EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE

MINUTES OF THE MARCH 20, 2013 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	
Dr. Brian Daugherty (Vice Chair)	
Aimee Funck	
Norb Gedemer	
D.A. Leonard	
Mickey Maier (Chairman)	
Dean Muller	
Dr. Sarah Peck	
Patricia Van Kampen	
Vera Westphal	

Others Present
Marian Ninneman, CEBS, CRC, ERS Manager
Mark Grady, Deputy Corporation Counsel
Daniel Gopalan, Fiscal Officer
Vivian Aikin, ERS
Patricia Smith BNY Mellon
Ray Caprio, Marquette Associates, Inc.
Steven Huff, Reinhart Boerner Van Deuren s.c.

3. Chairman's Report

The Chairman first welcomed Aimee Funck, representing the active employees, as the new employee-elected member of the Pension Board.

Ms. Funck stated she has served approximately 14 years with the clerk of courts and is currently working as an accountant in circuit court accounting. Ms. Funck described her various duties which currently include managing investments among various accounts, including collateralized investments, and overseeing newly hired employees. Previous work history includes employment in behavioral and mental health.

The Chairman then stated that while decisions take place at the Pension Board level, the Investment Committee and the Audit Committee review items on an interim basis and make recommendations to the Board. The Chairman invited Ms. Funck to participate in one or both committees.

The Chairman next asked that the Pension Board elect a new Vice Chairman according to the provisions in Rule 1041, to fill the position vacated by Mr. Sikorski after his term on the Board ended last month. The Chairman opened the floor for nominations. Ms. Van Kampen nominated Dr. Daugherty. Dr. Daugherty accepted the Board's nomination to serve as Vice Chairman.

The Chairman outlined the basic duties of the Vice Chairman, which include serving as the Chair of the Board meeting in the absence of the Chairman, and attending agenda setting meetings. The Chairman then noted that Pension Board members should notify him, Ms. Ninneman or the Vice Chair to have an item added to the meeting agenda.

The Pension Board unanimously elected Dr. Daugherty to serve as Vice Chairman of the Pension Board. Motion by Ms. Van Kampen.

4. Minutes—February Pension Board Meeting

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

The Pension Board voted 6-0-4, with Mses. Braun and Van Kampen, Messrs. Gedemer, Muller and Maier, and Dr. Daugherty approving, and Mses. Funck and Westphal, Mr. Leonard and Dr. Peck abstaining, to approve the minutes of the February 20, 2013 Pension Board meeting. Motion by Dr. Daugherty, seconded by Mr. Gedemer.

Mses. Funck and Westphal, Mr. Leonard and Dr. Peck all stated that they abstained from the vote because they did not attend the February Pension Board meeting.

5. Investments

(a) BNY Mellon

Patricia Smith of Bank of New York Mellon distributed a booklet containing an overview of BNY Mellon's securities lending program, which BNY now refers to as their securities finance program.

The Chairman then noted, for purposes of historical background, that ERS has been involved with BNY Mellon's securities finance program since 2000. During the somewhat recent financial downturn, some of the assets ERS held in the securities program failed, specifically SIGMA. This failure resulted in an impairment which ERS must now pay back to the BNY securities account. ERS has been working out of that deficit for the past several years. Recently, BNY notified ERS that they will be implementing changes to certain terms within their securities finance program. Today's discussion will focus around those proposed changes and the specific options available to ERS.

Ms. Smith then provided a general overview of ERS's involvement with BNY's securities finance program. ERS has certain securities that are invested in BNY Mellon which are available, through their securities finance program, for registered borrowers to then borrow for a short period of time. Once a security is borrowed, ERS remains the beneficial owner of that security, however, the security then becomes temporarily registered to the specific borrower. During this time, ERS will lose voting power over that security. In return for borrowing out the security, collateral is received in the form of cash or non-cash. Ms. Smith noted that prior to 2008, 90% of the collateral BNY received in exchange for securities was in the form of cash. Recently, however, there has been a movement away from cash collateral to non-cash collateral, in the form of government securities or letters of credit. When cash collateral is received, it is reinvested at a negotiated premium of 2% or 5%. Ms. Smith then stated that these cash-collateral reinvestment guidelines, and what changes ERS would be most comfortable with, are what she would like to further review today.

