

EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE
MINUTES OF THE DECEMBER 15, 2010, 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

Linda Bedford (Vice Chair)
Donald Cohen
Mickey Maier (Chairman)
Jeffrey Mawicke
Dr. Sarah Peck
David Sikorski
Guy Stuller
Donald Weber

Members Excused

Keith Garland

Others Present

Mark Grady, Principal Assistant Corporation Counsel
Gerald Schroeder, ERS Manager
Rick Ceschin, County Board Research Analyst
Dale Yerkes, ERS Fiscal Officer
Roger Kirkenbush, Assistant to the Fiscal Officer
Bess Frank, Retiree
Ken Loeffel, Retiree
Sushil Pillai, Joxel Group
John Paprocki, Joxel Group
Scott Brown, Morgan Stanley Real Estate Prime Property Fund LLC
Brett Christenson, Marquette Associates, Inc.
Ray Caprio, Marquette Associates, Inc.
Steven Huff, Reinhart Boerner Van Deuren s.c.
Bill Mollenhauer, AFSME Council 48
Mark Sweet, Attorney for Christine Mielcarek
Christine Mielcarek, Former Milwaukee County Employee
Owen Mielcarek, Spouse of Christine Mielcarek
Lucky Crowley, ERS Member

3. Minutes — November 17, 2010, Pension Board Meeting

The Pension Board reviewed the minutes of the November 17, 2010, Pension Board meeting.

The Pension Board unanimously approved the minutes of the November 17, 2010, Pension Board meeting. Motion by Ms. Bedford, seconded by Mr. Sikorski.

4. Reports of ERS Manager and Fiscal Officer

(a) Retirements Granted, November 2010

Mr. Schroeder presented the Retirements Granted Report for November 2010. Fifteen retirements were approved in November, with a total monthly payment amount of \$13,345. Of those 15 retirements, 8 were normal retirements and 7 were deferred vested retirements. Two retirees elected backDROPs in amounts totaling \$329,804.

Mr. Schroeder indicated there are 42 retirement appointments scheduled for December 2010 and 47 scheduled for January 2011. There are already 18 scheduled for February 2011. Thus, ERS expects a significant number of retirements in the first quarter of 2011.

(b) ERS Monthly Activities Report, November 2010

Mr. Schroeder presented the Monthly Activities Report for November 2010. ERS had 7,488 retirees at the end of November 2010, with a monthly payout of \$12,276,704.

Mr. Schroeder then presented and distributed copies of a 2010 Demographics Report of the ERS retiree population. The current ERS retiree population is approximately 60% female. Regarding age, 34% of the retirees are over 75 years old and 49% are between ages 61 and 75. Nearly 54% are single. Concerning the pension type, 72% selected a normal retirement. Regarding pension options, 47% chose the maximum benefit option and 22% chose Option 3. Relating to pension amounts, 41% have a monthly pension of \$1000 to \$2000 and 35% have a monthly pension amount less than \$1,000. Approximately 87% of retirees live in Wisconsin, of which nearly 64% live in Milwaukee County. The most popular out-of-state retirement residences for ERS retirees are Arizona, Florida, Texas, California, and Nevada.

Mr. Schroeder next provided an update on the employee election in February 2011. Nomination papers were issued and available on December 6, 2010. To date, two individuals have picked up nomination papers. Nomination papers must be submitted by January 3, 2011. In response to a question from the Chairman, Mr. Schroeder stated that there is a regular procedure ERS follows to notify individuals of the employee election, which includes e-mail blasts, providing passwords, and informing employees that they should vote electronically. In response to a question from the Chairman, Mr. Schroeder confirmed that the total number of active employees is a little over 4,000.

Mr. Schroeder then noted that in April 2011, the term of Ms. Bedford will expire and she will have reached her term limit. Additionally, at that time, there will be potential reappointments or new appointments for the seats on the Pension Board held by the Chairman, Mr. Mawicke, and Dr. Peck.

Mr. Schroeder then provided an update on the 2011 customer service survey results, indicating that an exit survey is performed for every retiree. The return rate was 72%. Of all respondents, 92% gave ERS an Excellent rating, 7% a Good rating, and 1% an Average rating. Some of the statements provided were very complimentary, which is evidence that ERS is providing good customer service. The Chairman agreed that the ratings were very positive.

Mr. Schroeder next presented an update regarding the transition of clerical staff to advisor and counselor positions. ERS expects this to be a two-year process. Most ERS staff is college-educated and in the process of being tested and certified in the State of Wisconsin as counselors. In addition, ERS staff are notaries and perform a number of other functions. Over the next year, ERS will make a significant effort to recruit higher-educated individuals to help ensure ERS continues to provide a high level of customer service.

Mr. Schroeder concluded by providing an updated directory to all Board members.

(c) Fiscal Officer/Cash Flow Report

Mr. Yerkes first introduced Roger Kirkenbush as the new ERS Fiscal Officer Assistant.

