EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE

MINUTES OF THE JANUARY 15, 2014 PENSION BOARD MEETING

1. Call to Order

   Chairman Mickey Maier called the meeting to order at 8:30 a.m. in the Green Room of the Marcus Center, 127 East State Street, Milwaukee, Wisconsin 53202.

2. Roll Call

Members Present	Members Excused
Laurie Braun	Norb Gedemer
Dr. Brian Daugherty (Vice Chair)	Marilyn Mayr
Aimee Funck	Dr. Sarah Peck
Dean Muller	
Patricia Van Kampen	
Vera Westphal	
Mickey Maier (Chairman)	

Others Present
Marian Ninneman, CEBS, CRC, ERS Manager
Mark Grady, Deputy Corporation Counsel
James Carroll, Principal Assistant Corporation Counsel
Daniel Gopalan, Fiscal Officer
Megan Golder, Morgan Stanley Real Estate Prime Property Fund, LLC
Wayne J. Wallace, UBS Realty Investors, LLC
Brett Christenson, Marquette Associates, Inc.
Steve Tareski, Milwaukee County Employee
Fatrena Hale, Milwaukee County Employee
Yvonne Mahoney, Retiree
Steven Huff, Reinhart Boerner Van Deuren s.c.
Steve Schultze, Reporter, *Milwaukee Journal Sentinel*

3. Minutes—November Pension Board Meetings

The Pension Board reviewed the minutes of the December 18, 2013 Pension Board meeting.

The Pension Board voted 6-0-1, with Mses. Funck, Van Kampen and Westphal, Messrs. Muller and Maier, and Dr. Daugherty approving, and Ms. Braun abstaining, to approve the minutes of the December 18, 2013 Pension Board meeting. Motion by Dr. Daugherty, seconded by Ms. Van Kampen.

Ms. Braun stated that she abstained from the vote because she did not attend the December Pension Board meeting.

4. Investments

(a) Morgan Stanley Real Estate

Megan Golder distributed a booklet containing information on the investment management services provided by Morgan Stanley Real Estate for ERS.

Ms. Golder first reviewed the Prime Property Fund's annual performance. The 2013 year was another strong year for core real estate. As of December 31, 2013, the Prime Property Fund produced an annual return of 17.5%. This figure is close to the Property Fund's three-year average of 16.1%, however, typically, real estate achieves returns closer to the 8% to 10% range and such high returns should not be expected to continue indefinitely. As of December 31, 2013, gross real estate assets were at $13 billion, net assets at $10 billion and consolidated leverage at 25.9%. The total number of assets held are currently at 309, with 202 investors and an incoming investment queue of $800 million.

In response to a question from the Chairman regarding any current deployment of capital, Ms. Golder stated that Morgan Stanley is doing development activity within their apartment pipeline and currently plans to fund approximately $200 to $300 million within that area during 2014. Morgan Stanley is also reviewing buyout opportunities with some partners of existing buildings in which they may already own a 50% portion. Such off-market transactions are alternative means to raising capital, as opposed to acquisitions through brokers with competitive bidding. However, the Prime Portfolio Fund's management team continues to review potential future acquisitions that would achieve high returns.

Ms. Golder continued by stating that the Prime Property Fund's trailing 12-month dividend is at 4.0%, and the return since the Prime Property Fund's inception in August 1973 is up to 8.8%. Over all measurement periods, the Prime Property Fund has exhibited strong outperformance compared to the NFI-ODCE Index benchmark.

In response to a question from the Chairman, Ms. Golder stated that the return figures she just quoted were gross returns. Since its inception, the Prime Property Fund's net of fees return is 7.7%.

In response to a question from Ms. Van Kampen, Ms. Golder stated that Morgan Stanley has specific strategies in place for each sector in the portfolio. For example, Morgan Stanley's strategy within the retail sector involves exclusive purchasing of retail suburban malls and high street retail, which both exhibit some of the strongest sales numbers in the country.

Ms. Golder next discussed the Prime Property Fund's management team. The portfolio managers include Scott Brown and Candice Todd, who have been dedicated to the fund for the past 11 and 12 years, respectively. A third manager, Bennett Weaver, was added as Head of Operations in 2013. Mr. Weaver also has approximately 12 years of experience with the Prime Property Fund. With the exception of the addition of Mr. Weaver, the team remains consistent to last year.