Ms. Smith next provided an overview of BNY's cash collateral asset management and reinvestment securities. Prior to 2008, because most of the collateral received was in the form of cash, customers were placed into specific pooled accounts based upon their tax status. ERS was placed into

BNY's non-taxable ERISA pool. However, with the enhanced movement towards non-cash collateral, these established pools are no longer growing and, consequently, many customers are moving out of pools into their own separately managed accounts. As a result, BNY is now in the process of dismantling the pools established prior to 2008. BNY is now requesting each customer make a decision to either move into a separately managed account with specifically designed guidelines, or into an overnight-only guideline pool. With the changeover still in process, BNY has been running the ERISA pool as an overnight-only guideline pool for the past year, until it is determined how each customer will finally move out. Basically, what ERS is earning now is what it would earn in the future should it decide to move into an overnight-only guideline pool. In 2009, when BNY did the bifurcation of their accounts, ERS chose to stay in the ASL ERISA overnight pool which is subject to BNY's core guidelines. These core guidelines are actually the same as the Rule 2(a)(7) money market guidelines. Under these conservative approach guidelines, the portfolio is laddered up to 13 months, 100% liquid and BNY Mellon believes provides excellent quality in the short-term.

In response to a question from the Chairman, Ms. Smith stated that SIGMA is, in fact, bankrupt, and cannot be expected to be paid in full at maturity.

Ms. Smith then discussed the current cash collateral allocation of ERS. Under the U.S. dollar reporting currency, ASL ERISA is where the cash collateral is being reinvested, and is subject to the overnight-only pool core 2(a)(7) guidelines.

In response to a question from Dr. Peck, Ms. Smith confirmed that the difference between the amounts invested in the ERISA liquidating trust and the market value, as referenced in a chart from BNY, are the result of the SIGMA loss. Ms. Smith then noted that while the original amount of the SIGMA loss was significant, at around $602,000, historically, ERS has earned a total of about $3.7 million through participation in the securities lending program.

Ms. Smith then noted a few basic statistics for ERS. Currently, ERS is at a level of $68 million for the ERISA pool account. This limit was put in place during the time when cash collateral was the primary form of collateral. With the relatively recent change in collateral to 40% cash and 60% non-cash, BNY believes that ERS is at the size and has sufficient holdings to move into a separately managed account. BNY requires a $50 million dollar minimum for separately managed accounts. Based on historical data from the last 12 years, ERS has had cash reinvestments fluctuate anywhere between $30 million to $150 million. Because of this, BNY believes that ERS has the capacity to maintain the $50 million dollar minimum for a separately managed account.

Ms. Smith explained that there are essentially two transactions occurring within the securities lending process. First, the security is lent out to the borrower in exchange for collateral, with a negotiated rate based on the value of the loan. Secondly, if cash collateral is received, that cash is then reinvested, earning an additional amount. Last year, ERS earned $202,000 in the securities lending program with total gross earnings around $300,000. ERS receives 70% of that amount and BNY the other 30%.

In response to a question from Mr. Leonard, Ms. Smith stated that in terms of real rate of return versus risk, BNY aims to be extremely conservative in its reinvestment guidelines. The main purpose for cash collateral reinvestment is to make incremental gains while preserving principal.

Ms. Smith then referenced a chart listing five different cash collateral reinvestment strategies ERS now has the option to choose from. ERS was previously under the term guidelines, at one to three years. Currently, ERS is under the core guidelines, at 13-month maximum maturity. Other options include ultra-short, at less than one year, and overnight-only or overnight government-only.

In response to a question regarding returns on each of the categories, Ms. Smith stated that due to the 20-basis points incremental spread on cash, it would be difficult to estimate in advance what the return on each of these different investment strategies would be. In the core investment strategy, with a 12- to 15-basis point spread, if ERS is making $200,000 a year, the estimate on return could yield around $100,000 in a year. Using that same $200,000 figure, the ultra-short investment strategy, at 5-basis points, could yield around $25,000 in a year. While the term investment strategy, at 20-basis points, would likely yield a higher figure, there would also be a larger amount out on loan due to the $68 million level.

