EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE
MINUTES OF THE SEPTEMBER 28, 2016 PENSION BOARD MEETING

1. Call to Order

   Vice Chair Laurie Braun, serving as Acting Chair, called the meeting to order at 8:30 a.m. at the Marcus Center for the Performing Arts, 929 North Water Street, Milwaukee, Wisconsin, 53202.

2. Roll Call

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

   Others Present

   Marian Ninneman, Director-Retirement Plan Services
   James Carroll, Assistant Corporation Counsel
   Vivian Aikin, Sr. Pension Analyst
   Tina Lausier, Fiscal Officer
   CJ Pahl, Budget and Management Coordinator, Office of the Comptroller
   Thomas C. Klugherz, UBS, Trumbull Property Fund
   William J. Supple, Boston Partners
   John Forelli, Boston Partners
   Brett Christenson, Marquette Associates, Inc.
   Christopher Caparelli, Marquette Associates, Inc.
   Steven Huff, Reinhart Boerner Van Deuren s.c.
   Sean E. Lees, MacGillis Wiemer, LLC
   Delores Hughes, Milwaukee County Employee
   Margaret Taylor-Cobbs, Milwaukee County Employee
   Ersol Henry, Retiree
   Scott Stiff, Retiree
   Willie Watkins, Milwaukee County Employee

3. Minutes—July 27, 2016 Pension Board Meeting

The Pension Board reviewed the minutes of the July 27, 2016 Pension Board meeting.

The Pension Board unanimously approved the minutes of the July 27, 2016 Pension Board meeting. Motion by Mr. Byrne, seconded by Mr. Leonard.

4. Investments

(a) UBS Real Estate

Thomas Klugherz of UBS distributed a booklet containing information on the real estate investment management services provided by UBS for ERS and introduced himself as an Executive Director at the firm's San Francisco office.

Mr. Klugherz began with a high-level overview of the firm. ERS has been invested in the UBS Trumbull Property Fund since January 2012. Assets in the firm and the Trumbull Property Fund continue to grow as many institutional funds continue to move into real estate investments following the financial crisis. The real estate investment team is based in Hartford, Connecticut and the firm has regional offices in California and Texas.

Mr. Klugherz continued with a discussion of the real estate market outlook. Statistics regarding the gross domestic product and the labor market suggest a modest recovery continues in the market. The overall correlation between commercial real estate and investment real estate is directly tied to employment. Although overall employment figures have declined from 2015, job growth remains relatively favorable in 2016. In 2015, investors purchased a record amount of real estate assets in the U.S. totaling approximately $470 billion in assets. By mid-2016, total purchases were running at approximately $100 billion per quarter. The general trend in 2016 suggests that flows are moderating from historic highs to more normal levels. Mr. Klugherz stated core funds are not designed or expected to generate returns in the 10% to 13% range. Performance of the NFI ODCE Index for the first two quarters of 2016 also suggests that returns are moderating to more normal levels in the high single digits. UBS believes the markets are generally in balance and all property types are still exhibiting positive growth while moderating from historic levels.

Mr. Klugherz next discussed ERS's investment results in the Trumbull Property Fund as of June 30, 2016. ERS made its initial investment in the

Trumbull Property Fund of $15 million in 2012 and an additional $20 million in 2016. With redemptions and distributions, the current market value of ERS's investment is just over $40 million. The net internal rate of return since inception is at 9.4%. On a rolling ten-year basis, total return in the Trumbull Property Fund outperformed the NFI ODCE 81% of the time, and income return in the fund outperformed the NFI ODCE 100% of the time.

In response to a question from Ms. Van Kampen regarding the benchmark for the Trumbull Property Fund, Mr. Klugherz stated the industry measures performance against the NFI ODCE. The NFI ODCE consists of 24 core open-end funds with a gross asset value of approximately $200 billion.

In response to a request from Ms. Braun, Mr. Klugherz summarized UBS's asset valuation and appraisal process. All assets are appraised each quarter through a third party valuation consultant, Altus. Altus does not perform the appraisals but will contract with the third party appraisers. Through Altus, UBS's asset management team will provide the factual data to the appraisers. The appraisers provide the preliminary values to Altus within 45 to 60 days into each quarter. Altus will then meet with UBS's asset managers to confirm the factual data and the appraisal is finalized over the quarter. UBS accepts all values as they are presented to determine the net asset value of the fund and share pricing. UBS was one of the first funds to utilize this third party process and most other real estate funds have since adopted a similar process.

Mr. Klugherz then discussed the investment team and philosophy. There have been some additions to the investment team since ERS's inception. Most recently, Timothy Walsh has joined the team as Assistant Portfolio Manager. Kevin Crean is the Senior Portfolio Manager. Steve Olstein is the Executive Director for asset management dispositions. Pam Thompson is the Executive Director for acquisitions and financing. Four additional members support the team from a cash management and analytic perspective.

The Trumbull Property Fund is a well-diversified, income-focused fund that employs a strategic use of low leverage. UBS is one of the lowest leveraged large core funds in the industry and many investors select UBS specifically because they want to avoid any style drift. Current leverage in the fund is approximately 15.5% and that will not change dramatically. The highest leverage in the fund was 19.6% during the financial crisis. UBS's rating with banks is strong because of its low leverage and it can secure favorable rates in the 3.5% to 4% range, with 7- to 10-year interest-only loans.

In response to questions from Mr. Byrne, Mr. Klugherz stated the average leverage in the ODCE universe is in the 20% range. There is a movement towards deleveraging and a number of funds are actively moving towards the 22% to 23% range. Given the size of the Trumbull Property Fund, its diversification and low-leverage, Mr. Klugherz suggested the fund could be viewed as a low-beta fund.

Ms. Braun noted the fund has outperformed since inception but slightly underperformed the benchmark three of the last four years. Ms. Braun then asked when ERS could expect short-term performance to improve in the fund.

Mr. Klugherz replied by stating UBS does not make projections but performs careful attribution analysis on the fund. The attribution analysis suggests several reasons for the fund's short-term underperformance. The fund was slightly over allocated to apartments in Washington D.C. which have historically performed well for the fund. However, the recession affected Washington D.C. more than anticipated and contributed to some of the underperformance in the fund. At the time of ERS's inception, the fund was regionally underweight to the west coast and also underweight to office space on the west coast. The Trumbull Property Fund had a purposefully higher allocation of apartments relative to office space because apartments recovered more quickly following the economic downturn. Office recovered much later and has been contributing to the fund's three- and five-year underperformance. UBS has now increased the fund's allocation to the west coast from 31% to 36% and added more in terms of office space to the west coast.

In response to a question from Ms. Van Kampen regarding the correlation of rising interest rates to returns, Mr. Klugherz stated it could pose some new challenges for the fund if the Fed begins to implement quarterly rate increases in the current environment. Historically real estate returns were generally positive when interest rates were increased, because the Fed typically increased rates when the economy was doing well.

Mr. Klugherz concluded with a discussion of portfolio distribution. Apartments and office space comprise the majority of the assets in the portfolio, followed by retail, industrial and hotel. Geographically, the majority of the assets are concentrated in major markets on the east and west coasts, followed by the south and Midwest. Transaction activity is moderating in 2016 and UBS is using the opportunity to both sell assets and acquire new assets. Asset purchases in 2016 will generally focus on apartments and industrial.

In response to a question form Mr. Byrne regarding cash, Mr. Klugherz stated that any excess cash is kept in very secure commercial paper. UBS has been trying to keep its cash drag at a minimum and has been maintaining cash levels at approximately 2% of the portfolio.

(b) Boston Partners

William Supple and John Forelli of Boston Partners distributed a booklet containing information on the U.S. equity investments managed by Boston Partners for ERS. Mr. Supple introduced himself as the Head of Public Funds at Boston Partners and introduced Mr. Forelli as a Senior Portfolio Analyst at the firm.

