 53202.

2. Roll Call

Members Present	Members Excused
Linda Bedford	
Laurie Braun (Vice Chair)	
Daniel Byrne	
Aimee Funck	
Norb Gedemer	
Michael Harper	
D.A. Leonard	
Patricia Van Kampen	
Vera Westphal	
Dr. Brian Daugherty (Chairman)	

Others Present
Marian Ninneman, Director-Retirement Plan Services
James Carroll, Assistant Corporation Counsel
Tina Lausier, Fiscal Officer
Wayne Morgan, Baker Tilly Virchow Krause, LLP
Darlene Middleman, Baker Tilly Virchow Krause, LLP
Floyd Dukes, Artisan Partners
Nicholas Bauer, Henderson Geneva Capital Management
W. Scott Priebe, Henderson Geneva Capital Management
Brett Christenson, Marquette Associates, Inc.
Christopher Caparelli, Marquette Associates, Inc.
Larry Langer, Buck Consultants
Troy Jaros, Buck Consultants
Steven Huff, Reinhart Boerner Van Deuren s.c.
Jessica Culotti, Reinhart Boerner Van Deuren s.c.
Mark Grady, Retiree

3. Chairman's Report

The Chairman welcomed the new County Executive appointee member to the Pension Board, Daniel Byrne.

Mr. Byrne thanked the Chairman and indicated that he is looking forward to serving on the Board. Mr. Byrne introduced himself as the Director—Head of Balance Sheet Management at BMO Financial Corporation and noted he has been employed with the bank since 2004 as a legacy M&I employee.

4. Minutes—May 18, 2016 Pension Board Meetings

The Pension Board reviewed the minutes of the May 18, 2016 Pension Board meeting. Ms. Westphal questioned the terms of approval regarding Mr. Harper's request to attend the 2016 Institutional Limited Partners Association ("ILPA") Conference as stated in the final motion under section 15 of the draft minutes. Ms. Westphal explained that the ILPA Conference has upcoming seminars scheduled in Chicago, Illinois and London, England. Ms. Westphal indicated that she learned Mr. Harper planned to attend the London ILPA conference following adjournment of the May 2016 Pension Board meeting. The May 18 meeting agenda indicated Institutional Limited Partners Association membership for Mr. Harper. Ms. Westphal explained the Board rarely, if ever, approves travel outside of the U.S. and questioned whether the Board knew of the conference location before approving the expense. Ms. Westphal then asked if the Board wished to reconsider its prior decision to approve the ILPA Conference expense.

The Chairman and Mr. Leonard stated that following the adjournment of the May 2016 Pension Board meeting, Mr. Harper explained he intended to cover his own airfare and lodging costs for the London ILPA Conference. Prior to the vote at the May Board meeting, Mr. Harper clarified that he was seeking approval for payment of the ILPA Conference registration fee. The Chairman observed that under such circumstances, the expense would be similar to a request for domestic travel.

Ms. Westphal then proposed the following amendment to the final motion under section 15 of the draft minutes: "The Pension Board unanimously agreed to approve the request by Mr. Harper for payment of the conference fee to the 2016 Institutional Limited Partners Association Conference, with Mr. Harper covering his own transportation and lodging costs."

The Pension Board unanimously approved the amended minutes of the May 18, 2016 Pension Board meeting. Motion by Mr. Leonard, seconded by Ms. Bedford.

5. External Audit Report—Baker Tilly

Wayne Morgan and Darlene Middleman from Baker Tilly Virchow Krause LLP distributed and discussed Baker Tilly's required governance communications regarding ERS's external audit for the year ended December 31, 2015. Mr. Morgan introduced himself as a Managing Partner at Baker Tilly responsible for ERS's external audit and introduced Ms. Middleman as a Manager at Baker Tilly responsible for ERS's external audit related functions.

Mr. Morgan began the discussion by explaining Baker Tilly's required communications are being presented in draft form but reported the draft statements are essentially complete and no changes are anticipated. Baker Tilly typically waits until ERS's final acceptance of the actuarial valuation report before releasing its final statements. Baker Tilly's audit was completed in compliance with its original scope and planning as presented to the Audit Committee in its required pre-audit communication on August 14, 2015. Mr. Morgan further explained that Baker Tilly's responsibility is to express an opinion on the financial statements prepared by ERS management. The audit provides a reasonable, not absolute, assurance that the financial statements prepared by management are free from any material misstatements. Baker Tilly's audit is not designed to identify deficiencies in areas of internal control, and Baker Tilly does not audit or issue an opinion on internal control. Mr. Morgan stated there were no reportable conditions or material weaknesses resulting from the audit that would be of concern to those in governance. Baker Tilly also had no disagreements with management in critical functional areas relative to the audit.

Mr. Morgan then explained that Baker Tilly is also required to report on any less than material adjustments it felt could have been made that ERS management decided not to make. There was one adjustment in this category relative to ERS's valuation testing on its investments. The particular investment was not maintained on a generally accepted accounting principle ("GAAP") basis. The resulting difference was just under $1 million in value, which, for a plan the size of ERS, would not be considered material from a valuation standpoint. Mr. Morgan noted this adjustment has appeared in prior ERS audits and is very common in the category of investment valuation.

Mr. Morgan acknowledged that Baker Tilly has no other accounting arrangements that would hinder its independence relative to its audit of ERS's financial statements. Although Baker Tilly also performs the external

audit for Milwaukee County, the County is considered a separate governmental entity that would not affect Baker Tilly's independence.

Mr. Morgan concluded his discussion by reporting Baker Tilly has issued a clean opinion which states ERS's financial statements present fairly, in all material respects, the fiduciary net position of ERS as of December 31, 2015 and 2014, and the changes in fiduciary net position of ERS for the years then ended, in conformity with accounting principles generally accepted in the United States. Mr. Morgan stated Baker Tilly's clean opinion, in draft form, is ready to be issued.

Ms. Middleman continued the discussion by reviewing Baker Tilly's comments on internal control and related accounting matters.

In response to a question from the Chairman, Mr. Morgan confirmed that Baker Tilly's comments on internal control relate only to matters that fall short of significant deficiencies and/or material weaknesses, and are not required to be presented in writing.

Ms. Middleman first reported that during Baker Tilly's demographic testing of terminated employees, it discovered that reciprocity service credit for one terminated employee was not calculated correctly. However, because the missed service credits were not significant and the employee was not vested, it did not affect any calculation. Because corrections with reciprocity service credits have the potential to become significant, Baker Tilly recommended to management that it ensure reciprocity service credits are being calculated appropriately.

In response to a question from Ms. Braun, Ms. Middleman stated the reciprocity service credit error appeared to be related to human error and not a system error.

Ms. Ninneman explained to Ms. Braun that RPS must first rely on ERS members to report any prior work with another public entity before it can send the state form to verify those service credits. RPS staff has implemented new procedures, with the distribution of enrollment forms at its employee orientation sessions, to capture whether a new employee has any past service with another public entity. If a new employee acknowledges they have past service with another public entity, that employee is also issued a reciprocity form at orientation. However, it is the employee's responsibility to complete and return the reciprocity form to RPS.

Ms. Middleman next reported that during its testing of employee contribution amounts, Baker Tilly noted several participants did not have

contributions based on wages which management had indicated were "pensionable earnings." The result was due to a different definition of "pensionable earnings" between RPS and the plan sponsor. This was a very small number related to a shift differential code and did not affect all employees. Baker Tilly recommended that RPS work with the departments that support their processes to ensure that all internal and external requirements are followed.

Ms. Ninneman reported that RPS, the Payroll Department and Corporation Counsel are reviewing the shift differential issues with regard to what should be considered "pensionable earnings." Upon completion of the review, it will be determined if coding changes may be required.

Ms. Middleman concluded her discussion by reporting that during its audit of benefit payments, Baker Tilly noted several retiree benefit payments were calculated incorrectly due to incorrect benefit options, incorrect cost of living adjustment ("COLA") calculations and incorrect retirement dates. The total variance amount was not significant. However, Baker Tilly recommends that ERS continue to monitor every facet of its benefit calculations, including the accuracy of monthly benefit payments and backDROP calculations.

In response to a question from the Chairman, Mr. Morgan confirmed that Baker Tilly is satisfied with all management responses to Baker Tilly's comments on internal control and related accounting matters.

In response to a question from Ms. Braun, Mr. Morgan stated Baker Tilly has been performing ERS's external audit since 2003.

6. Investments

(a) Artisan Partners

Floyd Dukes of Artisan Partners distributed a booklet containing information on the investment management services provided by Artisan for ERS. Mr. Dukes introduced himself as a partner in Artisan's institutional group from the firm's Atlanta office. As an investor in Artisan's mid-cap strategy since mid-2000, Mr. Dukes thanked ERS for its continued partnership and confidence, noting ERS is one of Artisan's longest-tenured relationships.

Mr. Dukes began by providing a brief overview of the firm. There have been no major organizational changes at the firm to report and all of Artisan's key employees remain in place. The firm's business structure

remains intact and stable. As of March 31, 2016 the firm's total assets under management ("AUM") are just under $100 billion. With the majority of its assets leveraged in the equity markets, there has been some volatility as the markets continue to rise and fall, but Artisan's relationships have generally remained stable with no major client attrition. Artisan remains headquartered in Milwaukee but the firm also has a large presence in San Francisco. Artisan continues to expand its global footprint with offices in London, Sydney and Toronto. Artisan continues to grow and has added a credit fund and developing world fund in the last two years. The composition of the investment team for ERS's mid-cap growth portfolio has essentially remained unchanged. However, Jason White, who originally joined the team in 2000 as an analyst, has recently been promoted to a portfolio manager. Mr. White remains a leader in the technology space and his promotion will not affect the way the strategy has historically been managed. Matthew Kamm continues his responsibilities as the lead portfolio manager for the mid-cap strategy. Artisan's investment philosophy and process also remains unchanged.