Ms. Golder concluded with a discussion of fees. Effective as of April 1, 2013, Morgan Stanley decreased the fund's general management fee from 90 to 84 basis points per annum of net asset value and also capped the incentive fee at 35 basis points per annum. After performing a review of market fees, Morgan Stanley decided to reduce fees to align more closely with the current market.

The Chairman then commented that due to the economies of scale, as the Prime Property Fund continues to increase in size, the reduction in fees is appropriate.

In response to a question from the Chairman regarding continued opportunities in the U.S. self-storage sector, Ms. Golder stated that in terms of appreciation and net operating income ("NOI") growth, self-storage has been the strongest performing sector in the Prime Property Fund over the last year. Morgan Stanley does have a distinct strategy in place with self-storage, concentrating on dense markets where self-storage is very important. Although at only 4.5%, it is a small part of the fund, it has been the best performing sector in the Prime Property Fund, with NOI growth around 19% year after year. Morgan Stanley does have a small amount of development projects underway within the self-storage sector, but also continues to add to this sector of the portfolio with existing properties as well.

In response to a question from Ms. Van Kampen, Ms. Golder stated that retail is one area in particular that Morgan Stanley would like to add to the portfolio, however, this has been an area in which it has been particularly difficult to find value. Although the transactions taking place within high street retail are smaller transactions, this is still one way Morgan Stanley continues to add value to this sector.

(b) UBS Realty Investors

Wayne Wallace distributed a booklet containing information on the investment management services provided by UBS Realty Investors for ERS. Mr. Wallace introduced himself as the Executive Director of Portfolio and Client Services.

Mr. Wallace first provided a brief overview of the firm. With the establishment of the UBS Trumbull Property Fund in 1978, the firm has over 35 years of experience in real estate management. UBS currently has just under $22 billion in assets under management for over 475 clients. The firm's headquarters are located in Hartford, Connecticut, with secondary offices in Dallas and San Francisco. The firm employees 182 people in the United States, with approximately 140 of those located in the Hartford office. UBS has 7 employees dedicated to U.S. research and 43 employees in its investment operations asset management group. The roots of the firm extend back to the Aetna Life Insurance Fund, which also originated in 1978. Many of the upper management team members originated with the Aetna Life Insurance group and the firm has been very stable, with relatively few changes over the years. UBS manages commercial real estate assets on a regional basis, with a particular focus on multi-family units.

Mr. Wallace then discussed the UBS Global Real Estate Fund. UBS is a very large real estate manager, but it also has one of the largest farmland asset allocations at just under $1 billion.

In response to a question from the Chairman, Mr. Wallace stated that all farmland assets are located within a sleeve that is separate from the ERS fund. The assets in ERS's UBS Trumbull Property Fund ("TPF Fund") includes no farmland.

Mr. Wallace next discussed the highlights of the TPF Fund as of September 30, 2013. The TPF Fund is a core, open-end, direct U.S. real estate fund. The TPF Fund has $15.5 billion in gross assets, with 179 investments and 397 investors. The TPF Fund's investment base is primarily U.S. corporate and governmental pension funds. The TPF Fund's leverage is typically in the low to mid tens, and as of September 30, 2013, is at 13.1%. The TPF Fund's annualized ten-year total return is at 7.89%.

Mr. Wallace continued with a discussion of the portfolio's distribution of assets. UBS's research team has developed a theoretical model of fund diversification, which attempts to mirror the universe of real estate in the 65 largest U.S. markets. This model is one of the reasons behind the TPF Fund's relatively high concentration of apartments, at 33%, compared to the NFI-ODCE Index of 25%. The TPF Fund has a higher concentration of assets in apartments than office space, and a higher concentration of assets in the Eastern U.S. than the West, when compared to the NFI-ODCE Index. UBS would like to increase its assets in the Western U.S. and continually reviews potential acquisitions within that region. The Fund's ten largest assets, which comprise approximately 28% of the portfolio, are primarily in the office and retail sectors. UBS recently acquired another retail center, which is located on Northern Michigan Avenue in Chicago, Illinois. Currently, UBS does not have a high concentration of regional malls in the portfolio. Regional malls are very desirable assets to own, however, they are also extremely difficult to acquire.