Mr. Supple began the discussion with an overview of the firm. Boston Partners has approximately $76 billion in total assets under management. ERS is invested in the firm's flagship large cap value strategy with over $30 billion in assets under management. Mr. Supple noted all disciplines at Boston Partners are managed with the same investment style and all have outperformed their respective benchmarks since inception. There are over 50 individuals working on Boston Partner's equity investment team and there have been no significant changes to the composition of the team. Mark Donovan has been the lead portfolio manager for the firm's large cap value equity strategy since its inception in 1995. Seven of the twelve lead portfolio managers have also been with the firm since inception.
Mr. Supple noted the longevity of its employees is very uncommon. When navigating through difficult market cycles, the deep experience of Boston Partners' investment team is invaluable to the long-term interest of its clients.

Mr. Supple then discussed ERS's investment performance from inception through August 31, 2016. In August 1995, Boston Partners began managing approximately $35 million in assets for ERS. Over the next 21 years, ERS requested approximately $150 million in net cash flows. Capital appreciation is at approximately $248 million. Total ending assets as of August 31, 2016 are approximately $133 million. The last several quarters have been extremely difficult relative to performance. However, performance has rebounded since June 2016 and remained strong in the third quarter of 2016, with the portfolio adding 100 basis points of performance relative to the index.

Mr. Forelli continued with a discussion of stock selection. Boston Partners purchases stocks with low valuations, strong business fundamentals and positive business momentum. Boston Partners will then partner with management teams to use capital efficiently by investing in their own companies to improve returns. Resulting excess cash flow is then used to pay down any high cost debt in that company. Boston Partners looks for its companies to increase dividends and reduce share count. Boston Partners also carefully analyzes any company in its portfolio that makes an acquisition to ensure future returns continue to improve. While this process has historically worked well for Boston Partners, it has not worked well over the last three quarters.

During 2015, it became apparent to investors that China would no longer serve as the global engine of growth and investors became defensive. Interest rates dropped to unprecedented levels resulting in $13 trillion in debt with negative yield by the end of the second quarter. This resulted in a bond bubble environment with distorted asset values in the U.S. equity market and globally. The negative interest rate environment has resulted in very low investor sentiment despite the fact that the equity markets have performed reasonably well in 2016. Within the U.S. equity market, investors have been seeking low volatility stocks with high dividend yields because they are concerned about future global growth. These companies are extremely expensive relative to history and are now trading at 25x earnings as of the end of the 2016 second quarter. This environment has some similar characteristics to the recent technology bubble where specific segments of the market were extremely overvalued. Overvalued segments of the market currently include consumer staples and high dividend yielding utilities. These types of stocks are now approximately 30% overvalued relative to history. Boston Partners owns very few of these stocks in its portfolio. Mr. Forelli remarked that many investors believe indexing is a safe alternative for investing in the market. However, Mr. Forelli argued that index fund investors are simply purchasing these now overvalued, riskier stocks instead of hiring a manager to avoid them.

In response to a question from Ms. Braun, Mr. Supple stated that index fund stocks are purchased irrespective of price or quality. As a value investor, Boston Partners selects the highest quality stocks at attractive valuations and then works to ensure those stocks increase in value over the long term.

In response to a question from Mr. Byrne, Mr. Forelli stated Boston Partners is adhering to its investment philosophy in the current low-interest rate environment. While many investors are now focusing primarily on dividend yield and low volatility, Boston Partners is focusing on dividend yield, earnings growth, revenue growth and share repurchase. Mr. Forelli stated that Boston Partners believes the current low-interest rate environment will loosen and the stocks in its portfolio have proven characteristics that have paid off for its investors over the last 21 years.

In response to questions from Ms. Van Kampen regarding the portfolio's composition relative to the index, Mr. Forelli stated the portfolio is underweight to securities in the index that currently appear overvalued in the market. As segments of the market become more expensive, Boston Partners expects some companies to shift to the growth index over time. A shift in the construction of the index generally occurs once a year and may happen slowly. As a result of a shift occurring in July of 2106, utilities now compose a smaller portion of the index and the composition of energy has increased.

Mr. Forelli explained overvalued stocks in the index have recently outperformed and contributed to the relative underperformance of the portfolio by approximately 4% over the last ten months. Boston Partners has previously experienced similar market environments, maintained its discipline and outperformed the index in the long term.

In response to a question from Mr. Byrne regarding the magnitude of the portfolio's 600 basis points underperformance relative to other similar historical periods, Mr. Forelli stated the magnitude of current underperformance is atypical. This is the second most extreme environment Boston Partners has experienced in its 21 year history. The only other period where the magnitude was worse occurred in 1998-1999 when the portfolio underperformed by 1,200 basis points.

Messrs. Byrne and Harper acknowledged the challenges of managing investments in the current market environment, but noted ERS must manage its long-term future obligations and such underperformance can have a significant impact in terms of meeting those obligations.

Mr. Supple acknowledged the obligations of the Board and the struggles it must endure as fiduciaries to the Fund. Mr. Supple asked the Board to consider the long-term performance record of Boston Partners and the deep experience of its investment team and trust its performance will rebound.

Mr. Forelli concluded by stating Boston Partners is consistently and carefully reviewing all companies in its portfolio to ensure the portfolio maintains its top-performance characteristics.

Messrs. Supple and Forelli thanked ERS for its investment in Boston Partners and stated they looked forward to delivering a more favorable report at its next presentation to the Board.

(c) Marquette Associates Report

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

Mr. Caparelli began with an overview of the market environment as of August 31, 2016. The Market in general has been unexpectedly on the upside for 2016 and year-to-date returns in the Barclays Aggregate fixed income index have been stronger than anticipated at 5.9%. However, concerns relative to the outcome of the upcoming presidential election will add uncertainty to the markets in the fourth quarter. Additional uncertainty surrounds the effort launched by the Federal Reserve ("Fed") in December 2015 to raise interest rates. Additional increases did not continue into 2016 as anticipated and it remains uncertain whether the Fed will implement a second rate hike before the end of 2016. Returns in U.S. equity have also been better than projected and the S&P 500 Index is up at 7.8% year-to-date. Longer-term market trends in U.S. equity are exhibiting signs of change in 2016, as value stocks have started outperforming growth stocks and small cap performance is also rebounding. International equity has been underperforming for some but returns have improved in 2016. International equity recovered nicely from the Brexit fallout in 2016 and the MSCI ACWI ex U.S. IMI is up at 4.6% year-to-date. After struggling in 2015, emerging markets have also rebounded and are driving much of the positive performance in the ACWI Index for 2016. The MSCI Emerging Markets Index is up at 14.6% year-to-date.

Mr. Caparelli then discussed the August 2016 flash report. J.P. Morgan Core Fixed Income remains on notice for organizational issues due to recent turnover on its investment team. Artisan Partners and Geneva Capital both remain on alert for performance issues. Performance for Artisan and Geneva appears to be rebounding from 2015, but Marquette recommends maintaining the alert status for the near-term. Fiduciary Management (now Mesirow) remains on alert for organizational issues due to its recently completed acquisition. Recent returns for Mesirow have been disappointing which, combined with the recent acquisition, raises some additional concerns. GMO and K2 have been terminated for performance and organizational issues respectively. GMO small-cap was replaced with Segall Bryant and Segall Bryant was funded in early September. Some residual cash flows are still pending payment from the portfolio following the termination of K2.

In response to a question from Ms. Braun regarding the current manager alert statuses, Mr. Caparelli confirmed Marquette has no recommended changes at this time.

Mr. Caparelli continued with a discussion of market values as of August 31, 2016. The Fund's total market value was just over $1.66 billion. The Fund's fixed income composite remains slightly underweight to the 18% target allocation at 16.7%. Over the last several months, some fixed income assets have been strategically shifted from J.P. Morgan to the Mellon Capital index fund to better balance the assets between these two managers. The Fund's U.S. equity composite is currently at 25.2% versus the 25% policy target and the international equity composite is at 19.6% versus the 20% target. The Board recently approved revised investment policy targets under hedged equity and real estate at 8.5% and 10%, respectively. Redemptions of $8 million from Parametric and $24 million from ABS are in process and once complete, hedged equity will be allocated to the new 8.5% target. Real estate is currently allocated to the 10% target. The Fund's private equity composite is underweight at 6.8% versus the 10% target but is steadily increasing as the Fund's private equity managers continue to call capital.