In response to a question from Dr. Peck, Ms. Smith stated that under the core guidelines, approved investments would include: obligations of the U.S. Treasury, repurchase transactions, obligations issued by the central government of any OECD country, obligations issued by supranational organizations, commercial paper, notes, bonds and other debt obligations, certificates of deposit, time deposits and other bank obligations, asset-backed securities (including asset-backed commercial paper), money market funds registered with the SEC and units of unregistered collateral investment vehicles. These are all short-term, high credit quality securities.

In response to a follow-up question from Dr. Peck, Ms. Smith stated that under the concentration guidelines, the percentage of investments in each of these categories will not exceed 5% per issuer. Otherwise, whatever is most prudent in the marketplace, in order to have the most conservative reinvestment with the greatest gain. Additionally, the portfolio is also laddered to mitigate the risk.

In response to a follow-up question from Dr. Peck, Ms. Smith stated that many different risk metrics are used when constructing guidelines. Ms. Smith stated that BNY does daily reporting on the reinvestments and she can have a portfolio manager run the risk metrics which would show the holdings and credit quality each day.

The Chairman then noted that further discussion on this topic should move towards concentrating and clarifying what the current decisions are before the Board. As historical context for the newer Board members, the Chairman noted that after the SIGMA loss in 2009, it appeared that the returns on the securities invested were not worth the risk of staying in the program. Consequently, a decision was made to place a cap on the amount of securities lending at around $40 million. A decision was also made at that time to move from the index fund to a non-lending version of the index fund. ERS needs to maintain its exposure in the securities lending account until the SIGMA loss is paid off in full. The current amount of impairment left to pay off is down to about $180,000 from the original amount of approximately $600,000. BNY Mellon then advised that it will no longer be maintaining the current pool that ERS is in. A decision now needs to be made to either move to a different pool for a period of time, or change the guidelines and move into a separately managed account at a $50 million dollar minimum.

Ms. Smith followed up by clarifying two options: a separately managed account with expanded guidelines or move into the overnight fund. If ERS wants to stay in a pooled account, BNY will move ERS into the overnight fund and earnings will likely continue at the current level. However, because of its size and stature, BNY would suggest moving ERS into a separately managed account with a $50 million dollar cash minimum. This option would require the current cap to be removed, and it would also allow for greater growth.

In response to a question from Ms. Van Kampen, Ms. Smith estimated that should ERS opt to move into a separately managed account, the net earnings increase would likely be around $70,000.

In response to a follow-up question from Ms. Van Kampen, Ms. Smith stated the guidelines in place today are stricter than the ones in place back in 2008. The 2008 guidelines were term guidelines, which were risker, and there were no core guidelines, such as the more conservative ones in place today.

In response to a question from Mr. Caprio, Ms. Smith confirmed that clients suffered equally from the SIGMA impairment whether they were in a pooled account or separately managed account.

In response to a question from the Chairman, Ms. Smith confirmed that BNY is recommending ERS move into a separately managed account, loosen up the investment guidelines compared to the overnight pool, and take on a greater commitment to securities lending.

The Chairman then framed the main decisions before the Board. When the account was capped back in 2009, it was determined that ERS would eventually move away from securities lending, once the SIGMA impairment was paid off. The Board needs to now either maintain that original decision, or change direction by expanding further into securities lending by moving into a separately managed account.

In response to a question from the Chairman, Mr. Caprio stated that Marquette has reviewed the matter and does believe that maintaining exposure to securities lending would be beneficial to the Fund. During 2008 and 2009, the risk got out of control but, before that, it was a very good thing. As a result of the 2008 and 2009 issues, Marquette can now review the guidelines and make more informed decisions about where the risks are. The ability to customize the guidelines in a separately managed account would allow the Board to sit down and determine where the money is invested. Additionally, with a separately managed account, there is greater ability to control the quality of the investments and maturity. Marquette recommends going with the core guidelines in a separately managed account.

In response to a question, Mr. Caprio stated that the potential amount of money that can be invested is much greater than the $50 million required minimum. This would include any stocks or bonds under all the managers, which could go up to as much as $800 million. Most of Marquette's clients do not have a cap in place. As a result of the SIGMA impairment, ERS got conservative, which worked out well in the end. Marquette would recommend keeping the account at $50 million for now. Marquette also recommends working through the construction of more transparent guidelines. This could be achieved by taking the current BNY guidelines to the Investment Committee for further analysis and review. Marquette would recommend making the guidelines more conservative, perhaps something similar to what they would do with a one-year bond manager. This approach would allow Marquette to constantly monitor the program.