Mr. Dukes next discussed the mid-cap portfolio's construction. Artisan's mid-cap strategy focuses on high-quality, growth franchises with strong competitive advantages for valuation and acceleration of profits. Once companies are identified, risk is controlled by confidence weighting in the portfolio. Artisan will maximize exposure to companies in a profit acceleration phase and decelerate exposure as profit cycles detract. This garden-crop-harvest capital allocation process has been followed by Artisan since 1997. Over full market cycles, Artisan expects to deliver upside participation in rising markets, while protecting capital in down markets. These results should produce compounding returns over the longer-term.

Mr. Dukes then discussed the portfolio's average annual total returns as of May 31, 2016. Since ERS's inception in June 2000, the portfolio has delivered returns of 7.7% net-of-fees, versus the 4.25% Russell Midcap Growth Index. There have been two large downdrafts in the markets since 2000, yet Artisan is pleased with the long-term results it has accomplished on behalf of ERS. Recently, the markets have been extremely volatile and quarter-to-date, the portfolio stands at 4.9% net-of-fees versus the Index at 1.6%. Year-to-date, the strategy is down approximately 91 basis points, while the Index is positive at 2.2%. The portfolio's one-year performance is moderately ahead on a relative basis, at -3.3% net-of-fees versus the Index at -3.7%. While the 2015 market environment was favorable for Artisan, sentiment in the market shifted at the beginning of 2016 from growth to value. The lower interest rate environment caused concerns about negative interest rates, particularly in Asia, and commodity prices continued to

decline in 2016. The Russell Midcap Growth Index was down almost 13% in the first five weeks of 2016 due to the violent reversion to value. With its focus on growth, Artisan's mid-cap portfolio was down approximately 19% in the first five weeks of 2016. Certain overweights to high-quality biotechnology stocks also caused the portfolio to dramatically underperform during the first several weeks of 2016.

Mr. Dukes concluded with a discussion of portfolio holdings. There is currently a negative bias in the marketplace which signifies continued apprehension in the markets. Companies that missed on earnings expectations were punished disproportionately in relation to companies rewarded for meeting earnings expectations. In this environment, Artisan will take advantage of attractive opportunities in the marketplace as growth stocks go on sale. Artisan has recently been active with its acquisitions and has added 14 new names to its mid-cap growth portfolio. Artisan remains optimistic as the second quarter of 2016 appears to be trending in the growth direction. Artisan also remains confident with the portfolio's construction, as the 2015 events that were conducive to Artisan's strategy have not changed a great deal. Artisan does not anticipate any dramatic changes to the portfolio's overall positioning or outlook. While the market will continue to ebb and flow, Artisan expects its high-quality growth stocks will continue to deliver favorable long-term performance.

In response to a question from Ms. Van Kampen, regarding the effect of politics on health care services, Mr. Dukes stated the current political environment is negatively charged for two reasons. For-profit health care services rely heavily on reimbursement rates, which have been politically challenged for some time and rarely increase. Therefore, Artisan avoids these types of businesses. Drug pricing has also emerged as a controversial issue. Certain issues highlighted recently regarding bad actors in biopharmaceuticals have helped politicians against drug companies garner public support. While the broader political environment could have a greater impact on the portfolio, Artisan remains astute in assessing its holdings to ensure it does not own any bad actors.

Ms. Braun then observed that Artisan is currently on alert for performance issues and asked Mr. Dukes to address its underperformance that has occurred in three of the last four years.

Mr. Dukes explained that the last three years were negatively affected by certain significant downdrafts in the market. The downdraft in the first quarter of 2016 was very significant and the portfolio was down approximately 500 basis points for that period. There was also a six week period in 2014 when Artisan was on the wrong side of market sentiment.

The markets remain much more volatile today and it is difficult for Artisan to pivot portfolio positioning to withstand six-week market challenges. However, as the markets continue to evolve, Artisan remains confident that its high-quality growth positioning will continue to produce favorable results over the longer-term.

(b) Henderson Geneva Capital Management

Nicholas Bauer and Scott Priebe of Henderson Geneva Capital Management ("Henderson") distributed a booklet containing information on the investments managed by Henderson for ERS. Mr. Bauer introduced himself as the Director of U.S. Institutional services at Henderson and introduced Mr. Priebe as a Portfolio Manager in the firm's mid-cap growth strategy.

Mr. Bauer first provided an overview of the firm. Geneva Capital Management was acquired by Henderson Global Investors in October 2014 and the acquisition is fully integrated and complete. The firm's stakeholders are very pleased with the results of the acquisitions which have transpired over the last 18 months. Henderson believes stability is a crucial component to providing service to its clients and the investment team managing ERS's mid-cap growth strategy has remained unchanged throughout the past six years. All members of the investment team remain based in Milwaukee, and the team's investment philosophy and processes remain unchanged since developed in the mid 1980's by Bill Priebe and Amy Croen. The challenging low-quality rally dominating the market around the time of the acquisition resulted in poor relative performance for the portfolio two years ago. However, the market environment has since shifted and is providing favorable high-quality tailwinds for the portfolio. Since the acquisition, the portfolio's performance relative to its peer group and the benchmark has been exceptional. Henderson's performance now ranks in top the quartile of all mid-cap growth managers and the firm's total AUM has stabilized and is growing.

In response to a question from Ms. Van Kampen regarding the portfolio's total capacity, Mr. Bauer stated that estimated capacity in the mid-cap growth strategy is $6 to $8 billion. Capacity is based on the number of companies in the portfolio and the liquidity characteristics of those companies. The portfolio will generally hold 50 to 60 names but will never exceed 60. The investment team avoids smaller mid-cap companies because that would constrain liquidity. The mid-cap portfolio is currently valued at approximately $3 billion, leaving ample room for additional growth.

Mr. Priebe continued with a discussion of performance as of May 31, 2016. Due to a lack of global growth and continued uncertainty, the first quarter of 2016 was an extremely challenging environment for equities. Despite the difficult market environment, the portfolio's year-to-date performance is up at 3.4% gross-of-fees, versus the Russell Midcap Growth Index at 2.2%. The portfolio's performance on a one-year basis also remains positive at 0.5% gross-of-fees, versus the Index at -3.7%. Although the portfolio's three-year performance period includes the extended low-quality rally, returns remain positive at 10.6% gross-of-fees, versus the Index at 10.1%. Since ERS's inception in July 2012, performance is at 11.9% gross-of-fees, versus the benchmark at 13.7%. The middle portion of 2012 was a difficult period for the markets as the Federal Reserve ("Fed") began implementing unprecedented amounts of quantitative easing ("QE") to stimulate growth. Following the Fed's December 2015 rate increase, speculation has focused on when the Fed will raise rates again. This financial engineering has produced a quality tailwind in the marketplace and growth investments have become very attractive. The strong U.S. dollar will act as a governor on global growth as other countries begin to engage in their own unprecedented QE policies. Recently-released disappointing U.S. employment figures and concern over the United Kingdom's upcoming referendum vote to exit the European Union have inserted additional uncertainty in the marketplace. The yield on the ten-year German bund recently fell into negative territory for the first time in history. During this unprecedented time, it is important to stick to fundamentals and focus on quality growth. Despite the difficult and extended low-quality rally, Henderson has not deviated from its high-quality investment discipline and that has resulted in positive performance. Performance in the portfolio's health care sector has been positive and is primarily due to the fact that there is no direct exposure to biotech companies, unlike Artisan.

Mr. Priebe concluded with a discussion of recent acquisitions and sales. Henderson added tool company Snap On Inc. to the portfolio in January 2016. Other acquisitions completed in 2015 include Williams Sonoma Inc., Acuity Brands and Broadridge Financial. Henderson exited its position in Chipotle Mexican Grill earlier this year following the company's widely-publicized problems with e-coli contamination. Henderson purchased Chipotle in 2010 at an attractive valuation, but sold its shares after management could not ultimately identify the exact source of the e-coli contamination in its food chain.

The Chairman called for questions and there were none. Messrs. Bauer and Priebe thanked ERS for its continued relationship with Henderson.

(c) Marquette Associates Report

Brett Christenson and Christopher Caparelli of Marquette Associates distributed the May 2016 monthly report.

Mr. Christenson first provided a brief commentary on today's presentations from Artisan Partners and Henderson Geneva. As Artisan and Henderson indicated, each manager adheres to relatively different investment styles. Artisan and Henderson maintain opposing overweights and underweights relative to health care and consumer discretionary. This helps to provide some balance and the two managers complement each other well. Mr. Christenson explained that when there is a great deal of volatility in the markets, most of ERS's active managers will typically underperform. Mr. Christenson also explained that over the last five years, it has been extremely difficult to find any active managers that have been able to consistently outperform their respective benchmarks. This is primarily due to the function of emerging from the 2008-2009 financial crisis and government intervention with interest rates. Consequently, Marquette is now preparing its clients to view active manager performance beyond one- to three-year performance time frames. However, Marquette understands that its clients may not always be comfortable with adopting a longer-term investment outlook with actively managed investments. Although ERS maintains many high-quality active managers that can add value over time, Marquette believes indexing is an acceptable alternative if a perceived comfort level is exceeded over the longer term investment horizon with active manager performance.

