EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE

MINUTES OF THE APRIL 16, 2014 ANNUAL PENSION BOARD MEETING

1. Call to Order

Matt Hanchek called the meeting to order at 9:30 a.m. in the Grand Ballroom of the Italian Community Center, 631 East Chicago Street, Milwaukee, Wisconsin 53202.

2. Roll Call

Members Present	Members Excused
Laurie Braun	Norb Gedemer
Aimee Funck	Dr. Brian Daugherty (Vice Chair)
Marilyn Mayr	Vera Westphal
Patricia Van Kampen	

Others Present:
Marian Ninneman, CEBS, CRC, ERS Manager
Peggy Kubricky, Assistant ERS Manager
Mark Grady, Deputy Corporation Counsel
Matthew Hanchek, Director of Benefits, Milwaukee County
Daniel Gopalan, ERS Fiscal Officer
Theresa Diaz, Assistant Fiscal Officer
Scott Manske, Milwaukee County Comptroller
Brett Christenson, Marquette Associates, Inc.
Larry Langer, Buck Consultants
Nicholas Bauer, Geneva Capital Management Ltd.
Steven Huff, Reinhart Boerner Van Deuren s.c.
Cliff VanBeek, Prior Pension Board Member
Milwaukee County Retirees and other attendees

3. Benefits Director Remarks

Mr. Hanchek introduced himself as the Director of Benefits for Milwaukee County, responsible for the administration of the County's health benefit and pension plans. Mr. Hanchek welcomed the retirees and other attendees and provided an overview of the meeting agenda.

Mr. Hanchek then introduced members of the ERS staff. Marian Ninneman has served as ERS Manager since July 2011. Prior to becoming ERS Manager, Ms. Ninneman served in leadership roles in both the general benefits and pension benefits areas of ERS's operations. Throughout her years of service, Ms. Ninneman has implemented a number of quality control initiatives and process improvements, resulting in enhanced services to ERS members. Peggy Kubricky serves as Assistant ERS Manager and provides assistance to Ms. Ninneman and other ERS staff in the oversight of day-to-day pension operations. Ms. Kubricky was promoted to the role of Assistant ERS Manager last year after serving as a Retirement Information Systems Specialist. Daniel Gopalan serves as ERS Fiscal Officer and is responsible for providing the financial oversight for ERS's financial transactions. Mr. Gopalan also plays a key role in facilitating ERS's quality assurance and auditing processes. Theresa Diaz is ERS's Assistant Fiscal Officer and works closely with Mr. Gopalan.

Mr. Hanchek continued with a discussion of ERS accomplishments for 2013. During 2013, the Retirement Office successfully processed approximately 300 retirements, administering over $158 million in pension benefits to ERS members. The complete retirement process involves an incredible amount of work, spanning the early phases of the counseling process through performing final pension calculations. While processing nearly 300 retirements, ERS staff also responded to over 12,000 inquiries from members via telephone and e-mail.

In addition to managing an already large workload, the Retirement Office was affected by the fire sustained at the County Courthouse building in July 2013. The fire caused a massive amount of damage and, as a result, closed the County Courthouse building for over a week. Despite the emergency closure of its offices, ERS was able to execute its disaster business continuity recovery plan and resume services to its members within three days of the fire. As a result of their dedication and hard work, the Retirement Office was one of the first County sectors to resume normal services after the Courthouse building fire.

Mr. Hanchek next discussed the co-development project. ERS utilizes the Vitech V3 system to facilitate ERS Fund operations and calculate pension payments. The V3 system requires periodic maintenance and programming updates. During 2011, ERS pioneered the co-development team to effectuate the programming maintenance process, which transfers some system enhancements from Vitech to in-house consultants at ERS.

The co-development project allows for upgrades to be completed more quickly and efficiently, and has saved ERS approximately $500,000 annually in operating costs.

