

EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE
MINUTES OF THE APRIL 17, 2013 PENSION BOARD MEETING

1. Call to Order

Chairman Mickey Maier called the meeting to order at 8:30 a.m. in Conference Room 1 of the Italian Community Center, 631 East Chicago Street, Milwaukee, Wisconsin 53202.

2. Roll Call

Members Present

Laurie Braun
Dr. Brian Daugherty (Vice Chair)
Aimee Funck
D.A. Leonard
Mickey Maier (Chairman)
Patricia Van Kampen
Vera Westphal

Members Excused

Norb Gedemer
Dean Muller
Dr. Sarah Peck

Others Present

Marian Ninneman, CEBS, CRC, ERS Manager
Matthew Hanchek, Employee Benefits Administrator
Daniel Gopalan, Fiscal Officer
Marilyn Mayr, Prior Pension Board Member
Ray Caprio, Marquette Associates, Inc.
Brett Christenson, Marquette Associates, Inc.
Steven Huff, Reinhart Boerner Van Deuren s.c.

3. Minutes—March Pension Board Meeting

The Pension Board reviewed the minutes of the March 20, 2013 Pension Board meeting.

The Pension Board unanimously approved the minutes of the March 20, 2013 Pension Board meeting. Motion by Mr. Leonard, seconded by Dr. Daugherty.

4. Investment Committee Report

The Chairman reported on the April 1, 2013 Investment Committee meeting.

Marquette first presented an overview on returns for March. The markets continue to perform well, however, the final numbers were not yet available.

The Investment Committee next discussed securities lending. In a follow-up discussion to the presentation given by a representative from BNY Mellon during the March 2013 Pension Board meeting, the relevant issues were sorted out, simplified and further discussed. BNY Mellon is closing down the current securities lending pooled account ERS currently participates in. BNY Mellon would like ERS to move into a separately managed account. The Investment Committee discussed in further detail the range of potential guidelines for the new separately managed account.

Marquette presented a handout of sample holdings from BNY Mellon, which reflected how ERS's program would be structured under BNY's updated securities lending program. Marquette's recommendation is to continue the securities lending program through BNY Mellon and move ERS into a separately managed account, with customized guidelines and risk equivalent to a money market account. The Investment Committee concurred that this was a reasonable approach.

The Investment Committee then discussed recommended investment policy guideline changes. Marquette provided recommended language to update ERS's current investment policy. The recommended updates conform to present percentages in asset allocation approved at the March 2013 Pension Board meeting.

The Investment Committee concluded with a discussion on replacement investment manager requests for proposals ("RFPs"). The Committee discussed issuing RFPs for U.S. small cap equity, international equity and

international equity emerging markets. The searches in all categories will include both active management and passive index options.

RFPs were posted to the ERS website and published in *Pensions and Investments*. Marquette indicated there have been many responses to date. All responses are due by May 1, 2013. Marquette will review and summarize the information gathered on index funds and managers and provide high-level updates on proposals during closed session at the May 2013 Pension Board meeting. The Board will narrow the choices and condensed proposals will be discussed in further detail at the June 2013 Investment Committee meeting.

The Pension Board voted unanimously to approve continued participation in BNY Mellon's securities lending program through a separately managed account, with customized investment guidelines consistent with a money market fund. Motion by Ms. Funck, seconded by Ms. Braun.

The Pension Board voted unanimously to approve the updated investment policy guidelines as restated by Marquette, with updated investment allocation numbers. Motion by Dr. Daugherty, seconded by Mr. Leonard.

5. Audit Committee Report

Ms. Westphal reported on the April 10, 2013 Audit Committee meeting.

The Audit Committee first discussed the Baker Tilly audit. Wayne Morgan and Darlene Middleman from Baker Tilly provided an overview of the audit process and explained the new accounting pronouncements, which were introduced as new clarity standards. Baker Tilly also discussed the new pension standards under Governmental Accounting Standards Board ("GASB") Statement Nos. 67 and 68. Baker Tilly indicated they will work with ERS to implement these standards. Findings from the audit will be presented at the June 5, 2013 Audit Committee meeting.