Mr. Christenson next discussed the May 2016 flash report. Artisan Partners and Geneva Capital both remain on alert for performance issues. Although both managers have exhibited strong second quarter-to-date performance, Marquette recommends maintaining the alert status. Fiduciary Management (now Mesirow) remains on alert for organizational issues due to its recently completed acquisition. At this time, Marquette perceives Mesirow's acquisition of Fiduciary as generally positive and the alert status remains in place as standard practice. GMO Small-Cap has been terminated and is being replaced by Segall Bryant Hamilton. J.P. Morgan Core Fixed Income is currently on notice for organizational issues. At the May 2016 Pension Board meeting, Marquette discussed a memorandum which outlined its concerns regarding recent turnover within several senior positions on J.P. Morgan's core bond investment team. After conducting an onsite visit with J.P. Morgan, Marquette remained concerned that a clear plan had not been established to replace J.P. Morgan's outgoing senior team members. Therefore, Marquette recommended rebalancing assets more

evenly between J.P. Morgan and the Fund's fixed income index manager, Mellon Capital, over the next several months. Just over $200 million is currently allocated to J.P. Morgan, while approximately $76 million is currently allocated to Mellon Capital. The Board approved a $41 million withdrawal from J.P. Morgan at its May 2016 meeting. Of that $41 million, $23 million was rebalanced to Mellon Capital and the remaining $18 million was used to cover cash flows for benefit payments and capital calls. The current cash balance in the Fund is approximately $35 million. Marquette would also like to address additional increases to the Fund's total cash amount to cover upcoming benefit payments and capital calls.

Mr. Christenson then discussed asset allocation. Asset allocation has remained a topic of discussion since the Board approved revisions to the Fund's asset allocation policy in December 2015. Following approval of ERS's revised asset allocation policy, the Board learned of a 75% limit for "common stock" or equity investments in the Fund per the Ordinances. After performing additional analysis of the matter with the Investment Committee, Marquette classifies all investments in the Fund, outside of fixed income and real estate, as equity investments. Per the December 2015 revisions to the asset allocation policy, the Fund's target allocation is 18% for fixed income and 8.5% for real estate. Together, these two asset classes equal 26.5%, which is very close to the 25% limit for non-equity investments. Marquette recently presented a preliminary study to the Investment Committee that reviewed potential alternatives for increasing the 26.5% allocation, to provide an extra cushion and prevent non-equity investments in the Fund from falling below the 25% Ordinance limit. Mr. Christenson explained that Marquette will likely recommend reducing the current hedge fund allocation from 10% to 8.5% and expanding the Fund's real estate allocation from 8.5% to 10% at the July 2016 Pension Board meeting. Mr. Christenson then noted the Board previously approved a $40 million real estate redemption from Morgan Stanley scheduled for June 30, 2016. If that $40 million redemption occurs, the Fund's real estate allocation will be fairly close to the current 8.5% target allocation. Therefore, the Board may wish to reconsider the pending Morgan Stanley redemption amount if the Fund's target allocation to real estate is eventually increased. Marquette recently contacted Morgan Stanley and it advised Marquette that ERS would have approximately one week from today to rescind or change its pending $40 million redemption. Mr. Christenson recommended the Board reconsider the $40 million Morgan Stanley redemption today, until revised asset allocations can be reviewed and approved at a future Board meeting. Mr. Christenson recommended reducing the pending redemption amount from Morgan Stanley real estate from $40 million to $18 million.

Mr. Christenson continued with a discussion of rebalancing. Marquette recommends reallocating an additional $25 million from J.P. Morgan fixed income to the Mellon Capital fixed income index fund. Because Marquette will likely recommend reducing the Fund's hedged equity target allocation, it also recommends reducing the current $12 million overweight in the hedged equity composite. Marquette recommends redemptions of $16 million each from Parametric and ABS. Because ABS requires long-term notice, if approved today, the funds would not be available from ABS until September. Funds from Parametric would likely be available by the end of July. However, if necessary, the Board would still have time to rescind the redemptions from Parametric and ABS at its next meeting.

Ms. Braun then observed that ABS is underperforming its benchmark in the negative year-to-date, whereas Parametric is outperforming its benchmark in the positive year-to-date. Ms. Braun questioned whether the Board should consider a different reallocation split between ABS and Parametric.

Mr. Christenson responded to Ms. Braun by noting that Marquette considered a different split in their discussions but thought taking all of the funds from ABS would be too extreme. Mr. Christenson stated if the Board would like to reconsider the split, he would recommend reducing ABS by $24 million and Parametric by $8 million. The Board can approve the redemptions today with sufficient time to reconsider changes at its July meeting if needed.

Mr. Christenson continued his discussion of rebalancing, noting that an additional $15 million will be needed for cash flow. Marquette will likely pull as much excess cash from the Fund's cash overlay account and take the remaining balance from U.S. equities, which is currently slightly overweight.

In response to a question from Ms. Van Kampen, Mr. Christenson explained Marquette has not launched a search for an alternative manager to replace J.P. Morgan fixed income and that should be a future topic of discussion for the Investment Committee. It would not be easy to do a full liquidation on the J.P. Morgan fixed income portfolio and Marquette first recommends equalizing assets between J.P. Morgan and Mellon Capital.

In response to a question from Mr. Byrne, Mr. Christenson confirmed that J.P. Morgan fixed income is a separately managed account.

In response to questions from Mses. Braun and Bedford regarding future plans for Vontobel's former chief investment officer, Rajiv Jain, Messrs. Christenson and Caparelli stated that Marquette has not heard whether

Mr. Jain will start his own investment firm. At this time, Marquette remains very comfortable with maintaining the liquidated assets from Vontobel in the Northern Trust International Index Fund. Active management has become a difficult space and the index funds remain available as backup investment alternatives. As actively managed assets are reallocated to the index funds, Marquette may recommend ERS maintain those reallocated assets with the index managers. This is a future topic that can be addressed during the year, but Marquette does not perceive a need to address it immediately.

Mr. Christenson concluded his discussion of rebalancing by noting that the Fund's fixed income composite is currently underweight by approximately $24 million. As funds become available in the next several months and are not needed to pay benefits, Marquette would like to get the Fund's fixed income composite back to its target allocation. The Fund's international equity composite is also currently underweight by approximately $20 million. Marquette will first focus on increasing allocations to fixed income to ensure the Fund does not fall below the 25% Ordinance threshold for non-equity investments.

In response to questions from the Chairman, Mr. Christenson confirmed that Marquette is only seeking approval for rebalancing assets discussed today. Any proposed revisions to the Fund's current asset allocation policy will be discussed again at the July 2016 Pension Board meeting. Ms. Van Kampen confirmed approval for rebalancing may be accomplished later today during her Investment Committee presentation to the Board.

Mr. Christenson concluded with a discussion of net-of-fees performance. As of May 31, 2016 the Fund's year-to-date return is up at 2.2%. Mr. Christenson explained that Marquette's May report does not include quarterly returns for all private equity and real estate investments and J.P. Morgan infrastructure which, combined, comprise approximately 22% of the total Fund composite. Two days ago, J.P. Morgan infrastructure reported it was up 10% in the first quarter and IFM Investors core infrastructure ("IFM") reported it was up 9.9% in the first quarter. As quarterly returns are fully reported, favorable performance in the Fund's alternative investments should enhance overall year-to-date performance. The Fund's total fixed income composite is up 3.3% year-to-date. J.P. Morgan fixed income is up 3.3% year-to-date. On a ten-year basis, J.P. Morgan is outperforming the index by approximately 10 basis points net-of-fees. Mr. Christenson noted Marquette has intentionally structured ERS's fixed income portfolio to maintain high-quality investments and take risk in other areas of the Fund. It can be difficult for high-quality bond

managers such as J.P. Morgan to outperform the index. Therefore, Marquette believes that indexing could be an acceptable alternative to active management in the Fund's bond portfolio. Performance from the mid-cap managers in the Fund's U.S. equity composite has been strong in the short term which has helped boost overall U.S. equity performance. Performance in the Fund's total U.S. equity composite is up at 2.8% year-to-date. Under the Fund's international equity composite, the majority of the assets are now invested with the Northern Trust ACWI Index Fund. Performance in the Fund's international equity composite is up at 1.2% year-to-date. As previously mentioned, GMO, the Fund's international equity small cap manager is being replaced by Segall Bryant Hamilton and the contract is being reviewed by counsel. Under the Fund's hedged equity composite, ABS is having a very difficult year, down -5.7% year-to-date. Parametric replaced K2 and is exhibiting favorable year-to-date performance at 2.5%. Mr. Christenson noted that Marquette would like to see long-term performance for Parametric trend closer to the S&P 500 and long-term performance for ABS trend closer to the Russell 3000 or MSCI ACWI indices. However, performance for both managers is below those indices and Marquette will monitor performance for a possible future topic of discussion. As previously mentioned, the Fund's real estate composite is not fully reported but continues to deliver strong returns in 2016. Performance in the Fund's infrastructure composite has been disappointing and can be largely attributed to currency headwinds. The five-year return for the Fund's infrastructure composite is at 5.2%. Marquette would like to see the infrastructure composite delivering returns closer to the 8% range but the strong U.S. dollar will likely continue to negatively affect infrastructure returns. IFM recently launched a hedged product that ERS will eventually move to.