Mr. Wallace next reviewed the TPF Fund's positioning. As of September 30, 2013, the TPF Fund is 94% leased, which, again, is somewhat higher than the ODCE Index. Three percent of commercial leases expired during the fourth quarter of 2013. UBS prefers to maintain the TPF Fund's value-added exposure to within a range of 5% and 15%; currently, exposure is at 6.7%.

Mr. Wallace then discussed TPF Fund performance. Because the TPF Fund has significantly lower leverage relative to the ODCE Index, periods of extreme appreciation and depreciation have had a notable effect on Fund performance. During the recent economic downturn, the TPF Fund was the top performing fund across all time periods. Conversely, periods of significant depreciation over the last few years, have resulted in underperformance. As of September 30, 2013, the TPF Fund three-year performance is 11.69%, versus the NFI-ODCE Index of 14.27%. Over the last three years, approximately 74% of underperformance, in terms of absolute numbers, can be attributed to the lower leverage. UBS seeks to achieve at least a 5% real rate of return on the Fund, before management fees, over any given three to five-year period. This figure was easily achieved over the three-year period, but the five-year total return figure is lagging, primarily due to the negative performance during the economic downturn.

Mr. Wallace concluded with a discussion of the 2014 TPF Fund strategy. In 2013, UBS made 26 acquisitions, at approximately $1.4 billion. These acquisitions were primarily in apartments, industrial and retail space. Over the last several years, UBS has acquired a fair amount of office property and will be focusing more on retail, industrial and multi-family acquisitions during 2014. UBS remains very income-focused with its asset management, eliminating as much incident exposure as possible. UBS plans to continue to enhance the quality of the TPF Fund in 2014 through strategic dispositions.

In response to a question, Mr. Wallace stated that there has been a queue since the second quarter of 2010, which is currently at $1.8 billion.

In response to a question from Mr. Muller regarding the industrial component of the portfolio, Mr. Wallace stated that it is primarily comprised of distribution centers. From a real estate perspective, factories are not an area of the market UBS would like to acquire due to the high risk it would create in the portfolio. There is a current window of opportunity with industrial due to extremely limited supply. While it does not take a great deal of time or money to build industrial, it is challenging to get exposure in the TPF Fund because of the low value. A joint-venture approach with larger players is a good way to gain industrial exposure.

In response to a question from Mr. Muller regarding the difficultly in acquiring retail super malls, Mr. Wallace stated that retail malls comprise 50% of the retail market, 80% of which are owned by public Real Estate Investment Trusts ("REIT"s). While attractive investments, these retail malls are very difficult to develop and require a great deal of time, making the entire process extremely slow. The companies that hold these assets usually do extremely well, and, therefore, have no reason to sell, which also leads to the problem of market availability. Mr. Wallace added that just the act of holding a retail mall by itself is not the key to wealth. An attractive location with the right neighbors are also keys to success. There is a huge bifurcation in returns between a good and bad retail mall.

In response to a question from Ms. Van Kampen regarding the performance of the TPF Fund over various time periods, Mr. Wallace stated that much of the recent poor performance can be attributed to low leverage. However, it is difficult to judge private equity funds over the shorter time periods, especially given the recent economic recession and recovery. Longer time periods are required to more accurately assess performance. A review of ten-year performance shows the TPF Fund's return outperformed the NFI-ODCE Index 79% of the time.

(c) Marquette Associates Report

Brett Christenson distributed and discussed the December 2013 monthly report.

Mr. Christenson first discussed market values as of December 31, 2013. Not all of the portfolio managers have reported yet for the fourth quarter, including J.P. Morgan under infrastructure, American Reality under real estate and all of private equity, which equals approximately 8.5% of the portfolio. Total Fund assets as of December 31, 2013 are just under $1.85 billion. Fixed income is one area of under allocation, at approximately $25 million under policy target. However, this balances out with total cash equivalents. With the exception of private equity, currently at 2.4%, versus the policy target of 6.0%, all other asset classes are very much in line with policy targets. Increasing the Fund's private equity allocation will be a topic at upcoming Investment Committee meetings.

Mr. Christenson then discussed Fund performance. It was a very positive quarter in general and the preliminary year-to-date return on the Fund is currently at 15.1%, net of fees. Once the remaining 8.5% of the managers have reported, the year-to-date total Fund return is expected to be even slightly higher than 15.1%. The fixed income composite was down -1.4% year-to-date and despite that disappointing return, still outperformed the benchmark at -2.0%. Such poor returns were anticipated and were the reason behind reducing the Fund's fixed income asset allocation in the early half of 2013.