Mr. Kirkenbush stated that his last position was at Waukesha County Technical College as an administrator for accounting and finance programs. Prior to that, he worked as an accountant at Strong Funds, now Wells Fargo, where he gained investment experience. He is also a CPA. Mr. Yerkes stated that Mr. Kirkenbush has IT experience and can help with the V-3 System.

Mr. Yerkes then distributed a Portfolio Activity report for November 2010, indicating that November cash flow of \$15 million was funded from the U.S. equity asset class. All benefits and pension expenses were a little below normal. Additionally, there were no large backDROP payments.

At the request of the Chairman, Mr. Christenson stated that there will likely be a capital call from American Realty on January 3, 2011, or January 4, 2011. Marquette would like to change an earlier recommendation to fund the capital call from ERS bond investments. This is because the stock market has been strong for a few months and the bond market has been down, thus ERS is underweight to bonds. Marquette now recommends funding the American Realty capital call from the asset class where the ERS fund is overweight, as determined by Marquette.

The Pension Board unanimously agreed to accept Marquette's recommendation to fund the American Realty capital call from the asset class or classes where ERS is overweight as determined by Marquette. Motion by Mr. Sikorski, seconded by Ms. Bedford.

Mr. Yerkes then discussed the 2011 cash flow. He noted that the actual amount the County will contribute for 2011 may be different than the forecasted amount. The County has not adopted a final plan regarding funding and the timing of the funding. The Chairman suggested this issue be added as a future agenda item so that projected and actual funding can be compared.

In response to a question from Mr. Weber regarding what County Ordinances and state law require as to its funding, Mr. Grady stated that County Ordinances allow the County to underfund or overfund.

Any shortfall in the contribution is amortized over the next five years. He indicated that County Ordinances govern issues relating to the County contribution, not state law.

Mr. Yerkes then requested Board approval to fund cash flow for the next quarter. He projected that ERS will need approximately \$15 million in January 2011, \$10 million in February 2011, and \$10 million in March 2011.

The Pension Board unanimously approved the liquidation of assets to fund cash flow of \$15 million for January 2011, \$10 million for February 2011, and \$10 million for March 2011. The amounts should be withdrawn from investments designated by Marquette. Motion by Mr. Weber, seconded by Ms. Bedford.

The Chairman then noted the motion to approve the 2011 Pension Fund Budget at the November 2010 Pension Board meeting failed to pass. In response to the Chairman's request for additional information as to the dissention, Mr. Stuller stated his concern is the way that expenses are paid. The Chairman explained that nothing is changing from prior years with the way expenses are funded. He explained that ERS is charged back expenses by the County when the County pays expenses. ERS then amortizes the expenses over ten years, and they are added to the County's cost of funding ERS. Mr. Stuller stated his opinion that the County should pay expenses directly rather than financing them.

The Pension Board voted 4-3, with Dr. Peck, Ms. Bedford, and Messrs. Mawicke and Maier approving, and Messrs. Sikorski, Weber, and Stuller dissenting, to approve the 2011 ERS Budget. Motion by Dr. Peck, seconded by Ms. Bedford. The motion failed to pass because it lacked the necessary five votes as required by Ordinance section 201.24 (8.5).

The Chairman then laid over the adoption of the budget and asked for consideration of alternatives the Board has with regard to the budget. He noted that the Board could approve the budget without approving reimbursement of all County chargebacks for expenses, which could be addressed at a later time.

Mr. Mawicke stated that his understanding of applicable law is when an entity creates any form of ERISA-type retirement plan, the creating body can decide to pay the costs of the plan or pass the

costs on to the plan. The sponsor can pay all, some, or none of the administrative costs. Mr. Huff agreed.

The Chairman stated that the Board has a fiduciary responsibility to ensure that expenses paid out of the fund are necessary and reasonable.

In response to a question from Mr. Stuller as to whether ERS must pay expenses if they are unreasonable, Mr. Mawicke stated that if the expense is an unreasonable and inappropriate expenditure, ERS can refuse to pay on a specific item-by-item basis.

Mr. Grady noted that ERS Ordinances address this topic. According to Ordinance section 201.24 (8.8), "All other expenses of the Board necessary for the operation of the Retirement System shall be paid at such rates and in such amounts as the Board shall approve." He stated that the Ordinance means ERS pays for ERS expenses and that those expenses will be reimbursed as part of the funding of ERS.

Mr. Weber then stated that his dissenting vote is because of the travel expenses included in the budget. He indicated that if travel expenses were considered separately, he would vote in favor of the 2011 budget. The Chairman responded that the budget must include a best estimate as to what expenses the Board is likely to experience over the next year. Opportunities for Board members to travel and attend educational conferences are considered by the Board separately. Additionally, the fiduciaries are required to become educated to the level necessary to perform their fiduciary duties. The Board tries to specifically pre-approve educational conferences at monthly meetings.

Mr. Weber stated that as long as there is a point at which he would be able to vote no when the Pension Board considers approval of educational expenses and travel, he would vote to approve the 2011 budget.