Mr. Caparelli concluded with a discussion of net-of-fees performance as of August 31, 2016. Performance in August was relatively flat and the total Fund composite was up 0.4% for the one-month period. Year-to-date, the total Fund composite is at 4.7% relative to the benchmark at 5%. The Fund's fixed income composite is up at 5.5% year-to-date. J.P. Morgan fixed income is slightly underperforming year-to-date at 5.4%.
Mr. Caparelli noted that J.P. Morgan's underperformance is not outside of their historical variability but adds a layer of concern when combined with its recent organizational issues. The Fund's U.S. equity composite is at 6.9% year-to-date with many of the active managers underperforming. Silvercrest is the only active U.S. equity manager outperforming year-to-date, at 14.8% versus the Russell 200 Value Index at 14.6%. Mesirow (the former FMA product) is dramatically underperforming year-to-date, at 4.5% relative to the 14.6% Russell 2000 Value Index.
Mr. Caparelli observed that Mesirow's underperformance coinciding with its recent acquisition is concerning. Marquette's U.S. equity analyst recently visited Mesirow onsite and Mesirow cited sector attribution and stock selection as the reasons for its underperformance. Mesirow also reported there have been no additional changes to its investment team outside of the acquisition. The Fund's international equity composite is up at 5% year-to-date. The Fund's hedged equity managers continue to struggle with performance for many of the same reasons the Fund's active long-only managers have been struggling. ABS is down at -4.9% year-to-date. ABS's underperformance is counterbalanced by Parametric, up at 5.3% year-to-date. Real estate is quarterly-valued and has not yet reported third quarter returns. Currency headwinds are still affecting

infrastructure returns in 2016 and the Fund's infrastructure return is at 2.5% year-to-date. However, the U.S. dollar has not strengthened at the same pace in 2016 relative to the last two years and Marquette anticipates returns from the Fund's infrastructure managers should improve.

Mr. Christenson noted the Fund's real estate managers are well-balanced relative to investment style. American Realty and UBS should preserve capital well in down markets, and Morgan Stanley is somewhat more active with leverage and should perform favorably in up and down markets.

In response to a question from Ms. Braun, Mr. Christenson stated the organizational alert status for Mesirow is standard operating procedure to monitor the internal team following the acquisition. There are no specific concerns with Mesirow's underperformance at this time as most active U.S. managers are struggling in the current market environment, but Marquette will continue to closely monitor the situation. Mr. Christenson noted the Fund maintains very high-quality active managers whose long-term returns have exceeded the benchmark. Mr. Christenson noted the performance issue could lead to a broader discussion relative to how much the Board focuses on short-term manager performance. Mr. Christenson stated that active managers are struggling with performance in the low interest rate environment but high-quality stocks will eventually outperform in the long-term as markets normalize. Even the best of managers will have a rolling five-year period of underperformance at some point. The current extended period of underperformance is abnormal and very much related to the low-interest rate/junk-rally market environment. The Board should decide at some point whether it will continue with active management and take a longer-term perspective or move to indexing. Mr. Christenson suggested the Board may wish to consider maintaining ERS's active managers for several more quarters because they are high-quality managers with proven long-term performance. If performance does not improve, the Board may wish to consider moving to a more passive strategy.

Ms. Van Kampen questioned whether underperformance in the Fund's active managers could accelerate if many other large institutional funds began shifting assets to passive management. Mr. Christenson noted the active/passive discussion is a trending topic in the media and indicated Marquette will research the matter for discussion at a future meeting.

Mr. Byrne expressed concern over the magnitude of the underperformance of the active managers. Mr. Byrne noted the timing of manager performance should be an important factor for the Board to consider because ERS must continually draw cash from the Fund to pay benefits.

Mr. Christenson concluded with a discussion of fixed income. At the September 12, 2016 Investment Committee meeting, Marquette discussed concerns regarding multiple departures on J.P. Morgan's investment team. After a prolonged discussion, the Committee concurred with Marquette's recommendation to conduct a search for a replacement active core bond manager. Mr. Christenson noted an index manager could serve as an alternative option but recommended issuing a request for proposal ("RFP") to thoroughly evaluate all options. Mr. Christenson emphasized that J.P. Morgan is a very high-quality core bond manager but the current concern relates to the lack of stability within its investment team. Marquette will focus its search on high-quality core bond managers with the ability to preserve capital well in down markets.

In response to a question from Mr. Byrne regarding additional costs to conduct the RFP, Mr. Christenson stated there is no additional expense, aside from the additional time required by the Committee and Board members to complete the process.

Mr. Byrne agreed the Fund should maintain a high quality core bond manager and declared he does not believe J.P. Morgan's performance would take a sudden and dramatic downturn anytime soon.

Mr. Christenson replied by stating that launching an investigative search does not necessarily mean J.P. Morgan will be terminated.

Ms. Van Kampen then asked Mr. Christenson to summarize Marquette's discussion regarding the Pension Board meeting minutes from the last Investment Committee meeting.

Mr. Christenson noted the Pension Board meeting minutes are very detailed and explained the investment community is carefully reviewing the minutes and all related materials posted monthly online. Mr. Christenson explained the Board's recent discussions regarding J.P. Morgan have become very high profile, resulting in several published articles within the investment community and a number of follow-up telephone calls to Marquette's research team. Wall Street, hedge funds and trading desks all try to take advantage of large movements in the market. Vertas suggested several large investment firms have been launched over the last several years to monitor meeting minutes of public pension funds to identify when funds may be shifting large amounts of money or terminating managers.
Mr. Christenson suggested it could adversely affect ERS if many individuals in the investment community are aware it will be conducting a large transaction in the market. Mr. Christenson added that as a public pension fund, it is important for ERS to remain transparent. However, the

Board or Committee should consider the level of detail provided in the minutes, particularly when ERS is making decisions on large assets.

5. Investment Committee Report

Ms. Van Kampen reported on the September 12, 2016 Investment Committee meeting. The Investment Committee first discussed recent turnover within J.P. Morgan's core fixed income investment team. After discussing the matter with Marquette, the Committee agreed to make a recommendation to the Pension Board to issue an RFP to search for a replacement high-quality core bond active manager and one or more index alternatives. If approved by the full Board, the preferred timeline is to assemble an initial list of candidates for review at the November 2016 Investment Committee meeting. Finalist candidates would be reviewed at the December 2016 Investment Committee meeting and the Committee would make a recommendation for a replacement manager. If the Committee recommends an index manager, interviews will not be necessary. However, if the Committee recommends a replacement active bond manager, finalist candidate interviews would likely be conducted in January 2017.

The Pension Board voted 6-0-1, with Mr. Leonard abstaining, to authorize Marquette Associates to conduct an RFP for a replacement high-quality core bond active bond manager and one or more index alternatives. Motion by Mr. Byrne, seconded by Mr. Harper.

Mr. Christenson noted a preliminary copy of the RFP was included in its August report and stated the RFP will be posted with a response deadline of October 26, 2016.

The Investment Committee next discussed transition management. Vertas Capital Brokerage Costs and Transition Management ("Vertas") presented to the Committee and provided information on brokerage costs and best execution of trading. Vertas illustrated how complex and fragmented the current trading environment has become. Vertas stated that only approximately 8% of all trades are now completed on the New York Stock Exchange because a host of other venues now exist where trades are accomplished. Vertas reported that commission costs are down for ERS and other pension funds as managers have become more attentive to monitoring and managing daily trading costs. Vertas also discussed the costs associated with transition management once a manager is replaced and funds must be transitioned from the old portfolio to the new portfolio. Vertas stated that managers may not always carefully manage the sale of stocks and bonds during a transition. Vertas can carefully manage the transition to a new portfolio and can dramatically minimize the overall costs and market impact. Vertas charges a flat performance-based fee of 6 to 12 basis points for its transition management services. Ms. Van Kampen suggested the Board consider utilizing a transition manager with its next transition to minimize costs. Marquette has also recommended ERS explore the possibility of utilizing a transition manager to manage its monthly cash flows for funding benefits.

In response to a question from Ms. Braun, Mr. Christenson explained that as the Fund must withdraw cash to fund monthly benefit payments, Marquette currently runs a market value page to analyze and raise capital from the most liquid portions of the portfolio. Marquette then drafts letters for staff to execute and monitors the transition to ensure the funds are wired. Funds are typically withdrawn from the fixed income managers and the large cap U.S. equity managers.