Mr. Hanchek continued with a discussion of the Pension Board. ERS's Pension Board consists of both elected and appointed members. All Board members play a key role as stewards in directing the investment activity of the Fund's assets, as well as providing administrative guidance to ERS. Current Board members include Dr. Brian Daugherty as Vice Chair, Patricia Van Kampen, Laurie Braun, Aimee Funck, Norb Gedemer, Vera Westphal and Marilyn Mayr. The County Executive has also recently appointed Gregory Smith to serve on the Board, replacing Dr. Sarah Peck, subject to the County Board's confirmation. Mr. Smith is expected to begin his term on the Board beginning in May 2014.

In addition to the expiration of Dr. Peck's appointment, Mickey Maier recently completed his second appointment to the Board as Board Chairman. The services of both Mr. Maier and Dr. Peck have been invaluable to the Board. Mr. Dean Muller recently resigned from his seat on the Board, and Ms. Mayer has also just notified the Board that she will be stepping down from her position as elected retiree member. To fill the seat vacated by Ms. Mayr, a special election will be held in the near future. Information on the special retiree election will be forthcoming via the Retirement Office as soon as possible. The two remaining open Pension Board seats are via appointment and are currently in process with the County Board Chair.

The Pension Board, among its other responsibilities, plays a critical role as fiduciary over the assets of the Fund. During March 2013, the Board approved one significant change to the Fund's investment strategy with the termination of AQR due to steady underperformance. After an extensive search for a replacement manager, the AQR funds were transferred to Silvercrest Asset Management in July 2013.

Mr. Hanchek concluded by stating that despite the volatility in the market during 2013, the Fund achieved a 15.3% rate of return, net of fees, ending the year with just under $1.85 billion in total assets. The Pension Board continues to work with the Fund's investment managers, reviewing the portfolio monthly to ensure continued successful returns. As a result of the Board's outstanding stewardship, ERS remains extremely stable and one of the most well-funded public employer pension plans in the country. Mr. Hanchek expressed his sincere gratitude to all Board members for their invaluable service, professionalism and dedicated leadership. ERS staff, in conjunction with the Pension Board, is dedicated to providing a sound, stable and well-funded Pension Fund to its members for many years to come.

4. <u>Investing Overview - Geneva Capital</u>

Mr. Hanchek introduced Nicholas Bauer CFA, Principal and Director of Consultant Relations of Geneva Capital Management Ltd. Mr. Bauer has been with Geneva since

2010 and became Principal in 2012. Prior to joining Geneva, Mr. Bauer worked as a senior consultant for MBO Cleary Advisors.

Mr. Bauer first expressed his gratitude to the retirees in attendance, the Pension Board, ERS staff and the investment team at Marquette Associates for their continued support and confidence in Geneva.

Mr. Bauer then provided an overview of the firm. Geneva was founded in 1987 and is an employee-owned and operated mid cap growth asset management firm headquartered in downtown Milwaukee. As of March 31, 2014, Geneva has a total of $6.6 billion in assets under management. Of that $6.6 billion, $5.3 billion is in the mid cap growth strategy.

The firm was founded by Amy Croen and William Priebe, and both are still very active members in the firm from a portfolio management perspective. Prior to founding Geneva, both Ms. Croen and Mr. Priebe worked together at First Wisconsin Trust Company. After 27 years in business, Geneva still operates on the basic investment philosophy that Ms. Croen and Mr. Priebe developed while working together in the early 1980s. The core of Geneva's investment philosophy is centered on investing in high-quality companies in the middle of their business growth life cycle. These are companies that have progressed beyond the riskier small cap entrepreneurial phase, but have not yet surpassed the point of explosive growth opportunity. In addition to ERS, Geneva also manages public pension fund assets for the State of Kentucky Retirement System, the State of Ohio Employee Retirement System and the City of Philadelphia. Other local clients include Harley Davidson, Quad Graphics, Children's Hospital of Wisconsin and the Green Bay Packers.