Mr. Mawicke asked for verification that the Board agreed about the budgeted expenses. Mr. Stuller responded by stating that he does not believe that any of the expenses are unreasonable or unnecessary, but that some of the expenses should be the responsibility of the County as the plan sponsor and that, therefore, in his opinion, the way the expenses are reimbursed is inappropriate.

The Chairman then requested a motion to approve the 2011 Pension Fund Budget.

The Pension Board voted 7-1, with Dr. Peck, Ms. Bedford, and Messrs. Mawicke, Maier, Sikorski, Weber, and Cohen approving, and Mr. Stuller dissenting, to approve the 2011 Pension Fund Budget. Motion by Ms. Bedford, seconded by Dr. Peck.

5. Investments

(a) Morgan Stanley Real Estate Prime Property Fund

Scott Brown of Morgan Stanley distributed copies of the Morgan Stanley Real Estate Prime Property Fund ("Fund") report.

Mr. Brown stated that he is a co-head of the Fund, which is a core, open-end and low-risk vehicle that has been in operation for 37 years.

Mr. Brown then described the types of assets in the Fund. The Fund has assets in the office, retail, apartment, industrial, hotel, and self-storage sectors, among others. The office sector generally has high-quality, well-located office products. The retail sector of the portfolio is comprised of five major regional malls. Though retail is a challenged sector, malls have experienced some strong sales growth. The apartment sector has performed well with an almost 10% rent growth in the portfolio. As job growth increases, 25- to 35-year olds should tend to be the largest age group of renters. There is a wave of 25- to 35- year olds ready to enter the work force when they can find employment.

Mr. Brown then discussed the Fund profile. The Fund has \$4.7 billion in net asset value and about \$7.2 billion in gross real estate assets. The Fund has 206 asset holdings and 151 investors. Positive income growth is expected because of the characteristics and high quality of its assets.

In response to a question from the Chairman about the self-storage sector, Mr. Brown stated that it has been volatile. However, an advantage of self-storage is the ability to diversify with a large number of tenants. Another advantage is that self-storage is not capital-intensive because it does not require reinvesting like with office space, and there are no tenant improvements. Additionally,

self-storage provides a good income-driven return, and thus generally has a higher cap rate than some of the other sectors.

In response to a question from the Chairman about whether there is significant overcapacity in the self-storage market, Mr. Brown indicated that they generally are in higher, very urban markets, like New York or Chicago. While Morgan Stanley was an early investor in self-storage, they may consider removal of the self-storage asset class in the future.

Mr. Brown discussed the Fund's debt profile as of September 30, 2010. The Fund was 37% leveraged at the end of September versus a target of 25% to 35%. Morgan Stanley has moved the amount of leverage from 47% to 37% in 2010. A positive aspect is that the Fund's debt is predominantly fixed rate with a weighted average cost, so the financing is attractive and managed to a low level of exposure.

Mr. Brown then commented that the timing of ERS coming into the Fund was good. Every asset is independently appraised quarterly; the Fund has outperformed the benchmarks on a one-year basis and is close to the benchmarks year-to-date.

Mr. Brown discussed the Fund's change since its peak value at the end of 2007 and whether it is a safe time to invest. The real estate market began to depreciate in 2008 with the impact of the recession. Depreciation continued until the Fund reached its lowest point in the fourth quarter of 2009 at about 72% of its peak value. Today the Fund is up to approximately 75% of its peak value. Mr. Brown believes that growth in the real estate market will be positive.

Mr. Brown next discussed the general real estate investment environment, stating that real estate is in a slow recovery period. Job growth must increase in order to stimulate demand for office buildings, apartments, or regional shopping malls. Mr. Brown further stated that for the recovery to continue, a large amount of deleveraging is required over time by financial institutions, consumers, and government agencies.

Mr. Brown then described the U.S. property investment environment. In 2010, vacancies are starting to slowly stabilize for all sectors. Across the Fund portfolio, Morgan Stanley has seen stronger demand than projected earlier in the year, which is generating strong income growth across assets. Overall, for real

estate, Morgan Stanley believes the next five years will have positive income growth in contrast to the large downward trend in income from 2008 to 2010.

Mr. Brown then discussed real estate pricing and relative value from February 2007 to October 2010. There were few transactions compared to the number of projected transactions for that time period. While public market prices corrected from peak to current levels, income from assets decreased significantly over that period of time. Rents have fallen as vacancy rates have increased, so while the relative cap rates have decreased, it is because income was adjusted from where it was in 2007. At Dr. Peck's request, Mr. Brown defined a cap rate as the operating income from an asset over the value of the price.

In response to a question from Mr. Mawicke regarding whether the cap rates will stay low, Mr. Brown stated that two factors are causing relatively low cap rates. First, the cost of debt is down significantly, where investors can borrow at 4% or 4½% over a 10-year period, which has a downward influence on cap rates. Also, there is the expectation for positive growth in real estate income streams. Many people accept a lower income today, knowing that there is the opportunity to increase that income over the next three to five years.

In response to a question from Mr. Mawicke regarding how the cap rates can be sustained, Mr. Brown stated he relates this to the cost of debt. Mr. Brown believes as interest rates rise, income from real estate investments will grow.