The Audit Committee next discussed Pension Board Rule 1017, regarding compliance with domestic relations orders. Messrs. Grady and Huff provided background information on domestic relations orders and indicated the current Rule does not support honoring Income Withholding Support Orders from governmental agencies. The Audit Committee believes ERS has an obligation under state law to recognize such Support Orders and recommends adopting amended Pension Board Rule 1017 to remain in operational compliance.

The Pension Board unanimously approved amended Rule 1017, attached to these minutes as Exhibit A, to provide that a Support Order received from a support enforcement agency also qualifies as a domestic relations order, and to allow the Pension Board to delegate to the Retirement Office authority to perform various duties regarding domestic relations orders. Motion by Mr. Leonard, seconded by Ms. Funck.

The Audit Committee concluded the meeting with a discussion of Pension Board Rule 1049, regarding deferred retirements involving reciprocity agreements. Mr. Huff and Ms. Ninneman provided background on the current Rule. Because of various interpretations of intra-state reciprocity agreements between the County, City and State, deferred vested members applying for benefits from the County may have their benefits adversely affected by not meeting the 60-day distribution rules.

The amended Rule 1049 provides language that would allow ERS the flexibility to use a retirement effective date other than the first day of the month following attainment of a deferred member's Normal Retirement age to retain an eligible member's reciprocity benefits.

The Pension Board unanimously approved amended Rule 1049, attached to these minutes as Exhibit B, to allow the Retirement Office to commence a member's benefit within the 60-day period from other systems when the member has timely submitted an application for benefits, to allow for the retention of an eligible member's intra-state reciprocity benefits. Motion by Ms. Van Kampen, seconded by Dr. Daugherty.

6. Administrative Matters

The Chairman discussed upcoming conference and educational sessions.

The Chairman noted a request for approval of attendance by Mr. Grady at the 2013 Legal Education Conference, sponsored by the National Association of Public Pension Attorneys, to be held in Santa Fe, New Mexico on June 26-28, 2013. The Chairman noted that Mr. Grady has previously attended this conference which appears to be a good venue, providing beneficial training resources.

In response to a question from Mr. Leonard, Mr. Huff advised that he will also be attending the Conference.

The Pension Board unanimously approved the attendance of Mr. Grady at the 2013 NAPPA Legal Education Conference. Motion by Mr. Leonard, seconded by Ms. Funck.

The Chairman next asked if any other Board member received an invitation to the Adams Street Partners one-day annual client conference, to be held in Chicago in June 2013. The Chairman noted that he has attended this conference in the past and, therefore, received a direct invitation for attendance. The Chairman indicated that it is a notable conference, with discussions on the global investment marketplace and private equity. Because ERS is using Adams Street to manage, they will have presentations about companies in the ERS portfolio. Attendance to the conference is free, and Ms. Ninneman will distribute additional information to the Board members prior to the May 2013 Board meeting, where attendance approval will be requested.

In response to a question from Ms. Braun regarding attendance at the Training Institute, Ms. Ninneman advised that attendance by any Board member to any 2013 International Foundation of Employee Benefits Plans' conference was approved at a prior Board meeting.

The Chairman followed up by noting that the institutional investments and portfolio concepts courses held by the International Foundation are very good courses which line up well with ERS's investment philosophy and concepts. The Chairman would strongly recommend attendance by any interested Board member. Attendees may benefit by gaining common language, which would aid in decision-making by the Board.

In response to a question from Ms. Braun, Ms. Ninneman noted that, usually, two or three Board members have attended the International Foundation Annual Conference in past years.

The Chairman then asked the Board if there were any matters to discuss in closed session. The Board determined that a closed session was not necessary.

7. Pending Litigation

(a) *Stoker v. ERS*

The Pension Board took no action on this item.

(b) *AFSCME v. ERS*

The Pension Board took no action on this item.

(c) Tietjen v. ERS

The Pension Board took no action on this item.

(d) Brillowski & Trades v. ERS

The Pension Board took no action on this item.

(e) AFSCME v. ERS

The Pension Board took no action on this item.

(f) FNHP et al v. Milwaukee County and ERS

8. Report on Compliance Review

The Pension Board took no action on this item.