The firm's investment management team is led by Ms. Croen, Mr. Priebe, Ms. Picard and Mr. Scott Priebe, who make the portfolio investment decisions. Geneva's four Managing Principals are supported by a diverse team of seven investment professionals. Geneva also supports an active internship program, sourcing talent from Marquette University's applied investment management program and the University of Wisconsin Madison's school of applied securities and analytics. Geneva will typically support two or three interns on an ongoing basis, which provides added value to the firm in respect to future team enhancements. Mr. Bauer noted that Geneva has a very strong company culture, with very low turnover across all areas of the firm. In addition to its low employee turnover, Geneva also has relatively low turnover in its portfolio. Geneva strives to purchase and hold companies in its portfolio for an average of four to six years. Turnover in the portfolio typically averages around 25% to 30% annually.

Mr. Bauer continued with a discussion of Geneva's investment philosophy. Geneva maintains a very consistent investment philosophy and does not deviate from that philosophy during difficult market cycles. Geneva strives to invest in high-quality companies with superior management teams. These companies also maintain low leverage while simultaneously exhibiting a consistent and sustainable record of growth.

Geneva believes that investing in such proven, high-quality companies leads to superior returns with below-average risk over the course of the market cycle. Geneva adheres to a three pronged model to drive performance in its portfolio. First, Geneva performs a qualitative assessment of all managers to which they allocate client capital. Geneva strives to identify companies that are leaders in their industry with a sustainable competitive advantage, experienced management teams and successful growth record. Geneva then performs a quantitative analysis of that company's business model, targeting healthy historical and projected revenue growth, strong financials and low leverage. Finally, Geneva applies a macro overlay, which is an economic and investment outlook, to help ensure that a particular company's long-term focus for sustainable and competitive growth aligns with Geneva's four- to six-year investment timeframe. As part of this process, Geneva produces a quarterly economic and investment outlook, which is used as a tool to shape the portfolio based on the current economic climate.

Mr. Bauer then reviewed the portfolio composition. The end result of Geneva's investment philosophy is a diversified mid cap growth portfolio comprised of approximately 50 to 60 stocks. The portfolio is diversified by both sector and industry, and generally maintains exposure to all sectors in the market, with the exception of utilities and telecommunications. In the consumer discretionary sector, Geneva holds Panera Bread, O'Reilly Automotive and J.M. Smucker Company. Minnesota-based Fastenal is a holding under the materials and processing sector. Fastenal was purchased in 1997 and has been one of the fastest growing companies in the portfolio. Geneva also has some holdings in the financial services sector, most notably, Fiserv, which was purchased in 1996. Intuit, the makers of Turbo Tax, has been a holding under the technology sector since 2000.

Mr. Bauer concluded with a discussion of the economic outlook. For 2014, Geneva is predicting a modest increase in the Real Gross Domestic Product of 2.8%, up from 2.5% in 2013. Inflation is expected to remain benign, increasing marginally from 1.5% in 2013 to a modest 2.2% growth rate. Corporate profits are expected to remain mediocre at best, largely due to cost cuts and share buybacks. Despite this, Geneva believes the consumer will fare better in 2014, with lower gas prices, modest energy prices and declining unemployment. The figures also bode well for annual housing starts, which are expected to increase to just under $1 million in 2014. Housing starts should continue to pick up marginally as the consumer continues to heal from the 2008-2009 recession. Interest rates are expected to rise marginally in 2014, which should set up an environment for modest growth and low inflation. All of these factors are positive indicators for the U.S. stock market.

Geneva firmly believes that there are forces currently underway which will spur a renaissance in U.S. manufacturing for smaller and mid-sized domestically-focused companies. Over the last 30 years, manufacturing in the U.S. has been stagnant or declining. However, because wages have been fairly stagnant in the U.S. for the last 30 years and wages in emerging and international markets have increased dramatically, the wage gap is narrowing, making it much more attractive to move production back to the U.S. In addition, there is now an abundant supply of energy in the U.S. that was not available 10 to 15 years ago in the form of shale oil and gas. These factors, combined with the most liquid capital markets in the world and a well-developed infrastructure for the transportation of manufactured goods, could set the stage for a decade long tailwind in the manufacturing sector and the U.S. economy. Another key component to the U.S. manufacturing renaissance lies in the current proliferation of innovative products in the technology sector. Technologies such as robotics, 3-D printing, the use of drones, tablets and smartphones, should all make manufacturing an exciting and lucrative sector over the next decade. The U.S. has survived the 2008 financial crisis and has moved past the recovery phase into an expansion phase. Over the next decade as the U.S. continues to recover and its long-term outlook improves, Geneva predicts that the U.S. markets should perform very well versus the emerging and international markets.