In response to a question from the Chairman, Ms. Smith stated that BNY's preferred deadline for a decision on the matter has already passed. BNY is requesting a decision be made as soon as possible; however, there is no set date that BNY would move ERS into the overnight-only pool.

The Chairman then recommended to the Board that the matter be taken up with the Investment Committee for further review and discussion of the guidelines.

Ms. Smith then noted again to the Board that the $50 million for the separately managed account must be cash. Currently, 60% of the portfolio is being lent at non-cash and in order to manage it effectively, $50 million must be in cash.

In response, the Chairman noted that it was understood the $50 million must be cash, and confirmed with Ms. Smith that the guidelines can then be customized. Mr. Caprio added that the separate account guidelines are a big differentiator which would allow ERS to remain in securities lending with greater risk control.

In response to a question from Mr. Leonard, Ms. Smith clarified that if there is going to be a cap placed on the program, the $50 million in cash is the amount on loan in cash. The Chairman then noted that adding together the cash and non-cash portions, the total program would be at least $100 million.

In response to a question from Dr. Peck, the Chairman advised that the matter will be picked up at the next Investment Committee meeting with the objective of looking at the guidelines, making further recommendations and reporting back to the Board in April. The Chairman then asked Ms. Smith if she could do further research regarding the current 70/30 fee split, to see if BNY might be inclined to increase that split. Ms. Smith confirmed that she will get the appropriate BNY custody personnel involved and follow up on the matter.

(b) Marquette Associates Report

Ray Caprio of Marquette Associates distributed and discussed the February 2013 monthly report.

Mr. Caprio first provided an overview of the economy and market environment. February was a good month for the capital markets. Fixed income was up 50 basis points and the credit markets were up 70 basis points.

Under fixed income, rebounds were seen across the board from the weak January results. Marquette expects to see fairly modest returns in fixed income going forward. The stock rally continues across the board, with all major indices posting positive returns. In mergers and acquisitions, 2013 is off to a busy start after a slow 2012. Mega deals involving Dell, Heinz, NBC Universal and Virgin Media are all good signs that the equity markets are healthy and continue to grow. For the month of February, large cap market indices outperformed small cap markets and value outperformed growth. While the markets went up quite a bit, Marquette believes that there is still room to grow under U.S. equity as the markets are still below long term fair value. The international markets were slightly down, with international stocks under pressure in February. Two main factors contributing to this were the Italian election, in which no one party claimed a decisive majority, and allegations of corruption in Spain. Despite these perceived negative events, which will elicit bumps in the market, the yields are fairly healthy and Marquette anticipates continued growth in this area. Although mostly positive, the hedge fund returns were slightly muted for February. Despite the poor performance in the international market, hedged equity managers had favorable results for February.

Mr. Caprio then discussed passive equity investment strategy. Over the last 10 to 15 years, passive investment has grown from a small slice in the marketplace, to representing almost 35% of the U.S. equity market in 2012. One large contributing factor to its increased popularity has been the failure of active management as a whole to generate consistent excess returns above their stated benchmarks. A review of median calendar year performance data over the last ten year period of actively managed large cap U.S. equity managers versus their respective benchmarks, illustrates that it has been difficult to consistently add value over their target benchmarks. A passive investment strategy would allow investors to more easily focus their efforts on identifying and monitoring those managers consistently performing above the benchmark, and therefore gaining a greater ability to add value over their target benchmarks. Up until around 2009, the active management strategy was primary, but this trend has reversed itself recently with a large migration to passively managed funds. Passive management appears now to be well established and here to stay. The lower fees of passively managed funds have also helped to make them a popular investment option. Within ERS, there are currently three primary underperforming their benchmarks. Marquette believes that some of these performance issues could be addressed with an increased movement towards passive investment. In the end, however, what drives performance is asset allocation.