In response to a question from Mr. Byrne regarding the long-term value of indexing versus active management in the current market environment, Mr. Christenson stated Marquette will likely recommend maintaining the majority of the Fund's international equity assets in index funds for the near term. While J.P. Morgan has performed well for the Fund as an active bond manager, it is experiencing some significant disruptions within its investment team and it would be difficult to find a comparable replacement manager. Mellon Capital is the only index manager in the Fund's U.S. equity composite but the mid-cap managers have outperformed over the long-term. Marquette believes valuable investment opportunities are still available within certain areas of the international small cap market. However, should the Board decide to terminate underperforming managers, Marquette will likely recommend indexing for the near term.

7. Investment Committee Report

Ms. Van Kampen reported on the June 6, 2016 Investment Committee meeting. The Investment Committee first discussed the updated private equity funding model. Under the revised asset allocation policy, the Fund's target exposure for private equity is 10% of assets. The Fund's current exposure to private equity is 6%. If ERS makes no further commitments, exposure to private equity would reach a maximum of 9% in 2020 and then fall to a level of 2% by 2024. Therefore, the Fund must continue making additional private equity commitments. Marquette recommends making additional private equity commitments of $40 to $50 million in 2017, $25 million in 2018 and $25 million in 2020. Marquette will review private equity investments again at year-end and address 2017 commitments. The Committee also noted Mesirow will offer a new private equity fund in 2017.

The Investment Committee next discussed IFM's new fee schedule. IFM is offering a new currency hedging share class for its global infrastructure fund which also includes a new fee schedule. Hedged products tend to have decreased volatility and provide higher returns over the long-term. IFM's management fee is lower under its hedged share class and total fees would also be lower under most circumstances. The new fee schedule includes higher fees if IFM earns an annual return between 10% and 13%. However, for annual returns below 9.5% and above 14%, IFM's hedged share class fee arrangement is less expensive. However, the Fund should wait until it regains the carried interest portion of IFM's fees in the current share class before it switches to its new hedged share class.

The Investment Committee concluded with a discussion of asset allocation. The Investment Committee discussed the Fund's 75% limitation in "common stock" or equity investments as provided in the Ordinances. The Fund's current asset allocation policy allocates 73.5% of ERS's investments to equities, allowing for a cushion of only 1.5%. Marquette reviewed alternative portfolio options with the Investment Committee. Portfolio Option A would reduce equities to 72% and portfolio Option B would reduce equities to 70%. The Investment Committee observed that Portfolio Option A was preferable because it would provide increased returns with decreased volatility. Portfolio Option A would also reduce hedge fund assets by 1.5% and increase real estate assets by 1.5%. The Investment Committee felt that the 3% cushion would be adequate to manage the Fund's 75% equities limit.

In response to a question from the Chairman, Ms. Van Kampen indicated that should the Fund exceed the 75% limitation on equites at some point, immediate action would not be required to reduce equity assets in the Fund.

Instead, the Fund would have to sell down excess equity assets at the next earliest available opportunity.

The Pension Board voted unanimously to approve rebalancing $25 million from J.P. Morgan Core Fixed Income to Mellon Capital Core Fixed Income, to reduce exposure to Parametric Defensive Equity by $8 million and reduce exposure to ABS Hedged Equity by $24 million, and, to reduce the previously-approved $40 million redemption from Morgan Stanley Core Real Estate to $18 million. The amounts withdrawn from Parametric, ABS and Morgan Stanley are to be reallocated as determined by Marquette Associates. Motion by Ms. Van Kampen, seconded by Mr. Harper.

8. Audit Committee Report

Ms. Westphal reported on the June 2, 2016 Audit Committee meeting. The Audit Committee first discussed posthumous membership account refunds. Ms. Ninneman described a situation involving the death of a terminated non-vested ERS member. The member died without requesting a refund from their membership contribution account. After discussing the possible consequences of refunding membership contributions posthumously, the Committee authorized Ms. Ninneman to determine the best course of action regarding this specific situation.

The Audit Committee then continued its previous discussions of proposed amendments to ERS Rule 1054, retention of amounts held in membership account. Mr. Huff presented a draft amended Rule 1054 and discussed the need for clarifications. After further discussion, the Committee directed Mr. Huff to make certain revisions to the draft amended Rule and recommended that the Pension Board adopt the revised Rule.

Mr. Huff then summarized the proposed revisions to Rule 1054 to the Pension Board. When terminated employees opt to request a refund of their ERS membership account, they lose their service credit in ERS. However, if terminated employees do not request a refund of their ERS membership accounts, those funds remain in ERS. Questions have emerged in cases involving terminated employees who have retained their membership accounts, are subsequently reemployed and begin recontributing to their membership accounts, but terminate a second time. Under such circumstances, it is unclear whether terminated employees should be eligible to receive a refund of their entire membership account or only that portion related to their second period of employment. Membership contributions from all periods of employment are comingled in employee membership

accounts and there is no way to track the two separate periods of member contributions without costly software updates. Therefore, the Audit Committee recommended that the entire membership account should be refundable under such circumstances. Mr. Huff noted there are exclusions in the revised Rule for members terminating employment covered by OBRA and hourly employees who do not begin recontributing to a membership account. Such employees will be excluded from requesting a refund of their membership accounts.

The Pension Board voted unanimously to adopt the resolutions amending Rule 1054 effective as of June 15, 2016, attached to these minutes as Exhibit A. Motion by Ms. Westphal, seconded by Ms. Braun.

Ms. Westphal continued her report. The Audit Committee next discussed the disability retirement process. Mr. Carroll reviewed and discussed the "any job" and "single accident" standards for accidental disability pension applications. Mr. Carroll recommended that certain clarifications be made to the "any job" and "single accident" standards through a new ERS Rule. A prior Pension Board was responsible for the original interpretation of these two standards. After continued discussion, the Audit Committee asked Mr. Carroll to draft a new ERS Rule to clarify the "any job" and "single accident" standards.

Mr. Carroll then summarized proposed ERS Rule 714(a) and 714(b) to the Pension Board. Mr. Carroll first explained that multiple discussions related to issues with ERS's disability retirement process have occurred at Audit Committee meetings in 2016. Two of those issues relate to the "any job" and "single accident" disability pension standard as described in Ordinance 201.24(4.3). These standards could be clarified by the Pension Board adopting proposed ERS Rule 714(a) and 714(b) to interpret the Ordinance language.

Mr. Carroll first discussed the "any job" standard. Currently, if an ERS member, excluding Deputy Sheriffs, applies for an accidental disability pension, the "any job" standard that applies is whether another job can be found within Milwaukee County government. Mr. Carroll noted this standard is relatively narrow and has been further limited by continuing reductions to County employment opportunities over the years. Because fewer County positions are available today compared to 20 or 30 years ago, it is much more difficult to find other suitable positions for applicants within County government. Several options were discussed at Audit Committee meetings to broaden the standard. One of those options proposed broadening the "any job" standard from Milwaukee County government to

any job within Milwaukee County or another specified geographic area. At the request of the Audit Committee, Mr. Carroll contacted two vocational experts to discuss general workers' compensation standards. The vocational experts explained to Mr. Carroll their comparable standards include other employment available in Milwaukee and Waukesha counties. Therefore, proposed Rule 714(a) states the term "any job" means any job available within the geographical boundaries of Milwaukee County and Waukesha County. Salary was another issue discussed in relation to the "any job" standard. The Committee discussed whether some type of salary floor should be added to the "any job" standard. The Committee felt it was appropriate to use the term "final average salary" because that term is already defined in the Ordinances. As currently proposed, Rule 714(a) also states "any job" means the member can be expected to earn an annual wage equal to or greater than 85% of his final average salary as calculated pursuant to Ordinance section 201.24(2.8). Mr. Carroll explained the 85% figure was also derived from workers' compensation matters relative to loss of earnings capacity claims. Mr. Carroll explained the Board may consider the proposed "any job" Rule 714(a) as is, or make alternate proposals.

Mr. Carroll then discussed the "single accident" standard. A second issue that has arisen regarding accidental disability pension applications involves a requirement in Ordinance 201.24(4.3) that a single accident be responsible for a member's incapacity. Mr. Carroll discussed three proposed scenarios with the Audit Committee to establish certain criteria in Rule 714(b). The scenarios provided in proposed Rule 714(b) are designed to clarify when a member would not be eligible for an accidental disability pension because the "single accident" requirement was not met. Rule 714(b) is also intended to simplify future potential appeals and potential litigation relative to future accidental disability appeal denials.

Ms. Funck then questioned the need to clarify the current disability standards and asked who requested the proposed Rule changes. Mses. Westphal and Ninneman stated that after ERS contracted with Managed Medical Review Organization, Inc. ("MMRO") to provide medical review board services and disability claims management services to ERS, MMRO analyzed ERS's disability rules and processes. MMRO is an independent review organization that contracts exclusively with public retirement system clients. MMRO reported that ERS's current disability processes and Rules are loosely defined and recommended ERS follow certain best practices. Ms. Westphal also noted the Audit Committee has been discussing possible changes to ERS's disability process over the course of many Committee meetings.

Mr. Carroll also explained to Ms. Funck that the main purpose for reviewing the "single accident" standard is to clarify the Ordinance language through the proposed Rule as it relates to disability appeals. The specific Ordinance language pertaining to the "single accident" standard reads "the natural and proximate result of an accident occurring at some definite time and place while in the actual performance of duty." Mr. Carroll stated it would be helpful for legal professionals involved in appeals litigation to have additional clarification of the "single accident" standard.

Mr. Leonard expressed full agreement with the current proposed language in Rule 714(b). Mr. Leonard suggested the proposed language in Rule 714(a) could be revised to expand the geographical boundaries for the "any job" standard beyond Milwaukee and Waukesha counties to include Ozaukee and Washington counties.