5. ERS Actuary Remarks—Buck Consultants

Mr. Hanchek introduced Larry Langer of Buck Consultants. Buck Consultants has served as the actuary for ERS since 2006.

Mr. Langer first provided an overview of the role of ERS's actuary. The ERS Pension Fund is actuarially prefunded, which means that the County makes its contributions to the Pension Fund on a member's behalf during the course of each member's career. It is these contributions, combined with investment earnings and member contributions, which are estimated to result in sufficient funds to pay benefits upon a member's retirement. It is the role of the actuary to determine the amount of annual County contribution which is necessary to ensure the availability of sufficient funds upon a member's retirement. The process used to determine the annual contribution amount is called the actuarial valuation.

Mr. Langer then discussed the actuarial valuation process. There are many unknown variables involved in the retirement process, which can present challenges when predicting what amount of County and member contributions should go into ERS annually. To estimate the amount of future retirement benefits, the actuary will collect relevant data from the Retirement Office which will help the actuary predict the length and type of benefits that will be paid. The pertinent data includes variables such as membership data, benefit provisions and Fund asset data. The actuary then analyzes the collected data and develops an actuarial projection model related to life span, retirement age and salary data. The actuarial model is then used to predict the amount of contributions needed now in order to pay future benefits. From these assumptions, the actuary will develop a funding target and work with ERS staff and the Pension Board to develop and approve a funding policy. The Board and actuary then present the annual contribution funding request to the County.

Mr. Langer next discussed ERS's prudent actuarial polices. Both the Board and ERS staff follow prudent actuarial polices to help ensure members' benefits are appropriately funded over time. The actuarial valuation reports are completed within five months of the data snapshot date. For example, data collected as of January 1 for any given year is generally presented and discussed at the May Board meeting. It takes this approximately five months for the actuary to sufficiently analyze the data and prepare the annual report. The Board and ERS staff work very hard to ensure that the necessary information is gathered and presented to the actuary in a timely manner. Once the projected funding amounts are determined by the actuary, Milwaukee County makes the recommended contributions adopted by the Board. This is a key point that should not be taken for granted, as not all public funds contribute based on the actuarial recommendations and will eventually result in a poorly-funded plan. Finally, the underlying assumptions to the valuations are reviewed every five years. It is sound policy to review the assumptions regularly, because if the assumptions are outdated, then the information generated will be deficient.

Mr. Langer concluded with a discussion of the County's contribution funding status. As noted, the County's contribution requirement is determined as part of the actuarial valuation report presented to the Board each year. The recommendation is then reviewed for approval and sent to the County Executive. The County is currently up-to-date on its contributions and, in fact, cumulative contributions over the past 15 years exceeded the Board's funding recommendations by $400 million. This is largely due to the delivery of $397 million in pension obligation bond ("POB") proceeds in 2009 which added a tremendous layer of security to the Fund.

There are currently sufficient assets in the Fund to pay all projected benefits for current retirees. ERS is currently funded better than the national average, largely due to the POB proceeds, as well as benefit and contribution reforms, including the implementation of mandatory member contributions. In addition, ERS is well-funded due to the hard work of its staff, Board and prudent actuarial practices, including the County's commitment to continually implement the requested annual funding.

6. Comptroller Remarks

Mr. Hanchek introduced Scott Manske, Milwaukee County Comptroller. Mr. Manske has served in this role since 1992, and in April of 2012, became Milwaukee County's first elected Comptroller. As elected Comptroller, Mr. Manske serves as the Chief Financial Officer for the County, maintaining accounting books and monitoring and reporting on the budget. Mr. Manske also provides critical guidance in the issuance of bonds and the development of County funding policy. Mr. Manske's efforts have largely helped to ensure that ERS is one of the most stable and adequately funded public pension funds in the country.