Mr. Christenson next reviewed Fund manager status. The U.S. equity portfolio was up 34.4% year-to-date net of fees, beating the Wilshire 5000 benchmark at 33.1%. Many of the managers under U.S. equity are currently outperforming, with the exception of Geneva Capital, at 31.4%, versus the benchmark of 35.7%. The new U.S. equity manager, Silvercrest, had a respectable third quarter return of 9%, versus the Russell 2000 Value Index of 9.3%. The international equity composite was up slightly at 16.0%, versus the benchmark of 15.8%. The two new managers under international, Vontobel and OFI Institutional, are both reporting in with one-month returns. Vontobel is at 1.0% versus the MSCI EAFE Index of 1.5% and OFI under emerging markets is up at 1.0% versus the benchmark of -1.4%. While the U.S. markets clearly outperformed international during

2013, Marquette hopes to see some improvement under international for 2014. Hedged equity had a combined composite of 19.1% year-to-date, versus the benchmark of 11.1%. ABS was one of the best performing managers under this asset class, up 20.6%, versus the benchmark of 11.1%. K2 also had a favorable year-to-date return of 17.6%, versus the benchmark of 11.1%. Because they are relatively new to the portfolio, Marquette will continue to closely monitor ABS and K2, but it is hoped that the relatively good returns under hedged equity will continue into 2014. The real estate composite was up 13.6% year-to-date, versus the benchmark of 9.7%. Under infrastructure, J.P. Morgan is not yet reporting. IFM had a good quarter and is up around 7% year-to-date, versus the benchmark of 5.6%. Once the final figures are in, Marquette does expect J.P. Morgan to have a similar favorable return for the fourth quarter.

In response to a question from Ms. Van Kampen regarding the international equity returns, Mr. Christenson stated that Marquette will review the numbers and reconcile performance once additional data is reported from the new managers.

The Chairman noted that Fund performance over the last five years has substantially exceeded the 8% actuarial rate of return, especially after issuance of the pension obligation bonds ("POB"s). Mr. Christenson agreed that issuance of the 2009 POBs has been very successful, perhaps the most successful he has ever seen.

In response to a question from the Chairman regarding the status of fund managers, Mr. Christenson stated that Marquette has no real concerns with any of the managers at this time. Although Silvercrest Asset Management was recently placed on alert for organizational issues due to a change in ownership, Marquette does not expect the change to negatively impact the firm. Artisan Partners did issue an IPO in early 2013, but they have continued to generate consistent alpha and Marquette is very pleased with their performance to date. Areas of potential concern are Fiduciary Management and Geneva Capital. Although Fiduciary Management is struggling a bit in the fourth quarter, they are up 35.3% year-to-date, net of fees, versus the benchmark of 34.5%. Geneva Capital has struggled a bit in 2013, posting a year-to-date return of 31.4%, net of fees, versus the benchmark of 35.7%. Marquette will continue to monitor the performances of both Fiduciary and Geneva closely throughout the year.

In response to a question from the Chairman regarding ideas to increase the Fund's private equity exposure, Mr. Christenson noted that Adams Street has a co-investment fund which has historically performed a little better, investing capital more quickly, than its diversified portfolio. Consequently, Marquette may look to lean on Adams Street's co-investment fund a bit more than its diversified portfolio. While Siguler Guff has recently exhibited favorable performance and quickly invested capital, they will likely not be raising any additional funds until 2015. Marquette does, however, recommend holding steady with Siguler Guff at this time.

Mr. Christenson concluded by noting that Marquette continually reviews the Fund's asset allocation for potential areas to tweak performance. However, there are no current ideas in place at this time to adjust any of the policy targets. Marquette's research team will be holding its annual webinar, which is both a review and preview of the market, and it is hoped that some additional ideas may arise out of that discussion.

In response to a question from Mr. Muller regarding the large number of U.S. equity managers exhibiting favorable performances in 2013, Mr. Christenson stated that there is a nice balance of value to growth within this asset class. Outperformance in a hot market does not necessarily indicate a manager would exhibit poor performance in a down market. Managers such as Artisan and Boston Partners have exhibited consistent positive performance in both up and down markets.