In response to a question from Dr. Peck, Mr. Caprio confirmed that the process of replacing an investment manager takes a great deal of time. From issuing the RFP, reviewing the responses, interviewing candidates, and executing contracts, it could take six months before funding a new manager. Marquette's philosophy is that a little bit of both active and passive management is the key to a balanced and more efficient portfolio. Marquette would like to see ERS embrace the passive strategy a little bit more and begin replacing underperforming managers with passive investments.

Mr. Caprio next discussed Fund performance. At the end of February, the Fund was just shy of $1.76 billion. With the recent change in asset allocation from 29% to 22%, fixed income is slightly overweight. Equities are in line and both real estate and infrastructure underweight. Consequently, Marquette would recommend moving funding the underweight in real assets from either fixed income or equities, whichever is overweight, when the managers call the money.

In response to a question from the Chairman, Mr. Caprio confirmed that due to the recent change to the asset allocation, the investment policy statement will have to be revised and circulated to the Board. Marquette will work on revising the policy within the next few weeks.

Mr. Caprio then discussed cash flow. Benefit payments were taken from equities last month, and will be taken from fixed income this month. As done in the past, benefit payments will be drawn from overweighs relative to the policy targets. In addition, Siguler Guff made capital calls in February.

Mr. Caprio then discussed annualized performance. The year-to-date total fund composite is 2.6%. The Fund is about four years into the new Marquette portfolio, which has returned about 13.2%. This is a good sign, and exceeds the 8% actuarial rate of return. Both U.S. and international equity markets were slightly below the benchmark net of fees, which was mainly due to manager underperformance. These are areas Marquette would like to address moving forward, specifically, AQR, Barings large cap and Barings EM. AQR is currently on notice and is at a five-year investment policy mark, with significant underperformance under small cap value.

The Chairman asked whether there is support to terminate AQR, perform a search for a replacement under the small cap manager, and perform searches under both Barings large cap and Barings EM.

In response to a question from Mr. Leonard, Mr. Caprio stated that it typically takes close to six months to actually fund a new manager after seeking a replacement of an advisory level portfolio.

In response to a follow up question from Mr. Leonard, Mr. Caprio stated that while performing a search for a replacement manager under AQR, ERS could retain AQR until ERS is ready to fund a new manager. Alternatively, AQR could be terminated at any time, and utilize an index fund that replicates their benchmark, until the new manager is ready to be funded. Marquette would be comfortable with either option.

After further discussion between the Board members, it was determined to terminate AQR and fund with the small cap value ETF manager.

The Pension Board voted unanimously to approve an authorization to terminate AQR, fund with the small cap value ETF, and authorize Marquette to conduct a search for a replacement small cap value manager. Motion by Dr. Peck, seconded by Ms. Braun.

Mr. Caprio next discussed placing Barings international large cap on "alert" and conducting searches for both Barings international large cap and emerging markets

In response to a question from Mr. Leonard, Mr. Caprio stated that under Barings large cap, the funds could be moved into NTGI ACWI ex US index fund in the interim until a search is complete. However, Marquette does not recommend replacing the emerging markets with an index fund in the interim because of cost and tracking error.

The Pension Board voted unanimously to approve placing Barings large cap on alert, authorizing Marquette to conduct a search for a replacement under the international large cap manager, and authorizing Marquette to conduct a search for a replacement under the Barings emerging market. Motion by Mr. Leonard, seconded by Dr. Peck.

Mr. Caprio concluded with a discussion of funding of core assets. With the reallocation completed at last month's meeting, the target for real assets was moved from 14% to 17%, which amounts to about a $50 million increase.

Marquette is now recommending allocations of $25 million to J.P. Morgan and $25 million to Morgan Stanley.

In response to a question from the Chairman, Mr. Caprio confirmed that Marquette is recommending placing the money in the shortest queue, under the strongest performers, in order to put the money to work as quickly as possible. Additionally, Mr. Caprio noted that a memorandum summarizing their recommendations has been circulated to the Investment Committee and the Board in advance.

The Pension Board voted 9-0-1, with Mr. Muller abstaining, to fund core assets of $25 million to J.P. Morgan from fixed income accounts and to fund $25 million to Morgan Stanley from fixed income accounts. Motion by Ms. Van Kampen, seconded by Mr. Leonard.

In response to a question from Mr. Grady, the Chairman affirmed that it would be beneficial to have the cash overlay manager added as a future topics item, for a discussion of cash overlay for the time period since the POB funding has been fully invested, and the benefit services they provide as an investment manager to the Fund.