Mr. Manske discussed the financial status of Milwaukee County. The financial strength of ERS is closely tied to the financial strength of Milwaukee County, which funds the annual actuarial contribution requirement. The actuarial funding requirement can be broken down into two separate components. The first component is the normal cost, or the amount of pension benefits an active employee earns annually. The normal cost of the Pension Fund currently represents approximately $15 million annually. The second component is the prior service cost, which is amortized over a 30-year period, and also represents around $15 million annually. The current total annual cost of $30 million will likely increase over the next few years, due in part to certain changes being implemented by the Governmental Accounting Standards Board.

As of the end of 2012, Milwaukee County had a budget surplus of over $20 million, which sounds large, but when compared to the total annual operating budget, is actually not that much. However, of that $20 million, the County was able to set aside $10 million in its reserves for future deficits or other needs. The County is also projecting a surplus of over $12 million for 2013.

Recent statutory changes now require ERS employees to contribute approximately half of the amount of the normal cost, as well as a portion of the prior service costs, further reducing the total cost of the County's annual contribution. In total, ERS employees are now paying approximately 5% of their annual salaries, before overtime, towards the cost of the Fund.

Mr. Manske concluded by stating that his primary responsibility is to monitor and strengthen the Pension Fund, ensuring the availability of sufficient funding for future benefits. The County continues to work hard towards maintaining a strong financial plan through monitoring expenses, reducing its debt and, when feasible, reducing the amount of County contributions to provide ERS a financially stable Pension Fund both now and in the future.

7. ERS Fund 2013 Results, Asset Allocation Strategy and Update—Marquette Associates

Mr. Hanchek introduced Brett Christenson, Chief Operating Officer for Marquette Associates, Inc. Mr. Christenson joined Marquette Associates in 2000 and serves as an investment consultant, focusing on public fund clients.

Mr. Christenson first provided an overview of the firm. Marquette is an independent investment consulting firm based in Illinois. Marquette does not actually manage any money in the Fund, but acts as a consultant, advising the Board on ERS's investment related matters. Marquette meets monthly with both ERS's Investment Committee and the Pension Board to discuss investment related matters. In addition to monitoring investment manager data and providing monthly reporting, Marquette assists the Board in determining the best mix of stocks, bonds and other asset classes. Marquette's investment philosophy focuses on hiring the highest quality managers, maximizing returns with the least amount of risk, and reducing fees as much as possible. The goal is to meet or exceed the Fund's actuarial projected 8% rate of return, with the least amount of risk.

Mr. Christenson next discussed the summary of 2013 cash flows. At the beginning of 2013, the market value of the Fund was just under $1.75 billion. Net withdrawals, mostly representing benefit payments, totaled $152 million. From an investment perspective, the Fund had a very favorable return on investment earnings of approximately $257 million. After all fees were paid in 2013, the Fund exhibited a strong return of 15.3%, which is well above the Fund's 8% target rate of return.

Mr. Christenson then discussed the Fund's historical net returns. As a result of the 2008 financial crisis and the difficulties in the markets, the Fund was down approximately -22% in 2008. Since that period, the Fund has had a favorable five-year run in the market. After all fees were paid, the Fund earned double digit returns in four out of the last five years. With a return of 0.3%, 2011 was basically a flat year for the Fund. As of December 31, 2013, these figures translate to a five-year annualized return of 11.3%. This is again consistently over the Fund's target rate of return. The Fund's ten-year annualized rate of return, which includes the 2008 financial crisis, is 7.1% and is still relatively strong when compared to the Fund's peer group. The median public pension plan in the United States earned less than 7.1% over the last ten years, ranking ERS in the 17th percentile for performance. The Board has done an excellent job as stewards of the Fund's assets, producing consistent above-peer performance.