In response to a follow-up question from Mr. Muller, Mr. Christenson stated that he will generate a report for the Board that will illustrate the historical performances of the Fund's U.S. equity managers in both up and down markets.

5. Investment Committee Report

There was no Investment Committee Report because the January 6, 2014 meeting was cancelled.

Dr. Daugherty moved that the Pension Board adjourn into closed session under the provisions of Wisconsin Statutes section 19.85(1)(e) with regard to items 6 for considering the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session.

The Pension Board unanimously agreed by roll call vote 7-0 to enter into closed session to discuss agenda item 6. Motion by Dr. Daugherty, seconded by Ms. Braun.

6. Custodian Recommendation

The Board discussed the matter in closed session.

In open session, the Chairman stated that the Board reviewed a report from the Fund's investment consultant regarding the custodian contract. The custodian Request for Proposal ("RFP") was a routine search, performed to compare Bank of New York Mellon's ("BNY Mellon") proposed contract renewal fees with current market fees. After further review and discussions with Marquette, the Chairman requested a motion to approve entering into a renewed contract with BNY Mellon.

Ms. Braun noted that after reviewing other options from the four qualified candidates, the Board has been satisfied with the services of BNY Mellon. Because ERS was able to negotiate a lower fee than originally anticipated, renewing the BNY contract appears to be the best course of action, and will also avoid any additional transactional costs associated with a change.

Mr. Christenson added that ERS's custody fees were surprisingly lower when compared to other clients of similar size.

The Pension Board unanimously approved retaining Bank of New York Mellon as ERS's investment custodian. Motion by Ms. Van Kampen, seconded by Dr. Daugherty.

Dr. Daugherty moved that the Pension Board adjourn into closed session under the provisions of Wisconsin Statutes section 19.85(1)(f), with regard to items 7, 8 and 9 for considering the financial, medical, social, or personal histories of specific persons which, if discussed in public, would be likely to have a substantial adverse effect upon the reputation of any person referred to in such histories, and that the Pension Board adjourn into closed session under the provisions of Wisconsin Statutes section 19.85(1)(g), with regard to items 7 through 9 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 voted by roll call vote 7-0 to enter into closed session to discuss agenda items 7, 8 and 9. Motion by Dr. Daugherty, seconded by Ms. Braun.

7. Disability Matters

(a) Fatrena Hale

In response to a question from the Chairman, Ms. Hale stated that she would prefer to address the Board in closed session.

The Board discussed the matter in closed session. No formal action was taken by the Board in open session.

(b) Steve Tareski

In open session, the Chairman stated that the Medical Board reviewed the additional information Mr. Tareski submitted at the November 2013 Pension Board meeting. After taking the additional information into account, the Medical Board recommends granting approval of Mr. Tareski's application for an ordinary disability pension.

In response to a question from the Chairman, Mr. Tareski stated that he had nothing further to add to the record.

The Chairman then thanked Mr. Tareski for his appearances before the Board and for presenting the additional information, which helped ensure a complete record in regards to a final decision.

The Pension Board unanimously approved granting the ordinary disability pension application based on the Medical Board's determination. Motion by Dr. Daugherty, seconded by Ms. Westphal.

8. 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) *Weber v. ERS*

The Pension Board took no action on this item.

9. Report on Compliance Review

The Pension Board took no action on this item.

10. Reports of ERS Manager and Fiscal Officer

(a) Retirements Granted, December 2013

Ms. Ninneman presented the Retirements Granted Report for December 2013. Thirty-five retirements from ERS were approved, with a total monthly payment amount of $28,354. Of those 35 ERS retirements, 5 were normal retirements, 28 were deferred, 1 was an accidental disability retirement and 1 was an ordinary disability retirement. Three members retired under the Rule of 75. Sixteen retirees chose the maximum option, and 11 retirees chose Option 3. Seventeen of the retirees were District Council 48 members. Three retirees elected backDROPs in amounts totaling $757,562.

(b) ERS Monthly Activities Report, December 2013

Ms. Ninneman presented the Monthly Activities Report for December 2013. ERS and OBRA combined had 8,040 retirees, with a monthly payout of $13,094,752.