Mr. Christenson continued by explaining that should ERS use a transition manager for its monthly rebalancing, a separate contract must be executed for each transaction. However, Mr. Christenson noted anytime an outside manager is used to trade a portfolio within the Fund, that portfolio must cease all trading for three days to wait for a settlement. The custodian must then verify the assets which can amount to four or five days before things resume back to normal. Marquette is currently analyzing whether executing a separate contract each time and placing the manager on hold would be more cost efficient than the current procedure. Mr. Christenson concluded by stating Marquette will likely recommend that ERS focus on rebalancing assets from its commingled funds and only utilize a transition manager for major movements of assets.

Ms. Braun called for questions and there were none.

6. Audit Committee Report

Ms. Ninneman reported on the September 8, 2016 Audit Committee meeting. The Audit Committee first discussed the 2017 budget. Ms. Ninneman distributed a draft of the preliminary 2017 budget to the Committee. A reforecast of the 2016 budget will be provided after figures for September are finalized. Current plans are to present a final draft of the 2017 budget to the Audit Committee in November once the County Board adopts its budget.

The Audit Committee then discussed Internal Revenue Code section 415 limit determination methods. ERS's former actuary, Mercer, utilized a slightly different 415 testing method than the Fund's current actuary, Buck

Consultants. The Committee decided to apply Buck's testing method to all new retirees and apply Buck's method to future payments of past Mercer calculations in a manner that will not reduce accrued benefits. The Committee requested counsel prepare a draft Rule for presentation at the October Audit Committee meeting.

The Audit Committee continued with a discussion of the retiree election. Ms. Ninneman first explained that Retirement Plan Services ("RPS") received a beneficial suggestion from a retiree regarding the timing of future retiree elections. The retiree suggested the voting period occur during the first week of the month because that would coincide with delivery of the retiree Communicator that contains the voting instructions. The proposed timeline would eliminate the one-month lag time that currently occurs between delivery of the Communicator and the voting period. RPS will implement the new election timeline for ERS's next retiree election in three years. Ms. Ninneman then reported two candidates competed in the retiree election, Mark Grady and David Zepecki. Effective November 1, 2016, Mr. Zepecki will replace Mr. Leonard on the Board.

The Audit Committee next discussed the change in disability status following a periodic review. As periodic reviews of disability retirees have commenced, Ms. Ninneman expressed concern regarding certain requirements outlined in Rules 1025 and 1028. In each Rule, a procedure for terminating pension upon recovery from disability references the County's lay-off recall system but the County's lay-off recall system no longer exists. RPS is in the process of investigating alternatives with Human Resources and a potential work-around will be discussed at a future Audit Committee meeting.

The Audit then discussed the "any job" criteria. Ms. Ninneman explained the Pension Board recently approved expanding the geographic area of the "any job" vocational standard to now include all of Waukesha County in addition to Milwaukee County. Sue Chase has historically managed the vocational assessment aspect of the disability process at RPS. However, with the expansion of the geographic area, Ms. Chase can no longer provide the necessary depth of vocational knowledge. RPS obtained a proposal from its current medical review provider, Managed Medical Review Organization ("MMRO") to provide comprehensive vocational assessments that includes a transferable skills analysis, labor market surveys and functional capacity evaluations. The Audit Committee agreed that ERS should contract with MMRO for its vocational assessment services. An addendum for such services has been added to the original agreement with MMRO and executed.

The Audit Committee concluded with closed session discussion of the structure of mandatory contributions and administrative corrections and no action was taken.

7. Disability Retirement Applications

In open session, Ms. Braun invited any disability applicants present to address the Board.

(a) Delores Hughes

In response to a question from Ms. Braun, Ms. Hughes stated she would prefer to address the Board in closed session.

(b) Candace Hauck (f/k/a Candace Landry)

Ms. Hauck was not present at the meeting.

(c) Edwin Miller

Mr. Miller was not present at the meeting.

(d) Margaret Taylor-Cobbs

In response to a question from Ms. Braun, Ms. Taylor-Cobbs stated she would prefer to address the Board in closed session.

In response to a question from Ms. Taylor-Cobbs, Ms. Braun confirmed Ms. Taylor-Cobbs will receive formal written notification of the Pension Board's decision within approximately one week.

8. Appeals

In open session, Ms. Braun invited the appellants to address the Board.

(a) Ersol Henry Appeal

In open session, Ms. Henry expressed concern regarding her final pension benefit calculation and alleged that her pension was improperly calculated by RPS in 2013. Ms. Henry further alleged that her original pension calculation was changed without her notification. Ms. Henry then stated RPS included her 2009 annual income for calculating her pension benefit. Ms. Henry explained that her 2009 annual income included income resulting from a settlement with Milwaukee County. Ms. Henry reported she consulted with her attorney regarding her 2009 settlement income from the County and stated her attorney advised her that taxes were paid on the 2009 settlement income. Ms. Henry also alleged the settlement income should have been included in her 2009 wages for the pension calculation because "there were some negotiations in having that included in the pension…" Ms. Henry stated she expressed concern to RPS about her 2009 income and asked RPS staff at her final retirement meeting whether her pension calculations were carefully reviewed. Ms. Henry stated that in response to her question, RPS confirmed her pension benefit calculations were thoroughly reviewed and she signed off on her retirement paperwork.

Ms. Henry also stated she inquired with RPS regarding her years of service credit in ERS. Ms. Henry then referred to a copy of her "ERS 2010 calculations" dated December 31, 2010. Ms. Henry stated the 2010 calculations report "service years of 23.174 some odd years." Ms. Henry next stated "the calculations they gave me at the time of my retirement were 25.17 years and that's nearly 2 years and 8 months, but it's only calculating two years' difference. That's one discrepancy I saw, a difference of 8 months." Ms. Henry stated she had no substantial time off that would account for the eight months' difference. Ms. Henry also alleged that RPS did not give her "an opportunity to discuss whether I wanted to change a beneficiary, because having that change…may have changed whether/how I wanted to have my money or my funds disbursed."

Ms. Henry next alleged her pension was improperly calculated because RPS also did not include her three highest years of annual income in its calculations. Instead, Ms. Henry stated RPS used her annual income from 2007, 2008, 2009 and 2010. Ms. Henry noted that she submitted a copy of her 2010, 2011, 2012 and 2013 W-2's that report higher annual income amounts.

Ms. Henry concluded her remarks by expressing concern she may be a victim of retaliation to recoup funds she was awarded by the Court of Appeals regarding a Title VII violation.

In response to a question from Ms. Braun regarding any correspondence Ms. Henry may have received from RPS explaining how her pension was calculated, Ms. Henry stated she received something from Ms. Ninneman stating RPS used her 2007, 2008 and 2009 wages. Ms. Henry stated that after reviewing her W-2's, she realized her wages for 2011, 2012 and 2013 were higher. Ms. Henry also stated that at her retirement appointment, she asked about her service credit, the 8 month discrepancy, and how her back pay was considered and calculated.

In response to a question from Mr. Leonard, Ms. Henry answered that RPS responded to those questions by advising her that everything would be considered when performing her benefit calculations. Ms. Henry also stated RPS advised her if there were any discrepancies, they would be small and she would be notified of such changes. Ms. Henry then stated there was a large difference of approximately $300 to $400. Ms. Henry noted this difference further affects her backDROP amount and, possibly, the percentage of the beneficiary amount paid to her son. Ms. Henry stated she did not know she "had been wronged" until Ms. Ninneman provided her with the information illustrating which years RPS used for her wages in its calculations.

In response to a follow-up question from Ms. Braun regarding Ms. Henry's assertion that RPS used incorrect data to calculate her pension, Ms. Henry first stated she was never notified that RPS was revising the "original amount that I agreed to, the binding agreement that I agreed to on my retirement, this is the money I'm agreeing to, this is the backDROP...this is the beneficiary." Ms. Henry stated that "nobody called…it just was changed." Ms. Henry also noted that during that time, she was busy coping with the death of a loved one and beginning new full-time employment one week after retiring from the County. Ms. Henry stated that because of these personal matters, she did not immediately realize the large difference in her pension amount. Once she noticed the difference in her pension amount, Ms. Henry contacted RPS to ask that her pension amount be "restored" but stated RPS told her "no." Ms. Henry also stated she was not aware of the procedures and that she could file an appeal at that time.