Mr. Brown then described the U.S. refinancing risk. \$2.6 trillion in commercial real estate loans will mature over the next five years. With low interest rate environments and with most lenders working with borrowers to refinance their debt, loan mature dates will likely be extended well into the future. A lot of equity is available to recapitalize certain assets.

In response to a question from the Chairman, Mr. Brown indicated that banks typically are refinancing in five- to ten-year terms.

In response to a question from the Chairman about the market potentially becoming overvalued, Mr. Brown stated he believes rents will not fall significantly.

In response to a question from Mr. Christenson about an estimate for the benchmark for the fourth quarter and for 2011, Mr. Brown stated he expects real estate to perform between 8% to 10% over the long term, at approximately 2% to 2½% per quarter.

(b) Marquette Associates Report

Brett Christenson and Ray Caprio of Marquette Associates, Inc. distributed quarterly and monthly reports.

Mr. Caprio first discussed the fixed income environment in November 2010. All sectors in the fixed income market had negative returns as yields arose. While fixed income is mostly viewed as conservative, it is also income-generating. However, like the stock market, it can be volatile, too. Marquette remains cautious about the bond market. Marquette will continue to monitor the bond market as the economy continues to grow.

Mr. Caprio then discussed U.S. equity markets, noting that while the bond market was negative in November, Marquette expects the stock market to remain positive because there is no correlation between them. Mid-cap and small-cap stocks were significantly positive for November 2010 and small-cap stocks outperformed large-cap stocks for the month. The return of the S&P 500 was 9.9% on a one-year basis while the return of the Russell 2000 index was 27% on a one-year basis. Additionally, energy stocks had a return of 5½% for November 2010. Since interest rates will likely increase over the next five years, economic growth in the stock market is expected.

Mr. Caprio then discussed the international equity market environment. Most international equity market indices had a negative return for November 2010, with the total international equity market down 3.7%. Much of the negative performance related to the debt issues in Spain, Portugal, Ireland, and Italy. These countries, however, only represent a small portion of the international market, and Marquette remains positive about the international market as a whole.

Mr. Christenson then presented the November 2010 flash reports. The ERS portfolio has a market value of approximately \$1.8 billion in assets through November 2010. Current allocation is very close to the target allocation in all asset classes of the portfolio. The ERS portfolio is currently about 2% underweight to its target allocation in real estate.

Mr. Christenson also stated that ERS is right at its target allocation in infrastructure at 7% and slightly underweight in private equity. Additionally, overall, ERS is slightly underweight in fixed income and slightly overweight on U.S. and international equities.

Mr. Christenson indicated that Marquette recommends that ERS not invest in the Adams Street 2011 Fund. In response to a question from Dr. Peck, Mr. Christenson stated that Marquette does not currently have an alternative for how ERS should fund private equity. The only alternative to committing to current funds in the market is to consider secondary allocations in historic calendar years. Marquette thought there could be an opportunity with a secondary market offering of an interest in an Adams Street Limited Partners fund, but currently there is not. Adams Street is a high-quality fund of funds firm. Marquette recommends that ERS not consider other funds in the secondary market at present.

Mr. Christenson then discussed the performance of the ERS fund. The return of the total Fund composite was -0.7% gross of fees for November 2010 and 8.4% gross of fees year-to-date through November 2010. Mr. Christenson estimates the Fund's return at 9% year-to-date through mid-December 2010. The stock market in December 2010 is up over 4% and the international equity market is up over 5%. The fixed income composite has a return of 8.2% year-to-date, beating the benchmark of 7.7%. The return of the U.S. equity composite is 11.9% year-to-date, outperforming the benchmark of 9.7%. The international equity composite has a return of 4.5% year-to-date, exceeding the benchmark of 3.5%. The ERS U.S. equity portfolio has a return of 16½% on a one-year basis, beating the benchmark of 12.6%.

Mr. Christenson then reported on the November 2010 manager returns. All managers are either outperforming or close to their benchmarks. However, Marquette is concerned with Reinhart Partners and the GMO large cap value fund. Reinhart Partners is up 14½% year-to-date versus the benchmark of 19%. The performance of Reinhart Partners on a three- and four-year basis is slightly below the benchmark, although they have outperformed the benchmark on a five-year basis. Marquette is monitoring Reinhart Partners to see if they rebound.

The GMO large cap value fund has underperformed the benchmark over most time periods but has outperformed the benchmark on a 10-year basis. Therefore, the GMO large cap value fund is on alert. At

a future Board meeting, Marquette will likely have a recommendation to downgrade GMO to on notice if their performance does not improve.

In response to a question from the Chairman as to whether or not to reinvest income, Mr. Christenson stated that it may be time to reconsider reinvesting dividends from its infrastructure managers and real estate managers. These asset classes were funded up to the target allocations much quicker than Marquette expected. If ERS were not close to its targets, it should keep reinvesting to reach its target allocations. In response to a question from Mr. Grady about any issues in changing this process, Mr. Christenson stated that there is no cost to the Fund and he does not anticipate a problem obtaining the agreement to allow the change.