Ms. Ninneman noted that with a total year-end figure of 286 retirements, 2013 was the lowest number of retirements since 2009. The highest number of retirements occurred in 2011, with 517, and was mainly the result of some changes the County Board adopted affecting benefits for certain members.

Ms. Ninneman continued by stating that despite the lighter retirement activity, 2013 was a very busy year for ERS. Of the 462 employees that left County employment in 2013, 160 requested return of their mandatory employee contributions. ERS has also been very busy reaching out to members and responded to approximately 7,300 phone calls, and 4,300 e-mails throughout the year. A similar volume of communication activity is expected for 2014.

(c) Employee Election Notification

Ms. Ninneman discussed the employee election notification. The notification of the employee election should have been sent out in December 2013, but it was not. ERS is requesting Board approval to send the notification out on January 20, 2014 instead, which will delay the timeline for the employee election. Ms. Westphal's current term on the Board will expire February 28, 2014. ERS anticipates that with the Board's approval, the revised timeline would schedule the primary election for April 2, 2014, with the final election to be held at the end of April 2014, if needed. The revised timeline would have the new Board member scheduled to be in place effective May 1, 2014.

The Pension Board unanimously approved distribution of employee election notifications for any pending seats on January 20, 2014. Motion by Ms. Braun, seconded by Dr. Daugherty.

(d) Pension System Upgrade Approval Request

Ms. Ninneman discussed the Pension system software upgrade. Vitech visited ERS late last year to provide a demonstration and discuss the reasons to upgrade from the current version 8.5 to version 10 of the V3 software. ERS has almost completed its due diligence process and believes that an upgrade at this time is necessary because the underlying Oracle 10G database, the current version Vitech is running on, is no longer supported effective as of December 2013. ERS is requesting Board approval at this time to move ahead with the software system upgrade. Although ERS does have a preliminary budget number, ERS is still in negotiations with Vitech. In addition, ERS is also in the midst of a search for a project manager. The project manager will be essential for keeping the implementation process on track, which is currently estimated to take anywhere from 16 to 18 months and will involve the review of all ERS's business processes.

In response to a question from the Chairman regarding the 2014 fiscal impact, Ms. Ninneman stated that based on a recommendation from Mr. Grady, supported by the County Controller, the actual cost of the program was pulled from the Pension system operating budget and allocated through the County bond issuance program. ERS has the cost for the Joxel Group co-development team covered, but will incur costs with Vitech beginning with their work on the project. An exact number is not available at this time due to the ongoing negotiations with Vitech.

In response to a follow-up question from the Chairman, Ms. Ninneman stated that the current cost is approximately $1.8 million. However, that figure does not include a breakout of hours and cost allocation for individual Vitech team members. ERS is requesting a breakout estimate of individual team member services because they believe they can remove a significant portion of that cost. If the cost of the software upgrade does not go through the bond issuance program, ERS may have to delay the process until 2015, or come back to the Board to request approval of additional special project funds.

In response to a question from Dr. Daugherty, Ms. Ninneman stated that the project manager will be an external hire and will come in through the Joxel Group as part of the co-development team.

The Pension Board unanimously approved the Pension system software upgrade through Vitech System Group. Motion by Dr. Daugherty, seconded by Ms. Van Kampen.

(e) Fiscal Officer

Mr. Gopalan first discussed the December 2013 portfolio activity report. The Board recently approved rebalancing and the related transactions were completed in December. Thirty-two million was taken out of U.S. equities and $60 million was placed with fixed income. Additional funds were allocated to capital calls from Siguler Guff and Adams Street, at $600,000 and $667,000 respectively. The remaining amounts were used to pay benefits and expenses.

Mr. Gopalan next discussed the December 2013 cash flow report. For December 2013, benefits were funded through the MCM large cap stock index at $9 million and $7 million from Robeco. Prior approval for liquidation of hedge fund assets in the amounts of $7.5 million from K2 and $9.5 million from ABS are projected for receipt in January 2014.

Mr. Gopalan concluded with a discussion of the 2013 fourth quarter check register.

In response to a question from Mr. Muller regarding payments listed to the Joxel Group, LLC, Ms. Ninneman stated that these are payments to the contracting firm performing the co-development work related to the Vitech software system.

In response to a question from the Chairman regarding payments listed to WI SCFT, Mr. Gopalan stated those are payments related to child support.