In response to a question from Ms. Funck, Mr. Carroll stated the "any job" standard currently proposed in Rule 714(a) is no longer limited to Milwaukee County government jobs and would include private sector jobs. Mr. Carroll stated the proposed Rule language reflects the general consensus resulting from discussions at the last Audit Committee meeting but noted the Board could propose alternative options.

Ms. Funck expressed concern with the proposed language in Rule 714(a). Ms. Funck explained that as an accountant with only government sector work experience, it would be virtually impossible for her to find a comparable position in the private sector.

In response to comments from Mses. Braun and Ninneman, Ms. Funck clarified her concerns by stating that government accounting standards and practices differ greatly from those in the private sector. Ms. Funck stated she believes she would have to accept an entry level position if seeking employment in the private sector.

Ms. Lausier questioned Ms. Funck's assertion, noting that she was employed in the private sector as a Certified Public Accountant before accepting the County Fiscal Officer position. Ms. Lausier stated that based on her personal experience, she believes accounting practices in the public and private sectors do not differ greatly.

However, Mses. Lausier, Westphal and Mr. Leonard expressed agreement in part with Ms. Funck's concerns, noting there might be problems from the standpoint of employer perception. The group agreed that private employers could perceive applicants with only governmental experience as less qualified than applicants with private sector experience.

Mr. Byrne and the Chairman questioned what methods and standards would be used to determine whether an available job would meet the "any job" standard. Ms. Ninneman and Mr. Carroll explained that an individual's disability application will first be reviewed by an independent medical examiner to determine what physical job restrictions may apply. Once those restrictions are determined, Human Resources will perform a vocational review to determine what qualifying jobs may be available for that individual. The vocational review will also consider an individual's work experience, educational and training background. If the Board adopts the proposed Rule changes, there have been discussions of potentially having MMRO perform the vocational review function. However, Mr. Carroll noted that such change would come at an additional expense.

Ms. Funck then observed that Human Resources is not required to place the individual in a new job and must only confirm other qualifying jobs are available.

Mr. Byrne then questioned how the "single accident" standard proposed in Rule 714(b) would apply to an individual injured on the job resulting from the combination of a pre-existing condition and a job-related accident. Mr. Carroll explained that if an individual is employed by the County for 15 years, he or she may be eligible for an ordinary disability pension and the "single accident" standard would not apply. Alternatively, the individual may qualify to receive workers' compensation or benefits from disability insurance purchased on their own. Mr. Carroll observed the changes under consideration are ERS policy changes that could potentially reduce the number of individuals eligible for an accidental disability pension. With the current policies in place and the limited County job pool, other jobs are generally not available for most individuals applying for an accidental disability. Mr. Carroll confirmed that if adopted by the Board today, Rule 714(a) and (b) would be effective June 15, 2016 and could not be applied retroactively.

Mses. Westphal and Braun observed that with the current policies in place, a newly-hired County employee could be injured on the second day of employment and be eligible to receive a lifetime disability pension from the County. Mses. Westphal and Braun observed that although this may be a policy change, certain changes are necessary to tighten ERS's current disability policies.

In response to a question from Ms. Funck, Mr. Carroll and Ms. Westphal stated that an Ordinance change would be necessary to add vesting restrictions for disability applicants. The Audit Committee has discussed the possibility of proposing a future Ordinance change to require that

individuals applying for a disability pension must first be vested. However, the Ordinance change must be approved by the County Board and the Pension Board can take more immediate action by adopting ERS Rule 714(a) and (b) to interpret the current Ordinance language.

Ms. Braun noted the Audit Committee expressed concern that ERS's current disability policy, combined with the County's shrinking employment pool, is serving as free long-term disability insurance for County employees. Most private sector employees must purchase individual long-term disability insurance to receive lifetime benefits from injuries sustained on, *e.g.*, the second day of employment.

In response to questions from Mr. Gedemer and Ms. Van Kampen, Mr. Carroll confirmed that accidental disability benefits are offset by any workers' compensation benefits. Tightening the current disability procedures could potentially result in increased litigation for lump sum workers' compensation settlements. However, in most circumstances, accidental disability is a longer-term benefit relative to workers' compensation. Mr. Carroll also agreed there is the potential for increased appeals to be filed on the basis that individuals could challenge the County's vocational analysis.

Ms. Ninneman observed there is an "own job" standard in addition to the "any job" standard and asked Mr. Carroll to explain how the two different standards are applied. Mr. Carroll explained the "own job" standard is a contractually negotiated standard which applies only to deputy sheriffs and would not be affected by the proposed Rule. The "any job" standard essentially applies to all other County employees. Mr. Carroll noted he did not have specific statistics, but agreed that disabling accidents are more likely to occur within groups with physically demanding jobs.

In response to a question from Mr. Byrne, Mr. Carroll agreed it would be reasonable to assert that if the proposed Rule were in effect ten years ago, it would likely have resulted in a reduced number of disability pensions. Ms. Ninneman added that over the last two years, RPS has experienced an increase in the number of accidental and ordinary disability pension applications.

In response to a follow-up question from Mr. Byrne regarding any plans RPS has to educate employees on the disability process, Ms. Ninneman stated RPS has been working more closely with the risk management department. Risk management has reported that its claims are down recently due to increased safety training. In addition, as accident reports are filed with the Worker's Compensation Department, the individual is triaged

by a nurse who contacts them immediately. Ms. Ninneman suggested these additional efforts, combined with the Rule changes, should result in decreased disability claims.

Mr. Gedemer and Ms. Braun expressed concern regarding employees who may experience multiple, minor work-related accidents that collectively may result in a disability. Mr. Carroll responded by stating he believes the current Ordinance language does not cover such situations. However, the language in proposed Rule 714(b) is consistent with how the Pension Board has historically approached such situations.

The Pension Board voted 9-1, with Ms. Funck opposed, to adopt Rule 714(a) and 714(b) effective as of June 15, 2016, attached to these minutes as Exhibit B. Motion by Ms. Westphal, seconded by Mr. Leonard.

Ms. Westphal concluded her report. The Audit Committee continued with a discussion of roles and responsibilities. The Committee discussed procedures to ensure the views of the Pension Board are properly represented and conveyed at County Board proceedings. Mr. Carroll suggested the Pension Board review each specific situation to determine whether a member of the Pension Board, counsel or RPS staff should attend certain proceedings to speak on behalf of the Pension Board. The Committee also discussed RPS staff representation at Pension Board meetings and updates to the Roles and Responsibilities document.

The Audit Committee concluded with Ms. Ninneman reporting there were no administrative corrections to discuss.

9. Statement of Economic Interest Required Filing

(a) Proposed Ordinance Amendment Language

Mr. Carroll discussed recent developments regarding the Statement of Economic Interest ("SEI") proposed Ordinance amendment. At its May 12, 2016 meeting, the Milwaukee County Board of Supervisors Judiciary, Safety and General Service Committee ("Judiciary Committee") considered the Pension Board's proposal to amend the Ordinances to require that Pension Board members file an SEI annually instead of quarterly. The proposal would establish an SEI filing requirement for the Pension Board that is equal to most other County SEI reporters. At its May 12 meeting, the Judiciary Committee voted 4-2 to approve the proposed Ordinance amendment. However, at the May 26, 2016 Milwaukee County Board of Supervisors ("County Board") meeting,

Supervisor Johnson reported that the Milwaukee County Ethics Board ("Ethics Board") expressed to him certain concerns regarding the proposal and, therefore, the matter was referred back to the Judiciary Committee.

Mr. Carroll reported that he and Ms. Braun attended the June 9, 2016 Judiciary Committee meeting. The Director of the Ethics Board, Rebecca Janz, was also in attendance at that meeting. At the meeting, the Judiciary Committee granted Mr. Carroll's request to lay over the matter for one cycle to allow the Pension Board time to reconsider the proposal at its June 15 meeting. Mr. Carroll reported that Ms. Janz provided no comments at the June 9 Judiciary Committee meeting following his request to lay over the matter. Mr. Carroll also reported that Ms. Janz was planning to attend today's Pension Board meeting but indicated this morning she could not attend due to illness. Mr. Carroll noted he discussed the matter with Ms. Janz subsequent to the June 9 Judiciary Committee meeting and Ms. Janz indicated the Ethics Board felt the proposed change from quarterly to annual filing was significant. Ms. Janz suggested to Mr. Carroll that a bi-annual SEI filing requirement may be a reasonable possible alternative for the Pension Board to consider. Ms. Janz also suggested an alternative possible option of annual SEI filing, with supplemental quarterly updates to the extent that any relevant information has changed. Mr. Carroll noted to the Pension Board these suggestions are not formal proposals from the Ethics Board.

Mr. Carroll then suggested three possible options to the Pension Board. The first option is that the Pension Board could maintain its original proposal to require annual SEI filing instead of quarterly SEI filing. Mr. Carroll advised the Board he would then attend the next Judiciary Committee meeting to report that the Pension Board wishes to maintain its original proposal. The proposed Ordinance amendment would go back to the County Board for review and the County Board could either approve or deny it. A second option is that the Pension Board could submit a revised Ordinance proposal to require bi-annual SEI filing for Pension Board members instead of quarterly SEI filing. A third possible option is for the Pension Board to submit a revised Ordinance proposal to require annual SEI filing by Pension Board members, with supplemental quarterly updates to the extent that any relevant information has changed. Mr. Carroll explained that he is not advocating one proposal over another and the Pension Board may propose something entirely different if it desires.

In response to a question from Ms. Bedford, Mr. Carroll stated that to his knowledge, outside of certain other individuals affiliated with the Pension

Board, no other County entity is required to submit quarterly SEI reports. Mr. Carroll noted that he is required to file an SEI annually.