In response to question from Mr. Mawicke about what happens when cash stays in the infrastructure fund because there is not enough volume to reinvest it, Mr. Christenson stated that it becomes part of the fund's performance. Currently, both infrastructure managers have a large queue of money coming in that they use with the cash to purchase more properties. Both products are leveraged about 50% to 55%, so they can also pay down debt with the cash.

In response to a question from the Chairman as to ERS ability to add back to the real estate or infrastructure asset classes if ERS became underweight, Mr. Christenson stated that Marquette is confident that, if necessary, ERS can likely increase its allocation to real estate or infrastructure quickly.

In response to a question from Dr. Peck about how the ERS fund is overweight in its equity asset classes, Mr. Christenson stated that Marquette is more concerned going forward that ERS will start to be overweight in infrastructure and real estate. Marquette recommends that ERS have the dividends on all real estate and infrastructure managers come back to the portfolio in cash in order to help Marquette rebalance the Fund closer to its target allocations.

The Pension Board unanimously approved the notification of ERS real estate and infrastructure managers to distribute dividends directly to ERS rather than reinvesting them in the Fund. Motion by Dr. Peck, seconded by Ms. Bedford.

In response to a question from Ms. Bedford as to how close ERS is to making an investment in the JP Morgan infrastructure product,

Mr. Christenson stated that it is fully funded and ERS has invested approximately \$60 million with JPMorgan and approximately \$66 million with IFM. The only remaining ERS allocation will be to UBS, which is a \$15 million commitment. As American Realty calls ERS funds, ERS will be close to its target allocation for real estate.

6. Investment Committee Report

Dr. Peck reported on the December 6, 2010, Investment Committee meeting. She stated that the Investment Committee brought in Reinhart Partners to question them on their investment process because they have been underperforming relative to their benchmark. The Investment Committee will monitor their performance over the next year to see if they can improve. If not, the Investment Committee will consider putting them on alert.

The Chairman stated and Dr. Peck agreed that Reinhart Partners returns have primarily been positive, however they are just not outperforming their benchmark. The Chairman indicated the Board may have to consider whether another manager will perform better.

7. Audit Committee Report

Messrs. Stuller and Schroeder reported on the December 2, 2010, Audit Committee meeting.

Mr. Schroeder first noted that the Audit Committee discussed the idea of moving up the Annual Report by one month. Rather than reporting to the Pension Board in June, the Audit Committee will have Buck Consultants present on May 18, 2011. ERS already started the planning process with Buck Consultants and will meet with them weekly to coordinate the effort.

Mr. Schroeder then noted that the Joxel Group presented at the Audit Committee regarding the investment assessment project. The Audit Committee asked the Joxel Group to present for the full Board. As part of its last two annual audits, Baker Tilley recommended that ERS and the Pension Board perform more checks and balances on the investment fund. Mr. Schroeder explained that the Joxel Group examined procedures, policies, and practices to determine whether ERS is handling its affairs correctly and following best practices.

Mr. Pillai of the Joxel Group then introduced John Paprocki, a Senior Executive with the Joxel Group. Mr. Paprocki is a financial advisor and has experience as a CFO with multiple corporations. Mr. Paprocki also

holds a seat on many boards and has performed many investment assessments and audits for various boards. He will make recommendations based on best practices.

Mr. Paprocki presented the Joxel Group report. He stated that the Joxel Group conducted several extensive interviews with Board members, Investment Committee members, the BNY Mellon team, and the audit team, and performed several detailed walk-throughs of the transactions authorized by the Pension Board. Results show that there were no material weaknesses in controls. While the Joxel Group did see some need for enhancements, the Pension Board already has some best practices in place. Some of these best practices include the use of an independent investment consultant, the use of an independent custodian, and the development of a revised Statement of Investment Policy.

Mr. Paprocki then explained recommendations for the Pension Board. First, the Joxel Group recommends a formal, periodic review of the investment consultant and custodian by the Investment Committee and the Pension Board. Also, the Joxel Group recommends that the Pension Board formally request RFQs for outside services to determine the reasonableness of fees and services. Additionally, the Joxel Group recommends that the custodian be required to present to the Investment Committee or Pension Board a summary of its valuation procedures. Further, the Joxel Group recommends that the investment consultant's electronic notification to ERS regarding the authorization of transactions approved by the Board be more timely.

Mr. Paprocki then stated that recommendations for the activities of the ERS Fiscal Officer include a periodic discussion with the investment consultant on fund managers currently on the watch list, and an examination of fund managers' compliance on a rotating basis. Additionally, the Joxel Group recommends ERS increase its use of BNY Mellon's Workbench tool. Finally, the Joxel Group noted that it is not necessary for ERS to periodically review market values or to hire an internal investment manager.

In response to a question from the Chairman about compliance by fund managers, Mr. Paprocki clarified that he was referring to everything required by the Statement of Investment Policy, and that parameters should be set for fund managers accordingly.

In response to a statement from the Chairman about the decision-making responsibilities of the Fiscal Officer, the Investment Committee, and the

Pension Board, Mr. Paprocki stated the decision-making process should be a cooperative effort among all of them.