Ms. Braun advised Ms. Henry that the Pension Board has received and reviewed copies of all information Ms. Henry submitted to ERS and thanked her for appearing before the Board. Ms. Braun then explained to Ms. Henry she would be notified in a timely manner of the Board's determination in writing if she did not wish to wait for the Board to return from closed session.

(b) Scott Stiff Appeal

In open session, Mr. Stiff thanked the Pension Board for the opportunity to appear and noted he has submitted the required documents for review.

Mr. Stiff then summarized his view of the circumstances regarding his appeal. Mr. Stiff stated that in November 2015, he applied for an estimate of what his ERS monthly pension benefit would be if he retired on January 4, 2016. Mr. Stiff subsequently received the estimate from ERS on November 20, 2015. The estimate stated that if Mr. Stiff elected an

Option 3 pension benefit, his estimated monthly pension amount would be $4,727.71. Mr. Stiff stated he then made several life decisions based on the estimated amount, decided he would retire and sold his Milwaukee County home. Mr. Stiff explained he then obtained a mortgage based on his estimated monthly pension amount and purchased a home outside of Milwaukee County. Mr. Stiff stated the new mortgage increased his monthly expenditures because his former home in Milwaukee was almost paid off when it was sold. Mr. Stiff reported that he decided to retire on March 4, 2016. On March 4, 2016, Mr. Stiff met with a retirement specialist to sign off on his pension and brought the November 20, 2015 pension estimate to his meeting to confirm those would be the actual amounts he would receive at retirement. Mr. Stiff stated he was advised in that meeting that his monthly pension benefit would be slightly higher because the figures provided in the November 20, 2015 estimate were based on an earlier retirement date of January 4, 2016.

On April 28, 2016, Mr. Stiff stated he received his first monthly pension payment and noticed the payment differed from the amount he was told he would receive at his March 4, 2016 retirement meeting. Mr. Stiff stated he did not have the pay stub to review at that time, but thought the difference might relate to a slightly higher than anticipated life insurance cost. Mr. Stiff then contacted the retirement specialist at RPS who handled his retirement. Mr. Stiff alleged the retirement specialist advised him there was a miscalculation in his retirement benefit, but that he was now retired, and there was nothing further that could be done. Mr. Stiff stated he would not have retired and would have worked an additional two to three years if he had known he would receive a lesser benefit amount. Mr. Stiff then commented that he loved his job with the County and worked 26.5 years in every division at the sheriff's office, eventually attaining the rank of captain. At the time of his retirement, Mr. Stiff stated he was a division commander of the detective bureau and was not really ready to retire. However, Mr. Stiff stated he believed it was financially prudent for him to retire until he realized his monthly benefit amount would be lesser than originally stated. Mr. Stiff stated he then submitted e-mail correspondence to RPS and also telephoned RPS to inquire about his options. On May 5, 2016, Mr. Stiff stated he received e-mail correspondence from Erika Bronikowski at RPS explaining the discrepancy in his pension benefit. Mr. Stiff explained the e-mail from Ms. Bronikowski also had a letter attached dated February 28, 2016 that Ms. Bronikowski stated was previously mailed to Mr. Stiff's residence to notify him of a change to his pension amount. Mr. Stiff alleged that he never received a copy of the February 2016 letter via regular mail at his residence. Therefore, Mr. Stiff stated he never knew of the change to his pension amount until he received his initial benefit payment. Mr. Stiff then corresponded with Ms. Ninneman at RPS via e-mail and subsequently received a telephone call at the end of June 2016 to advise that he would soon receive a letter via regular mail to explain his options and the appeal process. Mr. Stiff alleged that he also never received such letter via regular mail from RPS.

Mr. Stiff concluded his remarks, explaining that he requested RPS provide him with specific "comparable" data prior to his appeal, because he did not know what outcome to expect from the Board. RPS advised Mr. Stiff that the cost of RPS staff time to produce the specific data he requested was estimated at $66,000. Therefore, Mr. Stiff stated he did not proceed with his data request. Mr. Stiff then asked the Pension Board to consider two options regarding his appeal. Mr. Stiff first asked the Board to "make me whole" because there is a difference of $345 per month. Alternatively, Mr. Stiff asked the Pension Board to offer another agreeable amount that would satisfy him at this time.

Ms. Braun called for questions.

In response to a question from Ms. Lausier, Mr. Stiff explained the basis for his request for additional funds is that he received a lesser pension benefit than stated by RPS when he signed off on his retirement. Mr. Stiff further explained that had he known he would receive a lesser amount, he would have continued working.

In response to questions from Mr. Huff, Mr. Stiff stated he closed on the sale of his Milwaukee County home on December 29, 2015. Mr. Stiff confirmed he then moved and his monthly expenditures increased.

In response to a follow-up question from Mr. Huff, Mr. Stiff answered that his monthly expenditures increased because the mortgage on the home he sold was almost paid off. Mr. Stiff explained he entered a 30-year mortgage on his new home based on the pension benefit he believed he would receive from ERS upon his retirement.

Mr. Stiff then noted he considered the option of returning to work. However, because he has not worked for the County for approximately six months, Mr. Stiff stated he felt there were too many obstacles to overcome. Mr. Stiff explained his former position has been permanently filled and the sheriff does not have enough funds in the budget to allow him to return to work without first obtaining County Board approval. Mr. Stiff also noted his law enforcement certification has since expired and he is uncertain what steps are required for recertification.

Ms. Braun advised Mr. Stiff the Board has received copies of all the information he submitted to ERS and thanked him for appearing before the Board. Ms. Braun explained to Mr. Stiff that the Board will discuss his appeal in closed session with counsel and cautioned that the Board must adhere to certain IRS rules and regulations. Ms. Braun advised Mr. Stiff he would be notified in a timely manner of the Board's determination in writing if he did not wish to wait for the Board to return from closed session.

(c) Willie Watkins Appeal

In open session, Attorney Sean E. Lees introduced himself as an attorney at MacGillis Wiemer, LLC and stated he is representing Mr. Watkins on behalf of his appeal. Mr. Lees noted that Mr. Watkins was also present and explained Mr. Watkins' appeal is in response to a denial to retire under the Rule of 75.

Mr. Lees then summarized the principal points of his firm's legal argument regarding Mr. Watkins' appeal. In December 1989, Mr. Watkins began employment with the City of Milwaukee. Mr. Watkins continued to work for the City of Milwaukee until September 1998 and, thereafter, began his employment with Milwaukee County. Mr. Lees stated Mr. Watkins is 51 years old. Mr. Lees contended that based on Mr. Watkins' combined age and service credit from his time of employment with the City of Milwaukee, there is no dispute Mr. Watkins qualifies to retire under the Rule of 75. Mr. Lees explained that ERS has stated Mr. Watkins does not qualify to retire under the Rule of 75 because he was employed by Milwaukee County after January 1994. Mr. Lees suggested the crux of the issue relates to reciprocity between Mr. Watkins' time of employment with the City of Milwaukee and his employment with Milwaukee County. Mr. Lees stated the matter of reciprocity is governed by state statute, specifically, section 40.30(3) of the Wisconsin code. Mr. Lees observed that code section 40.30(3) states "the sum of all service, and that is service between ERS, the Wisconsin Retirement System ("WRS") or the City of Milwaukee's Employment Retirement System, shall be used in determining whether the individual has met any vesting period required for retirement benefit eligibility during any subsequent employment covered by any retirement system specified in sub 2." Mr. Lees then argued that in Mr. Watkins' case, the state statute is governing reciprocity between the City of Milwaukee and Milwaukee County as it relates to Mr. Watkins' vested benefits and his ability to retire under the Rule of 75. Mr. Lees argued that based on the Wisconsin state statute, Mr. Watkins has been wrongfully denied the qualification to retire from ERS under the Rule of 75.