In response to a follow-up question from the Chairman, Mr. Carroll stated that other County SEI reporters currently filing annually are not required to file supplemental updates during the year.

Ms. Van Kampen observed that the possible option of annual SEI filing with quarterly updates would appear to be least burdensome while still capturing any necessary changes throughout the year. However, Ms. Van Kampen expressed concern that the Judiciary Committee may reject such a proposal. Ms. Van Kampen then questioned whether the Pension Board may submit a new proposal if the first option is rejected.

Mr. Leonard remarked that the Pension Board is the only entity within Milwaukee County government required to file quarterly SEI reports. Mr. Leonard noted the quarterly filing requirement is very onerous and suggested the Pension Board maintain its original proposal of an annual SEI filing requirement.

In response to a question from Ms. Funck, Mr. Carroll explained that the County Board sent the matter to the Judiciary Committee for further review and the County Board has not yet rejected the Pension Board's original proposal. At the May 12 Judiciary Committee meeting, two members disagreed with the proposal and Supervisor West spoke at some length regarding her concerns. Ms. West noted that she was a member of the County Board when the quarterly SEI filing requirement was adopted as a result of prior transgressions from former Pension Board members.

Ms. Braun observed the only reason Mr. Carroll requested the matter be laid over for one month was to allow the Pension Board to respond to additional input. However, in addition to Ms. Janz not commenting on the Pension Board's proposal at the June 9 Judiciary Committee meeting, every Supervisor was also offered the opportunity to provide input and no remarks were offered. Ms. Braun suggested enough time has passed since the prior transgressions were made by former Pension Board members and recommended the Pension Board maintain its annual SEI filing requirement proposal.

In response to a question from Ms. Funck, Mr. Carroll stated that if the annual SEI proposal were denied, nothing would prevent the Pension Board from submitting a different proposal.

Mr. Byrne and the Chairman also recommended the Pension Board maintain its annual SEI filing requirement proposal.

In response to a question from Ms. Westphal, Mr. Carroll confirmed he will attend the July 2016 County Board meeting and explain the Pension Board's preference. Mr. Carroll noted that any Pension Board member may also attend the July County Board meeting.

The Pension Board voted unanimously to maintain its recommendation made to the County Board on February 17, 2016 pursuant to the proposed Ordinance amendment that would delete the quarterly SEI reporting requirement for Pension Board members and place Pension Board members on the same annual SEI reporting schedule as other County SEI reporters. Motion by Mr. Byrne, seconded by Ms. Braun.

10. Actuarial Valuation Report

Larry Langer and Troy Jaros of Buck Consultants distributed booklets containing updated drafts of the January 1, 2016 actuarial valuation results for ERS and OBRA.

Mr. Langer first explained that the draft valuation results Buck presented to the Pension Board at its May 18, 2016 meeting were based upon a 7.5% assumed rate of investment return for purposes of the 2017 budget contribution amount. As a result of the Board's subsequent actions at its May 2016 meeting regarding changes to the Fund's assumed rate of return, Buck recast its 2016 valuation to reflect that the assumption rate will decrease to 7.75% as of January 1, 2018, and 7.5% as of January 1, 2020. This change will result in a decreased 2017 budget contribution amount. Mr. Langer reported that Buck is currently working through some accounting information with County staff and is very close to finalizing its January 1, 2016 valuation report and the funding request letter to the County Executive.

Mr. Jaros then summarized the updates to the draft valuation that have occurred since Buck's May 2016 presentation to the Board. As Mr. Langer explained, the 2016 valuation now includes the Board's recently approved revisions to the Fund's assumption rate. The original 7.5% assumption rate change effective for January 1, 2017 has been updated to reflect a 7.75% rate effective January 1, 2018, and a 7.5% rate effective January 1, 2020. Therefore, the 2017 budget contribution amount will be based on the Fund's current 8% assumption rate and will reduce the 2017 budget contribution amount from the previous estimate of $73 million to $65,461.000.

Mr. Harper noted there has been a shortfall in requested contributions for prior years and some of that amount is related to market return. Mr. Harper then questioned what the anticipated shortfall may be relative to the 2017 budget contribution amount.

Mr. Langer first explained to Mr. Harper that the change in unfunded liability reflected in the 2016 valuation report results from several sources. Generally, the actual contribution amounts made by Milwaukee County tend to be relatively close to the requested amounts. The County was short in its contributions for recent years in which the 2013/2014 COLA shortfalls and funding policy changes were reflected. Those amounts will be paid over a 20-year period based on the 8% rate of return and 1.75% increases in payments. Upon implementing the recent funding policy changes, Buck took all unfunded liabilities as of January 1, 2016 and amortized them over 20 years. Mr. Langer stated that small variances in contribution shortfalls over the short-term typically do not drive unfunded liability. Market returns are generally the largest driver of unfunded liability.

Mr. Harper then questioned where the main barrier lies in terms of improving ERS's funded status.

Mr. Langer responded by first explaining that ERS's current funding policy is designed to pay off any unfunded liability over the next 20 years, in addition to funding the current cost of benefits accruing. Mr. Langer noted that ERS maintains a very reasonable funding policy that follows best practices to fund a public sector pension plan. Paying off unfunded liability involves a careful balance of reacting quickly to changes in required funding while simultaneously maintaining stability in governmental budgets. If the Fund's annual returns do not meet the assumed rate of return, any resulting shortfall amounts should be paid off over a reasonable period because the impact to contribution amounts over a shorter term, such as one to five years, would be too dramatic. In the current market environment, where some professionals are predicting future annual returns in the area of 6%, no level of increased contributions could prevent unfunded liability from growing. The investment return is the largest driver of year-to-year results.

In response to a question from Mr. Byrne, Mr. Langer explained that to discount liability, the assumption rate is used to produce the actuarial present value of liability. Buck is currently making use of the 8% assumption rate to discount the liability. In 2018, the rate will be reduced to 7.75% and to 7.5% in 2020.

Mr. Jaros continued discussing the updates to the January 1, 2016 draft valuation. Changes are now also reflected in the five-year projection of

gross actual contributions. The most notable change is there will not be a large contribution increase in 2017 because the two-tiered change in assumption rate is now first effective in 2018. Primarily due to the staggered reduction in assumption rate, gross contributions are projected to increase by approximately $6.7 million from 2017 to 2018 and by $6.7 million from 2019 to 2020. Gross contributions are projected to increase slightly in all of the next five years due to the combined impact of reflecting less than assumed asset returns from the last three years and using payments to the unfunded actuarial accrued liability that are designed to increase at 1.75% annually. Similar changes will also occur with member contribution rates. Because member contribution rates for any year are determined from the previous year's valuation, member contribution rates are now projected to increase in 2019 and 2021 due to the 2018 and 2020 assumption rate changes.

Mr. Jaros concluded his discussion by noting the OBRA 2017/2016 budget contribution amount will decrease from $867,000 to $848,000.

In response to a question from Ms. Braun, Mr. Langer confirmed that at 34.4%, the January 1, 2016 funded status for OBRA is low. The total actuarial accrued liability for OBRA as of January 1, 2016 is $3.8 million. However, Mr. Langer noted the member population of OBRA differs greatly from the general member population of ERS. By definition of the Plan, participants in OBRA are part time. In addition, the OBRA Plan is very costly to administer and most of the liabilities in OBRA result from administrative expenses. The annual administrative expenses for OBRA are approximately $530,000. Furthermore, because of the transient nature of the group, many OBRA members are paid out shortly after termination. While it would be preferable to have the OBRA Plan 100% funded, the liabilities of the OBRA Plan are a small fraction of the larger ERS Fund.

Mr. Langer concluded his comments by stating Buck will finalize its January 1, 2016 valuation and make minor changes to projected contribution amounts in the draft contribution request letter to the County Executive. Mr. Langer remarked that it would be beneficial to provide advance notice to other stakeholders that contributions will increase in 2018 and 2020 due to the assumption changes. Mr. Langer also noted that it may be beneficial to perform additional analysis relative to the possibility that future projected annual returns may fall short of 6% and the resulting impact on ERS's funded status.

In response to a question from Ms. Braun regarding the nature of Buck's current discussions with County staff, Mr. Langer stated those discussions will not impact the information in the funding request letter to the County

Executive. Buck's discussions with County staff relate to the timing of the expense and the total pension liability. With the recent governmental accounting standards board ("GASB") disclosures, the County has certain options available for purposes of its accounting statements. This is the first year of implementation for the new GASB pronouncements and it is presenting some challenges in terms of where there needs to be a change in reporting of accounting specifics.

The Chairman called for additional questions and there were none.

11. Annual Report

Ms. Lausier presented a draft of ERS's 2015 Annual Report of the Pension Board ("Annual Report"). Ms. Lausier noted the Annual Report is essentially complete, with the exception of some possible changes from the County relative to the schedule of changes in net pension liability and related ratios on pages 22-23. Ms. Lausier explained that she is waiting for Buck to issue its final 2016 valuation report to ensure no additional changes are required. Ms. Lausier asked the Board members to review the Annual Report and called for comments or questions.

In response to a question from Ms. Braun regarding the incomplete sentence at the bottom of the chart on page 25, Ms. Lausier confirmed the sentence was inadvertently truncated. Later in the meeting, Ms. Lausier reported the full sentence should read "Information calculated utilizing GASB 67 prior to fiscal year 2014 is not available."