In response to a question from the Chairman and Mr. Weber, Mr. Schroeder indicated that ERS thinks the recommendations are helpful and ERS is in the process of expanding fiscal operations to include small-scale internal audits and assessments based on recommendations of the Investment Committee or the Board.

The Chairman suggested that it may be a good idea to bring in BNY Mellon on an annual basis to report on what the custodian is doing and address any issues. Mr. Grady suggested interviewing BNY Mellon in place of an investment manager at a monthly meeting.

The Chairman then suggested that the Joxel Group Report be considered later so Board members have time to thoroughly review it.

The last item the Audit Committee discussed was the ERS Rule change for the employee election. Mr. Grady indicated the ERS Rule relating to the employee election process needs to be updated to accommodate the electronic and telephone voting method, as Mr. Schroeder requested.

Mr. Grady then discussed the redlined changes to ERS Rule 1020. The changes include the possibility of voting and notices going out by mail or email, the closing hour of the office from 5:00 p.m. to 4:30 p.m., with specific dates throughout the rule for the timeline. The statement of candidates changed from 75 words to 300 words to allow candidates to include more information about their platforms. Additionally, if only one candidate files nomination papers, an election will not be held. The electronic process now draws randomly for order of appearance on the ballot. Elections can now be computer-, internet-, or telephone-based. The default is now the electronic and telephone system, but the Board can still decide to hold a paper ballot election. Finally, changes to ERS Rule 1034, the retiree election rule, mirror changes to ERS Rule 1020.

Mr. Grady then stated that Mr. Schroeder indicated at the Audit Committee meeting that for the last employee election which used electronic voting, some employees still requested a paper ballot to complete, either because they did not want to use electronic or telephone voting or because they were going to be gone during the voting window, which is essentially an absentee ballot process. Mr. Schroeder responded by providing paper ballots to those employees.

Mr. Stuller indicated that he wanted to adopt in the rules a process to allow write-in votes. In response to a question from Ms. Bedford and Dr. Peck, Mr. Stuller indicated that write-ins exist as part of any election process. There should be enough lead-time for anyone interested in running to be placed on the ballot. Mr. Grady indicated that Mr. Stuller ran for election as a write-in candidate at one time and came in second. Other reasons for write-ins are that decisions are made late, or there are not enough nominations initially. Mr. Schroeder stated that ERS' intent in seeking nomination papers for the last election was to screen individuals, verify they are employees, verify that petitions are signed, and have a vetting process. He explained that ERS changed to four-day voting, Monday through Friday, and to telephone and computer voting, to attempt to accommodate members.

Mr. Schroeder stated that as few as one paper ballot was handed out at the last election, but there was no need because employees could vote using any computer or phone. He stated that although some employees may not be comfortable voting using the internet, the phone is universal.

In response to a question from Mr. Weber about audit trails for electronic voting, Mr. Schroeder stated that fraud safeguards are built into the voting process. For example, employees can only vote if they have a valid password, electronic voting is continually monitored, and results can be tabulated at any time. Mr. Grady stated that the electronic and telephone voting process is subcontracted to a company called Votenet that has built-in quality control, such as unique, individual passwords.

Mr. Schroeder indicated that Votenet does not accommodate write-in votes or large scale paper ballots. For any paper ballot at the last election, Votenet, at ERS' request, keyed in the paper ballot as an exception to the process.

Mr. Stuller asked whether it is necessary for ERS to follow election laws, election commission rules, and regulations, to which Mr. Grady responded that ERS is not governed by Wisconsin election laws, other than laws on campaigning.

The Chairman indicated ERS saved costs, manpower, and time when the electronic method was adopted and that ERS would take a step backwards by allowing a full paper ballot election. Mr. Schroeder stated that paper voting used to cost ERS \$40,000 to \$50,000 overall, and the Votenet contract costs \$5,000 to \$9,000. In response to a question from Mr. Weber, Mr. Schroeder further stated that ERS had a 10% voting rate with paper ballots, but with a marketing blitz to get people to vote, accommodating

them with telephone and computer voting and a four-day voting period, the voting rate increased to 15%.

Mr. Weber stated his concerns about using telephone and computer voting, indicating those methods could scare people away from voting.

The Pension Board voted 6-2, with Messrs. Stuller and Weber dissenting, to approve revised Rule 1020 and revised Rule 1034 attached to these minutes as Exhibits A and B. Motion by Mr. Cohen, seconded by Dr. Peck.

8. Proposed Ordinance Amendments

Mr. Grady discussed a cover memo dated December 7, 2010, and attached resolution for the County Board's request to require a payroll contribution to the pension system of 2% to 4% by non-represented employees and elected officials. A new section is added to the pension Ordinances that calls for this member contribution, which starts at 2% at the beginning of the year, increases to 3% in the middle of the year, and reaches 4% at the end of the year for non-represented employees. The contribution remains at 2% all year for elected officials. The contributions are to be made on a pre-tax basis.