Mr. Christenson continued with a discussion of the Fund's market values as of December 31, 2013. Fixed income, which is the institutional term for bonds, represents approximately $381 million, or 20.6% of the assets in the Fund. Fixed income represents the most stable investment class in the portfolio. Combined U.S. and international equities, or stocks, represent approximately 45% of the portfolio. The Fund also has a target investment of 10% in long-short equity, which is intended to diversify the investment base and lower the risk in the portfolio. Long-short managers will aggressively hedge the portfolio and lose less money in a down market than U.S. or international equity portfolios. To add yield to the portfolio, the portfolio also has targets of 8.5% each in real estate and infrastructure. Both real estate and infrastructure are very stable investments that offer yields in the 5% to 8% range, which is much higher than the current yield on bonds, now below 3%. The final asset class in the portfolio is private equity, which is comprised of companies that are not publicly traded on a stock exchange. Private equity is an area that has performed extremely well for the Fund over time and the Board is currently focused on increasing the Fund's private equity allocation from 2.5% to the target rate of 6%.

Mr. Christenson next discussed the Fund's target asset allocation mix versus the median public pension plan. Overall, ERS has historically been more conservative, with lower volatility and risk than the median public pension plan, or peer group. On average, ERS has approximately 6% to 7% less in equities than its peer group. Equities are the most volatile asset class in the portfolio. Because Marquette and the Board are very conscious to maintain or exceed the Fund's target rate of return, stocks are conservatively positioned in the portfolio. As was witnessed in 2008, a difficult market cycle can have a very detrimental effect on equity returns.

Mr. Christenson then noted significant agenda items for 2013. During the early portion of 2013, the Board voted to reduce the Fund's fixed income target allocation from 29% to 22%. This was due to the extremely low-yield bond environment. As part of the bond reallocation, the Board slightly increased the targets to U.S. and international equities by 2% each, while also increasing the targets to real estate and infrastructure by 1.5% each. In March 2013, the Board voted to terminate AQR, the Fund's U.S. equity small cap manager, due to performance issues. AQR was subsequently replaced with Silvercrest Asset Management in July of 2013. Changes were also made under the international portfolio with the addition of two new managers, Vontobel and OFI.

Mr. Christenson next discussed the components of the 2013 return. The Fund earned a total return of 15.3% last year and performed well in all areas, with the exception of fixed income. The U.S. equity portion of the portfolio was up 34.4%, while international equities were up 16%. The long-short equity portfolio was also up 19.1%. Real estate was up 14.2%, and infrastructure was up 6.6%. While all the returns are not yet in for private equity, as of September 2013, private equity was up 4.2%, however, that figure is expected to rise closer to 6% once fully reported. Fixed income was the only portfolio with a negative return at -1.4%. While it is rare to have a negative return on a bond portfolio over the course of a 12-month period, as interest rates rose in 2013, it created pricing pressure on the bond portfolio, resulting in the negative return. However, in the rising market environment, it is hoped that yields on bonds will eventually return to a range between 5% and 7%.

Mr. Christenson concluded with an overview of ERS's investment managers. One way to reduce costs in the Fund is the use index funds with very low fees. The Fund's top two index managers are Mellon Capital under U.S. equity, and Northern Trust under international equity. Currently, approximately 16.5% of the portfolio is indexed to specific benchmarks at a very low cost to the ERS. All remaining managers are active managers, such as Geneva Capital, who utilize all of their available resources to outperform the benchmark. On a monthly basis, Marquette, the Board and ERS staff will review the individual manager returns versus their assigned benchmarks. If a particular manager begins to struggle with performance over time, decisions will be made as to whether or not they should be replaced. During 2013, Silvercrest, Vontobel and OFI all replaced managers with a history of underperformance.

8. Questions and Answers

Mr. Hanchek thanked the retirees and others in attendance for participating in the annual meeting and taking an interest in the performance of the Pension Fund. Mr. Hanchek then called for questions and answers from those assembled.