In response to a question from Ms. Braun, Ms. Ninneman stated that a payment in December to Votenet Solutions Inc. is for the two-year vendor contract renewal for on-line election voting.

11. Audit Committee Report

Ms. Westphal reported on the January 8, 2014 Audit Committee meeting. The Audit Committee first discussed the custodial RFP recommendation in closed session.

The Audit Committee then continued its discussion of the applicable multiplier for military credit. Mr. Grady suggested the Audit Committee postpone any further action on the matter until the County's appeal of the recent Stoker matter is decided.

The Audit Committee next discussed the V3 system upgrade. Ms. Ninneman stated that extensive work throughout 2014 will be required to prepare for the actual software installation scheduled for 2015. The preliminary work will ensure a successful rollout. The Audit Committee agreed with the action plan and the request for Board approval of the upgrade at the January 2014 meeting.

The Audit Committee concluded with a discussion of a possible amendment to Rule 112 regarding final average salary. It was determined that no further action would be taken on the matter until a future Audit Committee meeting.

12. EGTRRA, HEART, PPA Ordinance Amendments

The Chairman stated that proposed amendments designed to comply with the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"), the Heroes Earnings Assistance and Relief Tax Act of 2008 ("HEART") and the Pension Protection Act of 2006 ("PPA") have been completed. These amendments comply with required changes under the Internal Revenue Code over the last ten years and will ensure the continuation of the Fund's tax-qualified status, which is of great benefit to Plan participants.

The Pension Board voted unanimously to approve the adoption of the following resolution:

The Pension Board requests that the County Board adopt the proposed Ordinance amendments to sections 201.24 (2.7), (2.10), (4.6), (4.7), (4.8), (12.1), (12.2), (12.3), (12.4), (12.6), (12.8), (13.3) and (13.4) of the Milwaukee County Code of General Ordinances amending the Employees' Retirement System of the County of Milwaukee ("ERS") to comply with the Internal Revenue Code, as amended by the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"), Heroes Earnings Assistance and Relief Tax Act of 2008 ("HEART") and the Pension Protection Act of 2006 ("PPA"). The Pension Board waives its 30 day comment period provided under section 201.24(8.17) of the Milwaukee County Code of General Ordinances. Because ERS already incorporated compliance with these federal laws into its operations, the ERS Manager estimates that adoption of the proposed Ordinance amendments would not result in additional administrative or programming cost to the System.

Motion by Mr. Muller, seconded by Ms. Braun.

13. Administrative Matters

The Pension Board discussed additions and deletions to the Pension Board, Audit Committee and Investment Committee topic lists. The Chairman noted that anyone with future topic suggestions should voice them now, or notify Ms. Ninneman at a later date if they wish to have any agenda items added or changed.

The Chairman then stated that the Board has traditionally sent finance officers to the Annual Conference of the Future of Government Finance. Mr. Gopalan has requested approval for attendance at the upcoming conference to be held in Minneapolis on May 18-21, 2014.

The Pension Board unanimously approved Mr. Gopalan's attendance at the Annual Conference of the Future of Government Finance. Motion by Dr. Daugherty, seconded by Mr. Muller.

In response to a question from Ms. Van Kampen regarding the topic of the Annual Meeting format, the Chairman stated that discussions on the matter have been held at prior Audit Committee meetings. A recent survey of active members was completed and additional issues regarding time of day and location are currently under review. The matter will continue to be a topic with the Audit Committee and, if no further consensus is reached, the Board will default to the Annual Meeting format followed last year.

Mr. Grady added that while many ideas have been suggested, there is no real consensus on the meeting format at this time.

The Chairman concluded by noting Mr. Muller's request for attendance at the upcoming New York Consultants Conference sponsored by IMCA to be held in New York on February 10-11, 2014.

In response to a question from the Chairman, Mr. Muller stated that relevant conference topics include an update on the fixed income market, an economic and market outlook, and a discussion from a Columbia University School of Business PhD graduate titled "The Great Fed Unwinding; Life After Ben Bernanke." The conference includes approximately 15 sessions, with only three sessions that appear to be geared more towards the individual investor.

The Pension Board unanimously approved Mr. Muller's attendance at the IMCA 2014 New York Consultants Conference. Motion by Ms. Braun, seconded by Ms. Van Kampen.

14. Adjournment

The meeting adjourned at 10:45 a.m.

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