Mr. Grady indicated that there is also a refund provision. Employees who are not vested in their pension benefits and who decide to leave employment will have the option to request within 60 days of their termination a refund of the contributions that they made with 5% interest. They will lose any rights under the system if they elect this option. If they return to County employment, there is no provision for them to repurchase that credit; once the money is taken out of ERS, it is gone.

Mr. Grady stated that employees who make contributions now, optional members, are people who would normally be covered by the OBRA system but have opted to pay 6% of their salary into ERS to become ERS members. Those few people will not be subject to this additional contribution—they are only responsible for the 6% contribution.

In response to a question from Dr. Peck, Messrs. Grady and Huff both stated employees are allowed to receive a refund of the contribution with interest only when they leave employment.

Mr. Grady then noted there is also additional language to maintain consistency with the IRS contribution limits. Essentially, these

contributions are not going to affect those limits. Mr. Grady then noted that there will be some implementation costs involved.

Mr. Grady then suggested a motion on the Ordinance amendments consistent with prior motions that the Pension Board has no comment with respect to the policy embedded in the change, but that administrative costs should be noted.

In response to a question from Mr. Mawicke, Mr. Grady stated his estimate is that non-represented are about 10 to 15% of employees and represented are about 85% to 90%.

The Chairman then reiterated that part of the Pension Board's fiduciary responsibility is to make sure the people who are entitled to get benefits get them, that the Board invest the funds that have been contributed to the fund as prudently as possible from a risk and return basis, and that the Board provide oversight to the staff and to ERS to make sure that they are doing their jobs. The level of County pension benefits is not within Board responsibility. Mr. Huff added that another responsibility is to keep the Plan tax qualified, to which the Chairman agreed, and the language used in the amended Ordinance was chosen for that purpose.

Mr. Grady stated he did not think rule changes would be required as this is an ordinance change, but that he would look into it.

In response to a question from Mr. Stuller, Mr. Grady reaffirmed that the choice to take a refund is voluntary. If a former employee does not take a refund and comes back to the County, he or she can still receive the money or a pension. If an employee does not return, he or she loses the money.

Mr. Grady then stated that the contributions the employees make have no effect on the size of their benefit. The benefit formulas have not changed and the employee will receive the same defined benefit he or she would have received before the system was adopted. This resolution is just a way for the County to pass some of the costs of funding the system to the employees.

In response to a question from the Chairman, Mr. Schroeder stated that the impact on ERS to administer this contribution should be minor. While ERS already accommodates individuals who make contributions, the V-3 System will require some reprogramming. Estimated costs are a one-time Vitech fee between \$50,000 and \$100,000.

In response to a question from Mr. Weber, Mr. Grady stated the Pension Board Ordinance has no impact on retirees.

In response to a question from Mr. Sikorski, Mr. Grady stated that most likely the Human Resources department will notify employees of the 60-day right to request funds at the time of termination. Mr. Grady suggested that the topic be discussed at next month's Audit Committee meeting, along with the possibility of modifications to the annual pension statement to show these accumulated contributions, as suggested by Mr. Stuller.

Mr. Weber stated that he believes the Board is involving itself in negotiations with the unions by approving this and asked that the Board keep this in mind.

The Pension Board voted 7-1, with Mr. Stuller dissenting, to adopt the following resolution:

The Pension Board offers no formal comment regarding the proposed Ordinance amendments to sections 201.24(3.11), 201.24(3.3), 201.24(11.1), and 201.24(12.2) of the Milwaukee County Code of General Ordinances and waives the balance of its 30 day comment period provided for under section 201.24(8.17) of the Milwaukee County Code of General Ordinances. The Pension Board notes that computer system updates to implement the proposed Ordinance amendments are estimated to have a one-time programming cost to the System of between \$50,000 and \$100,000. The Pension Board believes that it is in the best interest of the Employees' Retirement System ("ERS") for the County Board to adopt Ordinance amendments which enhance and preserve the assets of ERS and clarify the intended operation of the Ordinances.

Motion by Dr. Peck, seconded by Mr. Cohen.

9. Administrative Matters

The Chairman suggested deferring the future topics agenda item and the conferences and educational sessions agenda item to the next Pension Board meeting. He asked that anyone with future topic suggestions approach Mr. Grady, Mr. Schroeder, or himself. Additionally, the Chairman requested a report at the next meeting from the members who attended the International Foundation annual meeting.

10. Fiduciary Liability Insurance Renewal

Mr. Grady discussed approving the fiduciary liability insurance policies, noting the memo from the County Risk Manager who helps administer ERS insurance coverage. The market is down to three or four insurance companies and all of them but the current carriers declined to bid on ERS' coverage. AIG has been insuring ERS for the past few years and has agreed to a coverage amount of \$30 million, in three layers of \$10 million each, which is consistent with the amount of insurance for similarly-sized pension plans. AIG also agreed to provide the first layer of continuing insurance on the same terms at approximately a 4% decreased premium. This is remarkable because the premium is based in part on the size of ERS assets. As assets increase, so do the premiums, and ERS assets have increased dramatically with the funding of the pension obligation bonds. Despite this, the premium has decreased. Additionally, AIG is aware of the Mark Ryan lawsuit and the Travelers lawsuit.