6. Investment Committee Report

Dr. Peck reported on the March 4, 2013 Investment Committee meeting.

Marquette first presented the high-level read on return for February.

Craig Campestre and Jake Elkins from Elkins/McSherry next presented an overview of their trade cost analysis tool. The Investment Committee will determine at a future meeting if the tool would be of value in managing Fund data.

The Investment Committee next discussed asset allocation. Marquette presented their recommendations for funding the increased target amount of $50 million to the real asset portfolio. Marquette's recommendation is to split the amount equally between real estate and infrastructure.

The Investment Committee concluded with a discussion on replacement investment manager RFP. A passive investment option shall be included when searching for new or replacement managers.

7. Reports of ERS Manager and Fiscal Officer

(a) Retirements Granted, February 2013

Ms. Ninneman presented the Retirements Granted Report for February 2013. Forty-six retirements from ERS were approved, with a total monthly payment amount of $80,639.35. Of those 46 ERS retirements, 31 were normal retirements, 1 was early, 7 were deferred and 7 were disability retirements. Twenty-four members retired under the Rule of 75. Additionally, 21 retirees chose the maximum option, and 10 retirees chose Option 3. Twenty-one of the retirees were District Council 48 members. Twenty-eight retirees elected backDROPs in amounts totaling $3,623,437.

(b) ERS Monthly Activities Report, February 2013

Ms. Ninneman presented the Monthly Activities Report for February 2013. ERS and OBRA combined had 8,006 retirees, with a monthly payout of $15,829,598.

Ms. Ninneman then stated that ERS had very little individual retirement activity, with only 9 scheduled appointments in the month of February, and the volume continues to be low. Despite the low volume, ERS is somewhat backlogged with filing and scanning. Disabilities may be taking additional time due to the new medical board process and recent management reorganization.

Ms. Ninneman noted that one area ERS is noting an increase, especially in the last month, is in the number of reciprocity forms they must review. This occurs when a new hire with the County indicates they have had previous employment with the City or State. ERS must then validate the prior service noted with these entities.

Ms. Ninneman indicated that legal issues continue as ERS continues to perform additional case reviews. This will likely continue on a monthly basis, as ERS finds new things that require research and investigation.

In response to a question from the Chairman, Ms. Ninneman stated that the formal internal audit performed last year is not anticipated to be an annual process. ERS is just following up on outstanding issues related to the audit performed during the conversion from the legacy system to the new pension system.

Ms. Ninneman next stated that ERS continues to have three open positions, including: Fiscal Officer Assistant, Administrative Specialist or Pension Counselor, and a clerical position. Despite receiving applicants for these positions, ERS is just not seeing the caliber of individuals necessary to fill these positions. In the meantime, current ERS staff has been able to assist and fill in any gaps resulting from the open positions. Ms. Ninneman then noted that ERS may have to expand their search for applicants beyond posting the open positions on the County website, perhaps by utilizing different Internet searches.

In response, Dr. Daugherty requested Ms. Ninneman forward the current open positions, so he may see if any of his students may be qualified applicants.

Ms. Ninneman concluded by discussing a notice that was sent for the recently adopted amendments to Rules 202 and 203, regarding the removal of seasonal employees from Optional Membership and prohibiting future elections into ERS, with the exception of the one-time final elections. The notifications were sent out on March 15 to current OBRA and ERS members. As the seasonal employees are hired, ERS will send out a notification letter and the form for the one-time opt-in.

In response to a question from the Chairman, Ms. Ninneman stated that in addition to notifying payroll clerks in a meeting last week, information regarding the change in seasonal employees is going out via e-mail to both Human Resources and payroll clerks this week.

(c) Pension Board Employee Election

Ms. Ninneman discussed the recently completed employee election. There were issues raised in last month's Board meeting regarding certain problems with Votenet experienced by some employees in the recently completed employee election. On the final day of the election, some employees who attempted to call in their votes were notified that the election was already over. Additionally, some employees who voted via the on-line voting system did not receive a confirmation. Ms. Ninneman explained to the Board that, on the final voting day, a final e-mail notice was sent to employees, which contained an incorrect phone number for Votenet. This number was actually the number used in the prior election, and a corrected e-mail was immediately sent out. However, some employees never looked at the second e-mail and, therefore, called the incorrect number. ERS staff performed a complete review of the matter and found no other issues with the software, structure or general process. ERS will continue to utilize Votenet for future elections.