Mr. Lees then referred to a letter from Ms. Ninneman to Mr. Watkins dated March 31, 2016 explaining the basis for denying Mr. Watkins' retirement under the Rule of 75. Mr. Lees declared the basis for denial as stated in the March 2016 letter was the Pension Board had recently ruled a deputy sheriff's ability to retire under the Rule of 75 is based on when that employee came under what he referred to as the "umbrella of ERS." Mr. Lees argued the Pension Board's previous decision regarding the Rule of 75 was related to a separate issue and, therefore, does not apply to Mr. Watkins' situation. Mr. Lees stated the prior case alluded to in the March 2016 letter addresses whether an individual who had previously worked in Milwaukee County and, was therefore previously covered under the umbrella of ERS, qualified for the Rule of 75 if they became deputy sheriffs within Milwaukee County after 1994. Mr. Lees asserted in that particular ruling, the Pension Board ultimately determined that eligibility for the Rule of 75 is based on the date the deputy sheriff came under the umbrella of ERS, regardless of what job they were previously employed under within the County.

Mr. Lees then argued the Pension Board's prior ruling only addressed intra-county employment and did not address the circumstances relative to Mr. Watkins' employment with both the City and County of Milwaukee, how benefits are reciprocated from the City to Mr. Watkins' vested County benefits and his ability to retire under the Rule of 75. Mr. Lees next argued that Mr. Watkins' basis to retire under the Rule of 75 is set forth in what he considered the "broad and all-encompassing" state statute that governs benefits under ERS, the City of Milwaukee retirement system and WRS. Mr. Lees also argued the statute provides that whether Mr. Watkins' benefits are vested or he is eligible to retire under the Rule of 75, those benefits do "carry over."

Mr. Lees next referenced what he referred to as a "plain statement" within the March 31, 2016 letter that reads "Milwaukee County Ordinance 201.24(11.4) *City-county transfers* does not allow a member to use his enrollment date with the City to adjust his ERS enrollment date…" Mr. Lees then remarked there is no further elaboration regarding this statement and declared his firm does not agree with it. Mr. Lees argued that Mr. Watkins is not adjusting his enrollment date. Instead, Mr. Watkins is using the benefit he is entitled to receive under Wisconsin state statutes to reciprocate his benefits from the City of Milwaukee to the County of Milwaukee.

Mr. Lees concluded his remarks by contending that neither the Pension Board nor the County has the ability to advocate Mr. Watkins' rights under what he referred to as a "clear and unambiguous" state statute. Mr. Lees then asserted that his firm does not agree that the Milwaukee County General Ordinances precludes Mr. Watkins' benefits from carrying over. Mr. Lees then cited Ordinance 201.24(11.4) and stated it provides that "any person who is member of the City of Milwaukee retirement system who after 60 days of termination of employment with the City becomes employed by the County…..shall be entitled to have his/her City pension service credit counted for vesting in the County pension system and toward eligibility for receipt of a County pension based on the formula in effect…" Mr. Lees argued there is nothing in Ordinance 201.24(11.4) that excludes reciprocity and contended the Ordinance supports Mr. Watkins' situation. Mr. Lees stated that Mr. Watkins was employed by the City and then the County, and withdrew none of his City benefits during the 60-day window. Therefore, Mr. Lees argued that Mr. Watkins' benefits carry over, and the date he was employed by the City determines his eligibility to retire under the Rule of 75 because he was employed by the City prior to 1994.

Ms. Braun called for questions.

In response to a question from Ms. Van Kampen regarding other relevant case law, Mr. Lees answered that Mr. Watkins' situation is unique. Mr. Lees also noted that arbitration is scheduled in October 2016 relative to a grievance stemming from this issue. Mr. Lees stated the arbitration will be held before someone familiar with reciprocity matters and the state statute. Mr. Lees asserted that based on the language of the state statute, they will succeed at arbitration.

Mr. Huff then noted the state statute refers to "the vesting period" and asked Mr. Lees to define what he views as "the vesting period" for the Rule of 75.

Mr. Lees responded by stating that based on the Rule of 75, the vesting period would be whatever combination of age and number of service credits a deputy sheriff would need to reach the sum total of 75.

Mr. Huff then argued that based on Mr. Lees' suggested definition of the vesting period, Mr. Lees is asserting the legislature intended to refer to "eligibility" instead of vesting.

Mr. Lees disagreed with Mr. Huff's analysis and counter-argued that state statute 40.30(3) is a reciprocity statute that relates to any benefits owed to a deputy sheriff. Therefore, a reasonable interpretation is the term vesting would be applied based on the circumstances of the benefit in question. In Mr. Watkins' case, the benefit in question is his entitlement to retire under the Rule of 75 based on his combined age and years of service credit.

Mr. Lees added that Mr. Watkins was initially informed by RPS he did qualify to retire under the Rule of 75, but was later notified via the March 2016 letter he no longer qualified to retire under the Rule of 75.

Mr. Byrne then asked for more detail as to how Mr. Watkins was first informed by RPS he did and then did not qualify to retire under the Rule of 75.

Mr. Watkins responded by stating that he initially telephoned RPS to inquire about his eligibility for retirement. Mr. Watkins reported he was first advised by RPS staff on the telephone he did not have sufficient service credit to qualify for retirement under the Rule of 75. Mr. Watkins stated he questioned the response and was then placed on hold. When RPS staff returned from hold, Mr. Watkins was advised he did have reciprocity to qualify for retirement under the Rule of 75 and was provided with some retirement numbers. Mr. Watkins was then advised by RPS staff he would hear from a supervisor within several days. Mr. Watkins stated a supervisor telephoned him within several days but indicated he did not have sufficient service credits to retire under the Rule of 75. Mr. Watkins then informed the supervisor he should have reciprocity and was again placed on hold. When the supervisor returned from hold, she apologized to Mr. Watkins and acknowledged he did have reciprocity and advised she would forward his retirement paperwork. Mr. Watkins then stated he received a follow-up telephone call approximately two days later from that same supervisor who apologized and stated that Mr. Watkins did not qualify to retire under the Rule of 75.

In response to a follow-up question from Mr. Byrne regarding the name of the supervisor he was speaking to on the telephone, Mr. Watkins answered the supervisor was female and he believed her name was Pearl.

Ms. Braun thanked Messrs. Lees and Watkins for appearing before the Board.

Following the open session discussions of disability applications and appeals, Mr. Gedemer moved that the Pension Board adjourn into closed session under the provisions of Wisconsin Statutes section 19.85(1)(f) with regard to item 7 for considering the financial, medical, social or personal histories of the listed persons which, if discussed in public, would be likely to have a substantial adverse effect upon the reputation of those persons, and may adjourn into closed session under the provisions of Wisconsin Statutes section 19.85(1)(g) with regard to items 7 through 12 for the purpose of the Board receiving oral or written advice from legal counsel concerning strategy to be adopted with respect to pending or possible litigation. At the conclusion of the closed session, the Board may reconvene in open session to take whatever actions it may deem necessary concerning these matters.

The Pension Board agreed by roll call vote 7-0 to enter into closed session to discuss agenda items 7 through 12. Motion by Mr. Gedemer, seconded by Mr. Byrne.

Mses. Ninneman, Aikin, and Lausier recused themselves from and left the room during the closed session discussion of agenda item 8 after answering questions from the Pension Board regarding the benefit payment process.

The Pension Board discussed agenda items 7 through 12 in closed session. After returning to open session, the Pension Board first made its motions relative to agenda item 7 as follows:

(1) Delores Hughes

The Pension Board unanimously approved granting the accidental disability pension application based on the Medical Board's determination. Motion by Ms. Van Kampen, seconded by Ms. Funck.

(2) Candace Hauck (f/k/a Candace Landry)

The Pension Board unanimously approved granting the ordinary disability pension application based on the Medical Board's determination. Motion by Mr. Gedemer, seconded by Mr. Harper.

(3) Edwin Miller

The Pension Board unanimously approved granting the accidental disability pension application based on the Medical Board's determination. Motion by Ms. Funck, seconded by Mr. Harper.

(4) Margaret Taylor-Cobbs

The Pension Board voted unanimously to accept the Medical Board's recommendation to deny the accidental disability pension application. Motion by Ms. Funck, seconded by Ms. Van Kampen.