9. Adjournment

The meeting adjourned at 9:00 a.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. Ordinance section 201.24(11.7) generally provides for the non-alienation of pension benefits. The Pension Board previously codified an exception to the non-alienation rule in Rule 1017 for domestic relations orders ("DRO") satisfying the requirements of Rule 1017.
4. Periodically, ERS receives Income Withholding Support Orders ("Support Orders") from county child support enforcement agencies that may not qualify as DROs under Rule 1017.
5. The Pension Board believes that it is appropriate to comply with these Support Orders. These Support Orders are issued by county agencies to ensure support for children and former spouses and compliance with the Support Orders is consistent with the purpose of Rule 1017. To codify the ability to comply with the Support Orders, the Pension Board desires to amend Rule 1017 accordingly.
6. Additionally, subsection (2) of the Rule assigns the Pension Board a number of duties regarding DROs. The Pension Board has delegated to the Retirement Office the authority to perform these duties. The Pension Board desires to amend Rule 1017 to clarify this authority.

RESOLUTION

Effective April 17, 2013, pursuant to Ordinance section 201.24(8.6), the Pension Board hereby amends Rule 1017 to read as follows:

1017. Domestic relations orders.

Pursuant to section 201.24(11.7) of the Milwaukee County Code of General Ordinances, a member's pension benefit cannot be assigned, alienated, levied upon or subject to other legal process. However, the board will comply with a domestic relations order ("DRO") that directs the board to pay all or a portion of a member's pension benefit to a former spouse or child ("alternate payee"), provided the DRO satisfies the requirements outlined in subsection (1) below.

- (1) *Requirements for a valid DRO.* The DRO must satisfy the following requirements:
 - (a) *DRO must specify certain facts.* The DRO must clearly specify certain facts:
 - [i] the name, address and social security number of the member and the alternate payee;
 - [ii] the amount or percentage of the member's benefits to be paid by the system to the alternate payee;
 - [iii] the number of payments or period to which such DRO applies;
 - [iv] the name of the system to which the DRO applies; and
 - [v] the date as of which such DRO is effective.
 - (b) *No payment until member in pay status.* The DRO must be an income assignment order that directs the board to pay to the alternate payee a portion of a member's monthly pension benefit that is in pay status. The DRO may not require the board or the system to make payment to an alternate payee on behalf of a member prior to the date that the member is actually receiving pension benefits from the system.
 - (c) *Purpose of payments.* Payment under the DRO shall be made solely for the purpose of providing alimony, maintenance or child support to a former spouse and/or child. The DRO cannot require payment to persons other than a member's former spouse or child and cannot be made for the purpose of a property division pursuant to a divorce.
 - (d) *Income Withholding Support Orders.* Notwithstanding the foregoing, a valid income withholding support order issued by a support enforcement agency of a governmental agency qualifies as a

DRO for purposes of this Rule and shall be treated as satisfying subsection (1)(a) above. A support order received by ERS shall be reviewed to confirm that subsections (b) and (c) are satisfied.

(2) *Procedures upon receipt of a DRO.*

- (a) Upon receipt of a DRO, the board shall notify each person named in the DRO (at the address specified in the DRO) that a DRO has been received. The board may provide a copy of Rule 1017 to each party.
- (b) If the board determines that the DRO complies with the applicable requirements of this Rule 1017, the board shall notify the persons named in the DRO and/or any representatives designated in writing by such persons.
- (c) If the board determines that a DRO does not comply with the applicable requirements under Rule 1017, the board shall notify all parties that a determination has been made that the board cannot comply with the DRO. The notice shall describe the board's basis for determining that the DRO does not comply with Rule 1017.
- (d) The board hereby delegates to the Retirement Office the authority to perform the duties described in this subsection (2).

(3) **Payment procedure.** If a DRO satisfies the requirements of subsection (1) above, the board will make the payment to an alternate payee pursuant to the DRO by submitting a payment to the clerk of court having jurisdiction over the DRO or to the appropriate governmental child support collection agency.