In response to a question from Ms. Braun regarding the issues experienced with online confirmations, Ms. Ninneman stated that increased utilization of the system on the final day of the election, therefore, likely resulted in a delay to the confirmation process. While Votenet has already advised ERS the votes were counted, Ms. Ninneman stated that she will revisit the confirmation hang-up issue with Votenet to ensure quality review.

In response to a question regarding the forthcoming retiree election, Ms. Ninneman stated that notice of the retiree member election will go in the Communicator newsletter at the end of May. Nomination papers are due at the end of June.

(d) Fiscal Officer

Mr. Gopalan first discussed the February 2013 portfolio activity reports, noting that the February benefits were funded by withdrawals from equities. There was a $15 million transfer from Barings large cap, which was the January funding that did not settle until February 1. Additionally, there was a $2 million capital call from Siguler Guff. The benefit and administrative expenses in February totaled $18 million. Much of that amount was due to the fact that quite a few retirees elected backDROPs in the month of February, totaling $3.6 million.

Mr. Gopalan then discussed the ERS cash flow report. The schedule of payments from the County comptroller is going to be about $19.4 million, and is on schedule to be paid from March through the end of July or early August.

Mr. Gopalan next discussed the second quarter funding request. The funding required for the month of April should now only be $10 million. It was originally projected that Siguler Guff would call around $7 million, however, the actual figure was later reduced to only $2 million for the first quarter. The amount of funding requested for the month of May is $14 million and $12 million requested for the month of June.

In response to a question from the Chairman, Mr. Gopalan confirmed that the decrease in funding requested is due to Siguler Guff calling much less than originally projected. In addition, County contributions will be coming in through July.

The Pension Board unanimously approved the liquidation of assets to fund cash flow of $10 million for April 2013, $14 million for May 2013 and $12 million for June 2013. The amount should be withdrawn from investments designated by Marquette. Motion by Dr. Daugherty, seconded by Ms. Westphal.

Mr. Gopalan concluded with a discussion of County reimbursement for 2012 budget allocations. Mr. Gopalan explained to the members of the Board that, throughout the year, the County will pay some expenses on ERS's behalf, and this is representative of ERS's repayment of such expenses to the County. The 2012 total was $1,187,235.91.

The Pension Board unanimously approved reimbursing the County $1,187,235.91 for County paid administrative expenses in accordance with Ordinance section 201.24(8.8). Motion by Ms. Van Kampen, seconded by Dr. Daugherty.

8. Audit Committee Report

The Chairman noted that there was no Audit Committee report because the March 6, 2013 meeting was cancelled.

The Chairman then stated that the Audit Committee is looking for a new Chair. In response to the Chairman's request, Ms. Westphal agreed to serve as the new Chair for the Audit Committee.

9. Administrative Matters

The Chairman discussed the future topics list. In addition to the items currently listed, the Investment Committee should review the cash overlay investment manager.

In response, Mr. Grady suggested bringing the matter to the full Pension Board, not just the Investment Committee, as not everyone is familiar with that issue. The Chairman confirmed the matter shall be added as a future topic under the full Pension Board.

The Pension Board voted by roll call vote 9-0 to enter into closed session to discuss agenda items 10, 11 and 12. Motion by Dr. Daugherty, seconded by Mr. Leonard.

10. Internal Audit - D. Gebarski Benefit

Upon returning to open session, the Pension Board unanimously determined that the Pension Board, at the time of Mr. Gebarski's retirement, delegated its authority to review Mr. Gebarski's application to the Retirement Office in accordance with Rule 1013. Additionally, the Pension Board determined that Mr. Gebarski's Option 7 application was approved through the prior Pension Board's approval of the Retirements Granted report, at its meeting on October 17, 2001. Motion by Mr. Leonard, seconded by Mr. Gedemer.

11. 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.

12. Report on Compliance Review

The Pension Board took no action on this item.

13. Adjournment

The meeting adjourned at 10:45 a.m.

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