The Pension Board next made its motions relative to agenda item 8 as follows:

(1) Ersol Henry Appeal

The Pension Board unanimously denies the appeal by Ersol Henry consistent with the discretion assigned to the Pension Board by Ordinance section 201.24(8.17) to interpret the Ordinances and Rules of the Employees' Retirement System of the County of Milwaukee ("ERS"). Motion by Ms. Funck, seconded by Ms. Van Kampen.[1]

(2) Scott Stiff Appeal

The Pension Board unanimously denies the appeal by Scott Stiff consistent with the discretion assigned to the Pension Board by Ordinance section 201.24(8.17) to interpret the Ordinances and Rules of the Employees' Retirement System of the County of Milwaukee ("ERS"), based on the following rationale:

Factual Background.

1. On November 20, 2015, Retirement Plan Services ("RPS") sent a letter to Scott Stiff to provide an estimate of Mr. Stiff's retirement benefits with an estimated retirement date of January 5, 2016. The last paragraph of the letter states, "These figures are estimates and will change when the final calculation is determined." The letter estimated that if Mr. Stiff chose Option 3, he would receive a $4,727.71 monthly retirement benefit.

2. RPS also prepared an estimate dated December 9, 2015 using an estimated retirement date of January 5, 2016. This estimate was not sent to Mr. Stiff.

3. Mr. Stiff did not retire in January. RPS prepared a third estimate dated February 23, 2016 that is based on a March 5, 2016 retirement

[1] Subsequent to the September 28, 2016 Pension Board meeting, Retirement Plan Services discovered a potential issue with Ms. Henry's benefit calculation. Accordingly, the decision on Ms. Henry's appeal is being held until Retirement Plan Services can conduct the necessary calculations.

date. RPS stated that this estimate was included in Mr. Stiff's retirement packet. The letter estimated that if Mr. Stiff chose Option 3, he would receive a $4,173.33 monthly retirement benefit. The letter contained the same disclaimer language as the November 20, 2015 estimate. Mr. Stiff claimed that he never received the February 23, 2016 estimate.

4. On March 5, 2016, Mr. Stiff retired.

5. On April 25, 2016, RPS sent a letter to Mr. Stiff confirming the amount of Mr. Stiff's monthly retirement benefits. Due to a typographical error, the letter includes two different numbers: $4,832.00 and $4,382.00. Based on subsequent correspondence from RPS, it appears that $4,382.00 was the correct amount and the difference between this amount and the February estimate is due to final pay information received from payroll.

6. On April 29, 2016, Mr. Stiff sent an e mail to RPS questioning the amount of his monthly retirement benefit and asserting that it should be higher.

7. RPS responded to Mr. Stiff on the same day and explained that a 25% bonus was erroneously included in the prior estimate. RPS clarified that due to Mr. Stiff's hire date of September 8, 1989, he is ineligible for the 25% bonus. The e mail further explained that the February 23, 2016 estimate was calculated without the bonus.

8. On May 1, 2016, Mr. Stiff sent an e-mail to RPS noting that the benefit estimate he received contained different estimated monthly benefit amounts. Mr. Stiff's e-mail also alerted RPS to the fact that the April 25, 2016 letter, containing his final monthly benefit calculation, included two different gross monthly benefit amounts ($4382.00 and $4832.00). Mr. Stiff also asked RPS to confirm the formula used to determine his monthly benefit calculation.

9. On May 2, 2016, RPS sent an e-mail responding to his concerns.

   a. RPS again explained that the prior estimate erroneously included the retention incentive bonus. RPS explained that the February 23, 2016 estimate corrected this error and noted that the February 23, 2016 estimate was provided to Mr. Stiff at his retirement appointment with RPS.

b. RPS also explained that the reason the April 29, 2016 letter contained two different final monthly retirement benefit amounts was due to an error and stated that Mr. Stiff's final monthly retirement benefit is $4,382.00.

c. Finally, RPS explained the formula used to calculate the benefit payment Mr. Stiff received on April 21, 2016.

10. On May 10, 2016, Mr. Stiff sent another email stating that he never received the February 23, 2016 estimate. Mr. Stiff asserted that he brought the November 20, 2015 estimate with him to his retirement meeting and claims that RPS confirmed that the estimate was accurate. Mr. Stiff asserted at the Pension Board meeting that the retirement specialist stated that the amount was going to be a little higher than the estimate.

11. Mr. Stiff met with Ms. Ninneman on June 1, 2016 to discuss his questions related to his pension benefit. At the meeting, Ms. Ninneman informed Mr. Stiff that he could appeal RPS's determination to the Pension Board.

12. On August 2, 2016, Mr. Stiff sent a letter to RPS confirming his appeal at the Pension Board meeting on September 28, 2016. Mr. Stiff also requested RPS provide him with:

a. "All Milwaukee County employees who were given, in writing, specific retirement calculations and then post retirement were provided with a different set retirement calculations, due to the fault of Milwaukee County Resources."

b. "All outcomes of the aforementioned request."

13. On August 24, 2016, RPS sent a letter to Mr. Stiff in response to his document request. RPS outlined the steps necessary to comply with Mr. Stiff's request, including all potential complications. RPS estimated that Mr. Stiff's request would require approximately 4,050 hours of staff time. RPS also estimated that it would cost about $66,217 to complete his request. RPS informed Mr. Stiff that if he would like RPS to pursue his document request, Mr. Stiff must pay the estimated amount prior to RPS commencing the document collection.

14. On September 14, 2016, Mr. Stiff sent a renewed request for the documents he requested on August 2, 2016. Mr. Stiff also informed RPS that if he did not receive the documents by September 21, 2016, he would assume his appeal had been postponed. Mr. Stiff included no payment for the estimated cost of fulfilling his request with his September 14, 2016 request.

15. RPS spoke to Mr. Stiff by phone, and Mr. Stiff agreed to pursue his appeal without the requested documents.

16. Mr. Stiff appeared in person at the Pension Board meeting. Mr. Stiff spoke to the Pension Board and alleged that he made certain life decisions based on the benefit estimate provided to him by RPS.

    a. Mr. Stiff stated that he sold his home at the end of December, and he bought another home based on the figures provided to him by RPS.

    b. Mr. Stiff also stated that he increased his monthly expenditures but did not provide additional details related to those expenditures except to say that he purchased a new home.

17. Mr. Stiff further asserted at the Pension Board meeting that if he had known the estimate was lower, he would have continued to work for an additional two to three years. Mr. Stiff acknowledged that RPS explained the mistake to him, but he stated that the explanation was unsatisfactory to him because he made life decisions based on the estimates.

<u>Pension Board Conclusions</u>.

18. The retirement estimates provided by RPS are designated as estimates and state that the cited monthly retirement benefit amounts "are estimates and will change when the final calculation is determined."

19. Ordinance section 201.24(5.15)(2) provides for a final average salary bonus for individuals whose initial membership in ERS began prior to January 1, 1982. Mr. Stiff became a member of ERS on September 8, 1989. Accordingly, Mr. Stiff's membership date does not qualify him for the retention incentive bonus based on the terms of Ordinance section 201.24(5.15).

20. The Pension Board finds that Mr. Stiff is ineligible for the retention incentive bonus in Ordinance section 201.24(5.15) because his membership date occurred after that required by the Ordinance. Accordingly, Mr. Stiff's benefit should not include the retention incentive benefit.

21. Mr. Stiff alleges that he relied upon the initial estimate in his decision to retire and to purchase a new home. Mr. Stiff also alleges that he would not have retired had he known the actual amount of his benefit. However, Mr. Stiff was advised in the pension estimate letter that the initial calculation he received was an estimate and that the estimate will change when his final calculation is determined.

22. The Pension Board finds Mr. Stiff is being paid a benefit based on his service and the Ordinances and Rules. The Pension Board must administer ERS based on the Ordinances and Rules as stated. To do otherwise jeopardizes the qualification of ERS under the Internal Revenue Code.

    a. A court in at least one prior case has determined that the Pension Board is not authorized to grant equitable relief when the relief requires the Pension Board to circumvent the language of the Ordinances and Rules. See Mielcarek v. Pension Bd. of the Emps.' Retirement Sys. of the Cnty. of Milwaukee, No. 11-CV-1095 (Wis. Cir. Ct. Branch 8 Oct. 31, 2011).

    b. Accordingly, the Pension Board finds that Mr. Stiff cannot receive an increased pension benefit, despite the initial estimate he received, because he is ineligible for the benefit enhancement.