EXHIBIT B

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. Wisconsin Statute section 40.30 (the "Statute") provides for intra-state reciprocity among retirement systems for certain Wisconsin public service employees. If a member meets the requirements, the member may elect to have his or her benefits calculated under the Statute. This election is codified in the Ordinances and Rules under Ordinance section 201.24(11.41).
4. One of the requirements of the Statute is that a member's benefit from ERS commence within 60 days of the member's benefit from all other systems.
5. Rule 1049 provides that for deferred vested members, a member's commencement of benefits ("Retirement Effective Date") occurs on the first day of the month following the member's eligibility, or if later, the first day of the month following the date the member has submitted all required paperwork.
6. Recently, the Retirement Office questioned how to handle a situation where a member's commencement date was postponed past the required 60 days solely due to the administrative procedures codified in Rule 1049.
7. The Pension Board desires to allow a member to have his or her benefits calculated under the Statute when the member has timely submitted his or her application, and the benefit commencement date is postponed solely due to administrative procedures. Accordingly, the Pension Board desires to amend Rule 1049 to allow the Retirement Office to commence a member's benefit within the 60-day period when the member timely submits his or her paperwork.

RESOLUTIONS

Effective April 17, 2013, pursuant to Ordinance section 201.24(8.6), the Pension

Board hereby amends Rule 1049 to read as follows:

1049. Retirement Effective Date

- (1) *Active Members.* For a member who retires directly from active service, Retirement Effective Date means the day after the day the member terminates County employment. An active member will elect a proposed Retirement Effective Date when the member completes a retirement application. This will be the member's Retirement Effective Date unless the member continues in County employment past the proposed Retirement Effective Date. If this occurs, the member's initial retirement application is void and the member must complete a new retirement application with a new proposed Retirement Effective Date.
- (2) *Emergency Retirement.* For members who retire pursuant to the emergency retirement procedures, the member's Retirement Effective Date will be the day after the day the member terminates County employment. An emergency retiree elects a proposed Retirement Effective Date as part of the emergency retirement procedures. This will be the member's Retirement Effective Date unless the member continues in County employment past the proposed Retirement Effective Date. If this occurs, the member's emergency retirement request is void and the member must complete a new retirement application with a new proposed Retirement Effective Date.
- (3) *Deferred Vested Members.*
 - (a) *Generally.* For deferred vested members who have submitted an application for retirement as required by Ordinance section 201.24(4.5), Retirement Effective Date means the later of:
 - (i) the first day of the month following the member's normal retirement date or, if authorized by the Pension Board, a date after the member has attained age 55; or
 - (ii) the first day of the month following the day all required paperwork is received by the Retirement Office.

A deferred vested member may elect a proposed Retirement Effective Date on the member's retirement application based on the above criteria. However, if the Retirement Office has not received all required paperwork by the proposed Retirement Effective Date, the member's Retirement Effective Date will be changed to the first

day of the month following the month that the Retirement Office receives all required paperwork.

Notwithstanding the foregoing, if a member has requested that his or her pension benefit be calculated pursuant to Ordinance section 201.24(11.41) and s. 40.30, Wis. Stats., then the Retirement Office may adjust the member's Retirement Effective Date as necessary to comply with the 60-day commencement requirement of s. 40.30, Wis. Stats. The member's Retirement Effective Date shall be the date specified by the Retirement Office in this circumstance. However, it remains the member's responsibility to submit the necessary paperwork in a timely manner sufficient to comply with s. 40.30, Wis. Stats. If a member fails to submit the necessary paperwork in a timeframe and manner that will allow the Retirement Office to complete processing within the 60-day period described in s. 40.30, Wis. Stats., then the member may lose his or her ability to have his or her pension benefit calculated under s. 40.30, Wis. Stats.

- (b) *Modification.* If, after filing an application for retirement under Ordinance section 201.24(4.5) but before ERS has commenced benefit payments to the member, a deferred vested member desires to modify the form of benefit or beneficiary designated on his or her retirement application, such member shall be permitted to make one (1) such modification within the requirements provided by this Rule. In order to be effective, a deferred vested member's amended application must be received by the Retirement Office prior to the last business day of the month before ERS commences benefit payments.

A deferred vested member who desires to modify his or her form of benefit or designated beneficiary under this Rule shall make such modification on the application form designated by the Retirement Office for receipt of a deferred vested pension. The amended application must be signed by the member and submitted to the Retirement Office to become effective.

A deferred vested member's Retirement Effective Date following a modification under this Rule shall be the later of:

- (i) the first day of the month following the date on which the deferred vested member's initial complete application for retirement was received by the Retirement Office; or

- (ii) the date following the day the required paperwork modifying the member's form of benefit or designated beneficiary is received and confirmed as complete by the Retirement Office.