In response to a question from Ms. Bedford regarding the method for distributing the Annual Report to ERS employees, Ms. Lausier stated the Annual Report is made available to employees via ERS's website. However, employees may also contact RPS to request a hard copy of the Annual Report.

In response to follow-up questions from Mses. Westphal and Braun, Mses. Lausier and Ninneman stated no formal communication is sent to employees to indicate the Annual Report has been published to ERS's website.

Ms. Braun then moved that the Pension Board adjourn into closed session under the provisions of Wisconsin Statutes section 19.85(1)(f) with regard to item 12 for considering the financial, medical, social or personal histories of the listed persons which, if discussed in public, would be likely to have a substantial adverse effect upon the reputation of those persons, and may adjourn into closed session under the provisions of Wisconsin Statutes section 19.85(1)(g) with regard to items 12 through 16 for the purpose of the

Board receiving oral or written advice from legal counsel concerning strategy to be adopted with respect to pending or possible litigation. At the conclusion of the closed session, the Board may reconvene in open session to take whatever actions it may deem necessary concerning these matters.

The Pension Board agreed by roll call vote 10-0 to enter into closed session to discuss agenda items 12 through 16. Motion by Ms. Braun, seconded by Ms. Bedford.

12. Disability Retirement Applications

(a) Shelley Maglio

The Pension Board discussed the matter in closed session.

After returning to open session, the Pension Board unanimously approved granting Ms. Maglio's ordinary disability pension application based on the Medical Board's determination. Motion by Mr. Byrne, seconded by Ms. Funck.

(b) Michele Radke

The Pension Board discussed the matter in closed session.

After returning to open session, the Pension Board voted 9-1, with Ms. Funck opposed, to accept the Medical Board's recommendations to deny Ms. Radke's accidental and ordinary disability pension applications. Motion by Mr. Leonard, seconded by Ms. Bedford.

(c) Mark Ross

The Pension Board discussed the matter in closed session.

After returning to open session, the Pension Board unanimously approved granting Mr. Ross's ordinary disability pension application based on the Medical Board's determination. Motion by Mr. Leonard, seconded by Mr. Harper.

13. Appeals

(a) Andrew Wendt

The Pension Board discussed the matter in closed session.

After returning to open session, the Pension Board voted unanimously to lay over Mr. Wendt's appeal to a future Pension Board meeting. Motion by Ms. Van Kampen, seconded by Mr. Harper.

14. Pending Litigation

(a) *Tietjen v. ERS*

The Pension Board took no action on this item.

(b) *Trapp, et al v. Pension Board*

The Pension Board took no action on this item.

(c) *Mecouch v. ERS*

The Pension Board took no action on this item.

(d) *Walker v. ERS*

The Pension Board took no action on this item.

(e) *Baldwin v. ERS*

The Pension Board took no action on this item.

(f) *Milwaukee District Council 48 v. Milwaukee County*

The Pension Board took no action on this item.

15. Actuarial Valuation Error

The Pension Board took no action on this item.

16. Report on Compliance Review

(a) Approval of VCP Statement

The Pension Board discussed the matter in closed session.

After returning to open session, the Chairman requested a motion to approve the possible resolution regarding approval of the Voluntary Correction Program Compliance Statement.

In open session, the Pension Board voted unanimously, motion by Ms. Van Kampen, seconded by Ms. Bedford, to approve the adoption of the following resolution:

The Pension Board oversees the benefit payment process and administration of the Employees' Retirement System ("ERS") in accordance with the Milwaukee County Code of General Ordinances (the "Ordinances") and ERS Rules.

ERS has received a Compliance Statement in connection with ERS's Voluntary Correction Program ("VCP") filing with the Internal Revenue Service ("IRS"). One of the failures in the VCP filing relates to individuals allowed to purchase service credit even though the individuals were ineligible to make those purchases because they were not enrolled in ERS at the time of the purchase ("Failure 2"). Another failure relates to individuals whose purchases of service credit exceeded the limit imposed by Internal Revenue Code ("Code") section 415(c) ("Failure 3"). The IRS agreed to allow ERS to fully correct errors for members who completed Buy-Ins and had both Failure 2 and Failure 3 errors using the correction method for Failure 2. In accordance with the Compliance Statement and the direction provided by the IRS, the Pension Board directs ERS to correct these members' errors as provided above and update its records accordingly.

Other affected members had Code section 415(c) errors that were not corrected via the correction described above. In accordance with changes to the Ordinance amendments agreed to by the IRS, the Pension Board interprets the amendments to subsection 2 of Ordinance section 201.24(12.4) to be effective for limitation years beginning in 1987. All other subsections of Ordinance section 201.24(12.4) are effective January 1, 1998. If the Ordinance amendments are adopted by the County Board, the Pension Board directs ERS to correct these members' errors and update its records accordingly.

After giving effect to the interpretations described above, the Pension Board approves the Compliance Statement.

In open session, the Pension Board voted unanimously, motion by Mr. Harper, seconded by Mr. Leonard, to authorize the Chairman to execute the Compliance Statement on behalf of the Pension Board.

17. Reports of Director-Retirement Plan Services & Fiscal Officer

(a) Retirements Granted—March, April & May 2016

Ms. Ninneman first presented the Retirements Granted Report for March 2016. Twenty-four retirements from ERS were approved, with a total monthly payment amount of $39,250.61. Of those 24 ERS retirements, 19 were normal retirements, 4 were deferred and 1 was an accidental disability retirement. Ten members retired under the Rule of 75. Eleven retirees chose the maximum option. Ten retirees elected backDROPs in amounts totaling $663,713.96.

Ms. Ninneman next presented the Retirements Granted Report for April 2016. Twenty-seven retirements from ERS were approved, with a total monthly payment amount of $56,119.69. Of those 27 ERS retirements, 22 were normal retirements, 4 were deferred and 1 was an accidental disability retirement. Twenty members retired under the Rule of 75. Eight retirees chose the maximum option. Eighteen retirees elected backDROPs in amounts totaling $4,836,483.02.

Ms. Ninneman concluded with the Retirements Granted Report for May 2016. Twenty-four retirements from ERS were approved, with a total monthly payment amount of $44,260.67. Of those 24 ERS retirements, 18 were normal retirements and 6 were deferred retirements. Twelve members retired under the Rule of 75. Ten retirees chose the maximum option. Six retirees elected backDROPs in amounts totaling $645,923.30.

(b) Retirement Plan Services Update

Ms. Ninneman reported that Retirement Plan Services ("RPS") is now fully staffed for the first time in two years and RPS will be holding a "100% staffed" luncheon later this week. Ms. Ninneman observed that Ms. Bronikowski has made remarkable progress with RPS staff in cleaning up processes and backlogged projects. The newly-hired retirement analysts are being cross-trained as noted in the external auditor's comments to management. RPS is also re-documenting and re-emphasizing its peer review process to ensure that all retirements are calculated correctly.

(c) Administrative Corrections

Ms. Ninneman reported there were no administrative corrections to discuss.

(d) Fiscal Officer

Ms. Lausier presented the cash position and portfolio activity reports for March 2016 and April 2016. A $16 million withdrawal was taken from J.P. Morgan fixed income in March and a $35 million withdrawal was taken from Morgan Stanley Real Estate in April. In April, a total of $127 million was liquidated from Vontobel Asset Management. A total of $117 million was transferred from the liquidated Vontobel assets, to the Northern Trust International Index Fund, and the remaining $10 million was transferred to the Northern Trust Equity Cash Overlay. As Ms. Ninneman reported, a large amount was paid out in backDROPs in April 2016. Ms. Lausier indicated the May 2016 cash position report is not yet available, but noted the backDROP amounts for May were down to approximately $750,000. Payments of approximately $1.5 million are anticipated for June 2016 backDROPs, which would bring total backDROP payments for the first six months of 2016 to just under $12 million. There was one capital call in March from Adams Street Fund III for $1.75 million. A capital call for just under $1.5 million was received in April from Siguler Guff and additional capital calls in May totaled approximately $2.7 million. Capital calls are scheduled for June 2016 from Siguler Guff Fund III at approximately $4 million and Adams Street Fund III at approximately $3 million.

Ms. Lausier presented the 2016 first quarter check register and there were no questions.

Ms. Lausier presented the administrative and investment expenses budget-to-actual report for the first quarter of 2016, and the April 2016 revised reimbursement of county paid expenses report for 2015. There were no questions from the Board.

Ms. Lausier next discussed the 2015-2016 funds approved for disbursements report and noted an error on the report. There was $5 million from the end of the 2015 fourth quarter that was not rolled over to the 2016 first quarter. Of that $5 million, $3 million will be used for benefit payments in June 2016, which would leave a $2 million cash reserve. Ms. Lausier then requested a total of $53 million for 2016 third quarter funding.

The Pension Board unanimously approved the liquidation of assets to fund cash flow of $53 million for 2016 third quarter funding. The amounts should be withdrawn from investments designated by Marquette. Motion by Ms. Van Kampen, seconded by Mr. Gedemer.

Ms. Lausier concluded by reporting that she recently met with Mr. Caparelli from Marquette Associates to discuss estimated timelines for 2016 capital calls. Mr. Caparelli contacted several of the Fund's investment managers to obtain estimated timelines. This will allow Ms. Lausier to incorporate capital call estimates in future cash position reports.

In response to a question from the Chairman, Ms. Lausier stated she typically received 7 to 14 days advance notice for capital calls.

18. Administrative Matters

The Pension Board discussed additions and deletions to the Pension Board, Audit Committee and Investment Committee future topic lists. Ms. Van Kampen observed that the trading cost study was removed as a future topic under the Investment Committee. Ms. Van Kampen explained the Investment Committee recently learned the trading cost study was reviewed and revised several years ago and the Committee felt the study did not require further review at this time.