Motion by Mr. Byrne, seconded by Ms. Funck.

(3) <u>Willie Watkins Appeal</u>

The Pension Board voted 4-1-1, with Mses. Braun, Funck, Van Kampen and Mr. Byrne approving, Mr. Harper opposed, and Mr. Gedemer abstaining, to deny the appeal by Willie Watkins. Motion by Ms. Van Kampen and seconded by Ms. Funck. The motion failed to pass because it lacked the necessary five votes as required by Ordinance section 201.24 (8.5).

9. Pending Litigation

(a) *Tietjen v. ERS*

The Pension Board took no action on this item.

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

The Pension Board took no action on this item.

(c) *Mecouch v. ERS*

The Pension Board took no action on this item.

(d) *Walker v. ERS*

The Pension Board took no action on this item.

(e) *Baldwin v. ERS*

The Pension Board took no action on this item.

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

The Pension Board took no action on this item.

(g) *Wilson v. ERS*

The Pension Board took no action on this item.

10. 457 Transfer Agreement

Mr. Huff briefly summarized the Transfer Agreement (the "Agreement"). The Agreement will allow ERS to transfer funds back to the Milwaukee County Plan of Deferred Compensation (the "457 Plan"). These funds were previously contributed to ERS by members from their 457 Plan accounts to purchase buy-ins/buy-backs. These funds have been in limbo while the Voluntary Correction Program ("VCP") application was pending approval by the IRS. The IRS recently approved ERS's VCP application and these funds can now be transferred back to the members' 457 Plan accounts. The Agreement will allow for the transfer of such funds.

In open session, the Pension Board unanimously approved authorizing the Chair or Vice Chair to execute the Agreement. Motion by Mr. Harper, seconded by Mr. Byrne.

11. Actuarial Valuation Error

The Pension Board took no action on this item.

12. Report on Compliance Review

The Pension Board took no action on this item.

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

(a) Retirements Granted-July & August 2016

Ms. Ninneman first presented the Retirements Granted Report for July 2016. Thirty-one retirements from ERS were approved, with a total monthly payment amount of $46,234.92. Of those 31 ERS retirements, 21 were normal retirements, 9 were deferred and 1 was an ordinary disability retirement. Seventeen members retired under the Rule of 75. Thirteen retirees chose the maximum option. Sixteen retirees elected backDROPs in amounts totaling $2,499,597.86.

Ms. Ninneman next presented the Retirements Granted Report for August 2016. Twenty-three retirements from ERS were approved, with a total monthly payment amount of $35,890.00. Of those 23 ERS retirements, 14 were normal retirements, 8 were deferred and 1 was an ordinary disability retirement. Eleven members retired under the Rule of 75. Ten retirees chose the maximum option. Nine retirees elected backDROPs in amounts totaling $1,461,361.86.

Ms. Ninneman then reported high backDROP amounts are anticipated for September 2016 with one backDROP amount in excess of $1 million. Ms. Ninneman noted that because the Pension Board is meeting one week later in the month, the retirement data for the current month could be included instead of lagging one month behind.

(b) Retirement Plan Services Update

Ms. Ninneman reported that RPS remains fully staffed and should reach its goal of completing any backlog projects by September 30, 2016. The two recently-hired retirement analysts have completed training and the members of the leadership team assisting with other tasks can now resume their own duties. Ms. Ninneman also reported the RPS manager and all four retirement analysts are studying to take the Certified Retirement Counselor ("CRC") exam in April 2017. The next preretirement session will be held at the Zoofari Conference Center October 25, 2016 from 1 p.m. to 4:30 p.m.

(c) Administrative Corrections

Ms. Ninneman reported RPS staff is currently working overtime to complete the VCP correction calculations by the November 21, 2016 deadline. RPS was able to automate the calculation process and is currently verifying the calculations plus interest to the payment date.

Ms. Ninneman concluded her report by inviting the Board members to visit the RPS office and ask questions regarding any of the duties RPS performs on a day-to-day basis.

In response to a question from Ms. Braun, Ms. Ninneman confirmed her invitation to the Board includes attending the preretirement session and individual member retirement sessions.

(d) Fiscal Officer

Ms. Lausier distributed and discussed the July 2016 and August 2016 cash position reports. In July withdrawals of $1.5 million from J.P. Morgan fixed income and $19 million from Morgan Stanley real estate were used to assist with funding monthly disbursements. Disbursements in August were in part funded by a withdrawal of $12 million from the MCM Stock Index and the remaining amount from cash. GMO was liquidated at the end of August and $65 million was transferred from GMO to Segal Bryant in the beginning of September. In early September, ERS received the first installment of 2016 contributions from Milwaukee County for $15.6 million. The second 2016 contribution installment from the County is projected to occur in October for $15.9 million and the final installment in December for $15.5 million.

Ms. Lausier next distributed and discussed the July 2016 and August 2016 portfolio activity reports. July and August were fairly flat and uneventful months with little activity in terms of net realized and net unrealized gains or losses. In July, capital calls were received from Mesirow for $900,000 and Adams Street for $1.65 million. No capital calls were received in August.

Ms. Lausier then distributed and discussed a report detailing the funds approved by the Board for disbursements. Ms. Lausier noted that all funds available for the 2016 third quarter have been used. Ms. Lausier then requested $55 million for 2016 fourth quarter funding.

The Pension Board unanimously approved the liquidation of assets to fund cash flow of $55 million for 2016 fourth quarter funding. The amounts should be withdrawn from investments designated by Marquette. Motion by Mr. Gedemer, seconded by Ms. Van Kampen.

Ms. Ninneman continued with a discussion of the VCP funding request. Ms. Ninneman reported that once the VCP calculations are complete, ERS must pay out close to $11 million before November 21, 2016.

The Pension Board unanimously approved authorizing the liquidation of $11 million in assets for the VCP funding request. The amounts should be withdrawn from investments designated by Marquette. Motion by Mr. Byrne, seconded by Mr. Gedemer.

Ms. Lausier concluded with a discussion of ERS's top ten vendor list through June 30, 2016. Ms. Lausier explained the first entry on the list to the Milwaukee County Treasurer represents ERS's annual reimbursement to Milwaukee County for 2015 salaries, benefits and administrative expenses which the County initially paid on ERS's behalf.

Ms. Braun then questioned why the $586,000 in payments to Vitech Systems Group as of June 30, 2016 is so close to the annual budgeted amount of $635,000. Ms. Lausier stated the approximately $19, 000 in quarterly co-development costs are being allocated into the maintenance/hosting costs and these costs were originally allocated differently in the budget. In response to a follow-up question from Ms. Braun, Ms. Lausier confirmed these costs will be realigned for the 2017 budget.

In response to a question from Ms. Braun, Ms. Lausier confirmed the payments to Aon Risk Services Central are on par with the budget and explained they are for ERS's liability insurance premiums.

14. Administrative Matters

The Pension Board discussed upcoming conference attendance to the Public Pension Financial Forum 13th Annual Conference in Charleston, South Carolina October 23-26, 2016.

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

The Pension Board concluded with a discussion of additions and deletions to the Pension Board, Audit Committee and Investment Committee future topic lists.

Mr. Carroll suggested the Audit Committee schedule a future topic discussion regarding the fiscal analysis issue. Mr. Carroll explained recent changes to the County Ordinances require the Pension Board to obtain a fiscal analysis prior to making any decision that would potentially affect the benefit of two or more current or future members. Mr. Carroll suggested the Audit Committee discuss the process and timing as there are arguably some ambiguities in what the Ordinance requires.

Mr. Huff concluded by suggesting the Audit Committee schedule a future topic discussion relative to Marquette's comments on the level of detail in the meeting minutes and website postings. Mr. Huff suggested the Audit Committee analyze what level of reporting is required and allowable under the open meetings and open records laws while maintaining transparency.

15. Adjournment

The meeting adjourned at 2:05 p.m.

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

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