In response to a question regarding the proceeds the Fund received from the 2009 issuance of the POBs and any potential causal effect on the reduction or elimination of future County contributions, Mr. Hanchek stated that it always has been and will continue to be the policy of the County Board and County Executive to meet the actuarial funding obligations of the Pension Fund. Regardless of general public sentiment or popularity, the County makes the required yearly contribution because of its sound fiscal policy. The 2009 issuance of the POBs added a $400 million layer of stability to the Fund and had the effect of reducing the overall amount of yearly County contributions. Whether or not the positive effect of the POBs could eventually extend to the elimination of future County contributions is too difficult to predict at this time, as many different unknown variables are part of the funding equation, such as mortality rates and shifts in retirement population.

In response to a question regarding the possibility of the County revisiting ERS's buy-ins and buy-backs, Mr. Grady stated that the answer is currently pending, but no new buy-ins have been processed for the past seven years. In 2007, the Pension Board submitted a Voluntary Correction Program filing to the Internal Revenue Service to obtain clarification on the buy-ins, and ERS has stopped the buy-in practice going forward. Mr. Grady stated that he did not wish to get into legal theories at this time, however, the Pension Board continues to discuss the matter, and may be approaching the County Board in the near future to review potential options.

In response to a follow-up question regarding pension credit for furlough time, Mr. Grady and Ms. Ninneman stated that the Retirement Office has been taking furlough time into account as current members retire. For retirees, the process of recalculation is more complex and involves a labor intensive recalculation of an individual's pay history. ERS will correct the issue for all affected individuals, but has prioritized members currently retiring. With the total number of affected members, it would take one ERS staff member working 40 hours per week a full year to complete all the necessary calculations. Because there is simply not enough time for ERS staff to perform the labor intensive calculations in addition to their regular daily functions, ERS has hired additional temporary staff to work through the backlog of retirees in order to complete the process as soon as possible.

Retiree Ms. Yvonne Mahoney then expressed her gratitude to the Board for their continuing efforts in ensuring the favorable financial status of the Pension Fund.

In response to a question from Ms. Mahoney regarding the potential for any County office or official to divert ERS Pension funds for use as general County funds, Messrs. Hanchek and Grady stated that assets in the Pension Fund must legally be used only for the administration of the Pension Fund and payment of member benefits. Once funds become an asset in the Pension Fund, they must legally remain in the Fund. ERS is governed by a number of agencies, most notably the Internal Revenue Service. The $1.8 billion in assets in the Pension Fund legally belong to the Fund and the employees and retirees of Milwaukee County. Milwaukee County may not borrow against ERS's Funds for any reason as, for example, the Federal government may borrow against Social Security funds.

In response to a question regarding the on-line availability of a listing of ERS's current portfolio managers and their individual investments, Messrs. Grady and Christenson stated that ERS does not provide that level of manager detail on-line for the general public. This information is maintained by the custodian bank and is accessible on-line only to the Pension Board and ERS staff. While ERS could produce a list, it would be quite extensive, as each manager maintains thousands of subholdings and ERS owns virtually every U.S. and international stock in the market at some level.

In response to a follow-up question regarding the reduced workforce in Milwaukee County resulting in decreased member contributions to the Fund and the increased number of retirees currently collecting benefits, Mr. Grady stated that the County has taken certain measures to accommodate the changes in ERS's population and its effect on future contributions. For example, the County has moved to decrease pension benefits for new employees, which decreases the amount of required funding. These changes do not affect current retirees. Despite any changes to the workforce, the County is legally obligated to pay the annual actuarial funding required.

In response to a follow-up question regarding and the recent bankruptcy declaration by the City of Detroit, Mr. Grady stated that Milwaukee's City and County governments are both very fiscally conservative and, in his opinion, it is very unlikely that a bankruptcy would occur in Milwaukee.

In response to a question regarding retiree data posted on ERS's website in the monthly Retirements Granted Report, Mr. Grady and Ms. Ninneman stated that ERS did end the practice of posting birthdates on the report, and will investigate the legal possibilities of removing older report data from the website database.

A retiree of 22 years stated he did not have a question, but wished to express his pride in ERS, the Pension Board and the many talented investment managers who have helped make ERS one of the best public pension funds in the United States.

9. Adjournment

The meeting adjourned at 11:20 a.m.

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