The Pension Board concluded with a discussion of upcoming conference attendance. The Chairman noted a request from Mses. Lausier and Kirsanoff to attend the Public Pension Financial Forum 13th Annual Conference in Charleston, South Carolina on October 23-26, 2016. The Chairman noted the conference fee is approximately $400, with an early registration fee of $325. The Chairman then asked Ms. Lausier to briefly describe the conference agenda.

Ms. Lausier explained the Public Pension Financial Forum conference is directed towards employees of U.S. public pension plans and provides valuable educational information and networking opportunities. Ms. Lausier explained that she attended the conference last year and established valuable connections with employees of other government pension funds similar in size to ERS. Ms. Lausier noted these contacts have been valuable resources throughout the year. The conference will also discuss upcoming changes to certain GASB pronouncements.

The Pension Board unanimously approved costs for Mses. Lausier and Kirsanoff to attend the October 23-26, 2016 Public Pension Financial Forum 13th Annual Conference in Charleston, South Carolina. Motion by Mr. Harper, seconded by Mr. Leonard.

At the conclusion of the meeting, Mses. Ninneman and Lausier reminded the Board members that the revised Pension Board meeting schedule is effective with the July 2016 Pension Board meeting. The Pension Board will next

meet on July 27, 2016. Thereafter, the Pension Board will continue to meet on the last Wednesday of the month. However, to accommodate for the Thanksgiving and Christmas holidays, the Pension Board will meet on November 16, 2016 and December 21, 2016.

19. Adjournment

The meeting adjourned at 2:06 p.m.

Submitted by Steven D. Huff,
Secretary of the Pension Board

EXHIBIT A

AMENDMENT TO THE
RULES OF THE PENSION BOARD OF
THE EMPLOYEES' RETIREMENT SYSTEM OF THE
COUNTY OF MILWAUKEE

RECITALS

1. Section 201.24(8.1) of the General Ordinances of Milwaukee County (the "Ordinances") provides that the Pension Board of the Employees' Retirement System of the County of Milwaukee (the "Pension Board") is responsible for the general administration and operation of the Employees' Retirement System of the County of Milwaukee ("ERS").

2. Ordinance section 201.24(8.6) allows the Pension Board to establish rules for the administration of ERS.

3. Rule 1054 describes the retention of members' contributions in their membership accounts. Rule 1054 also provides additional details related to a member's ability to withdraw contributions from his or her membership account.

4. The Pension Board desires to amend Rule 1054 to clarify that members may withdraw contribution amounts made during any period of service following termination of ERS covered employment.

RESOLUTIONS

Effective June 15, 2016, pursuant to Ordinance section 201.24(8.6), the Pension Board hereby amends Rule 1054 to read as follows:

1054. Retention of amounts held in the membership account.

Contributions that members make to ERS pursuant to Ordinance sections 201.24(3.11) and (3.3), and payments that members historically made to ERS pursuant to Ordinance section 201.24(11.1) and Rule 207, are held in the member's membership account. These amounts are retained in the membership account pursuant to the following conditions.

(1) *Accumulated contributions made pursuant to Ordinance section 201.24(3.11).*

(a) *Contributions remain while service remains*. All accumulated contributions associated with a member's service credit shall remain

in the member's membership account as long as the member retains the service credit.

(b) *Nonvested members*. The accumulated contributions associated with a nonvested member's service credit shall remain in the member's membership account until the member terminates ERS covered employment and timely requests a refund pursuant to Ordinance sections 201.24(3.11) and (3.5). Following a timely request, the member is entitled to a refund of all contributions he or she made during any period of ERS covered employment. Notwithstanding anything within section 201.24 of the General Ordinances of Milwaukee County or these rules to the contrary, pursuant to the Pension Board's interpretation of Ordinance section 201.24(2.11), the service credit of a nonvested member is forfeited if the member is absent from service for more than five (5) years in a period of ten (10) consecutive years (which includes any period of more than five (5) consecutive years) after last terminating service. At the same time that such service credit is forfeited, any accumulated contributions associated with that service credit shall be forfeited and the Retirement Office shall remove the accumulated contributions from the membership account.

(c) *Vested members*. The accumulated contributions associated with a vested member's service credit shall remain in the member's membership account until the member terminates ERS covered employment and timely requests a refund of such amounts pursuant to Ordinance sections 201.24(3.11) and (3.5). Following a timely request, the member is entitled to a refund of all contributions he or she made during any period of ERS covered employment. Additionally, upon the commencement of a benefit by the member or a beneficiary or survivor of the member pursuant to the Ordinances and Rules, the Retirement Office shall remove any accumulated contributions from the membership account because the member is no longer eligible to request a refund of such amounts.

(d) *Members excluded from requesting a refund*. Pursuant to Ordinance section 201.24(3.5), a member shall not be eligible to request a refund of accumulated contributions if the member or beneficiary of the member is eligible, at the time the request for a refund is made, for the present receipt of any monthly annuity benefit under sections 4.1, 4.5, 6.1, 6.2, 6.4, or 7.1, if the member is terminating employment covered by OBRA or excluded from ERS and OBRA

coverage or if the member's employment is terminated due to fault or delinquency under section 4.5.

(2) *Optional member contributions made pursuant to Ordinance section 201.24(3.3)*.

(a) *Contributions remain while service remains*. All optional member contributions made pursuant to Ordinance section 201.24(3.3) associated with a member's service credit shall remain in the member's membership account as long as the member retains the service credit.

(b) *Nonvested members*. The optional member contributions associated with a nonvested member's service credit shall remain in the member's membership account until the member requests a refund of his or her membership account pursuant to Ordinance section 201.24 (3.5). Notwithstanding anything within section 201.24 of the General Ordinances of Milwaukee County or these rules to the contrary, pursuant to Ordinance section 201.24(2.11), the service credit of a nonvested member is forfeited if the member is absent from service for more than five (5) years in a period of ten (10) consecutive years (which includes any period of more than five (5) consecutive years) after last becoming a member. At the same time such service credit is forfeited, the member shall be entitled to receive a refund of any optional member contributions associated with that service credit.

(c) *Vested members*. The optional member contributions associated with a vested member's service credit shall remain in the member's membership account until the member requests a refund of his or her membership account pursuant to Ordinance section 201.24(3.5) or upon the commencement of a benefit by the member or beneficiary or survivor of the member pursuant to the Ordinances and Rules. Upon the commencement of a benefit by the member or beneficiary or survivor of the member pursuant to the Ordinances and Rules, the Retirement Office shall remove any optional member contributions from the membership account because the member is not entitled to receive a refund of such amounts.

(3) *Amounts used to purchase service credit for purposes of a buy back or buy in pursuant to Ordinance section 201.24(11.1) or Rule 207*.

(a) *Incomplete buy back or buy in*. Amounts paid for incomplete purchases of service credit for purposes of a buy back under

Ordinance section 201.24(11.1) or buy in under Rule 207 shall remain in the member's membership account until the member terminates employment with the County for any reason. Upon termination of employment, the member shall receive a refund of any such amounts paid to purchase service credit if the payments do not otherwise violate the Ordinances and Rules.

(b) *Completed buy back or buy in*. Amounts paid for completed purchases of service credit for purposes of a buy back under Ordinance section 201.24(11.1) or a buy in under Rule 207 shall remain in the member's membership account until the member requests a refund of his or her membership account pursuant to Ordinance section 201.24(3.5) or upon the commencement of a benefit by the member or beneficiary or survivor of the member pursuant to the Ordinances and Rules. In the case of a refund of his or her membership account pursuant to Ordinance section 201.24 (3.5), the member shall receive a refund of any such amounts paid to purchase service credit if the payments do not otherwise violate the Ordinances and Rules. Upon the commencement of a benefit by the member or beneficiary or survivor of the member pursuant to the Ordinances and Rules, the Retirement Office shall remove any amounts paid to purchase service credit from the membership account because the member is no longer entitled to receive a refund of such amounts.

(c) *Nonvested members*. Pursuant to Ordinance section 201.24(2.11), the service credit of a nonvested member is forfeited if the member is absent from service for more than five (5) years in a period of ten (10) consecutive years (which includes any period of more than five (5) consecutive years) after last becoming a member. At the same time such service credit is forfeited, the member shall be entitled to receive a refund of any amounts paid to purchase service credit.

(d) *Alternative Refunds*. Notwithstanding the foregoing, refunds of payments made to purchase service credit for purposes of a buy back under Ordinance section 201.24(11.1) or a buy in under Rule 207 may be made outside the terms of this Rule 1054 when required by law and as directed by the Internal Revenue Service.

EXHIBIT B

Effective June 15, 2016, pursuant to Ordinance section 201.24(8.6), the Pension Board hereby adopts Rule 714 as follows:

714. "Any job" and specific service accident.

(a) As used in Ordinance section 201.24(4.3), the term "any job" means any job available within the geographical boundaries of Milwaukee County and Waukesha County for which the member can be expected to earn an annual wage equal to or greater than 85% of his final average salary as calculated pursuant to Ordinance section 201.24(2.8).

(b) No member shall be eligible for an accidental disability pension pursuant to Ordinance section 201.24(4.3) if any of the following applies:

a. If permanent incapacity results from the combination of a specific service accident and any pre-existing condition or conditions(s); or

b. If permanent incapacity results from a combination of multiple specific service accidents; or

c. if permanent incapacity results from an ongoing occupational injury or disease acquired from working over an extended period of time, rather than from a specific service accident.