In response to a question from Mr. Weber, the Chairman clarified that the American International Group is not the direct insurer. Mr. Grady and the Chairman explained that although AIG is the ultimate parent company, the insurance and the capital base to fund the insurance is a separately capitalized insurance subsidiary.

The Pension Board voted 7-1, with Mr. Weber dissenting, to approve the renewal of its existing fiduciary liability insurance policies for one year, with an aggregate premium of \$319,346 and a coverage amount of \$30 million. Motion by Mr. Cohen, seconded by Mr. Sikorski.

Ms. Bedford moved that the Pension Board adjourn into closed session under Section 19.85(1)(g) with regard to Items 11, 12, 13, and 14 for the purpose of the Board receiving oral or written advice from legal counsel concerning strategy to be adopted with respect to pending or possible litigation. At the conclusion of the closed session, the Board may reconvene in open session to take whatever actions it may deem necessary concerning these matters.

The Pension Board voted by roll call vote 7-1, with Mr. Weber dissenting, to enter into closed session to discuss agenda items 11, 12, 13, and 14. Motion by Ms. Bedford, seconded by Mr. Cohen.

11. Christine Mielcarek Claim Appeal-ERS Rule 207

In open session, Attorney Sweet stated that he represents Chris Mielcarek, who is a long-term employee of Milwaukee County. Ms. Mielcarek worked for the County since 1977, first as a part-time employee and then a full-time employee. Ms. Mielcarek sent a letter dated November 28, 2001, to Mr. Amerell, then the ERS Manager, informing him that she was going to be laid off by Milwaukee County effective at the end of 2001 and inquiring about the cost to buy seasonal credit. Mr. Amerell, on behalf of ERS, responded in a December 3, 2001, letter stating that she could make payments totaling \$25,004.27. The letter explained that she could make four equal installment payments of \$6,200 each. Ms. Mielcarek was laid off on December 31, 2001. She borrowed funds to make payments to ERS pursuant to Mr. Amerell's letter. On August 19, 2002, she received a letter from Mr. Amerell explaining that her credits were now 17.37. After turning age 60 and requesting the commencement of her pension benefit, Ms. Mielcarek received a letter dated July 9, 2010, from Mr. Schroeder indicating that she would not be permitted to use 17 years of service credit.

Attorney Sweet stated that Ms. Mielcarek relied to her detriment on the ERS decision that she was qualified to receive benefits. Also, her union has arbitration decisions that indicate that employees are still employees after they are laid off because they have the right to recall for up to three years. Mr. Grady questioned Mr. Sweet about the layoff status case and a Rule of 75 decision. Attorney Sweet offered to provide precedent. Mr. Grady stated that this layoff argument is new, so he and Mr. Huff would need more time to study that particular point.

Attorney Sweet then stated that time is of the essence because Ms. Mielcarek has medical and financial issues, and she may be considered ineligible for health insurance benefits because of this situation. Deferred action is less preferable than allowing her to receive her benefits.

Attorney Sweet stated as a legal and equitable matter, Ms. Mielcarek's request should be honored.

In response to a question from Mr. Weber, Mr. Schroeder indicated that ERS' position is stated in the letters distributed to the Pension Board members. Mr. Grady then stated there is no dispute about the events discussed by Attorney Sweet.

Mr. Grady responded that there is nothing that prevents Ms. Mielcarek from retiring at age 60 and receiving the benefits to which everyone agrees she is entitled. She can begin to collect those benefits without any

prejudice to her appeal. If the appeal is granted later, it will obviously increase her benefits and add on the health insurance. If the appeal is denied, she still has not lost any cash flow from receiving benefits. It was also suggested that Mrs. Mielcarek should appeal to the County for retiree health insurance because ERS does not pay retiree health insurance.

The Board then discussed this appeal in closed session without Attorney Sweet, union representatives, or Mr. and Mrs. Mielcarek present.

In open session, Mr. Stuller stated that his dissent to the following vote is because he does not support some of the interpretations made in the discussion.

In open session, the Pension Board voted 3-5, with Messrs. Weber, Stuller, and Sikorski approving and Dr. Peck, Ms. Bedford, and Messrs. Maier, Cohen, and Mawicke dissenting, to approve Ms. Mielcarek's request for benefits. Motion by Mr. Weber, seconded by Mr. Stuller. The motion failed to pass because it lacked the necessary five votes as required by Ordinance section 201.24 (8.5).

In open session, the Pension Board voted 5-3, with Dr. Peck, Ms. Bedford, and Messrs. Maier, Cohen, and Mawicke approving and Messrs. Weber, Stuller, and Sikorski dissenting, to deny Ms. Mielcarek's appeal to include purchased service credit in determining her pension benefit because she was not a County employee receiving pay at the time of the purchase and was therefore ineligible to purchase the credit under Rule 207(g). Rule 207(g) requires persons to be actively employed with the County in order to purchase service credit. Ms. Mielcarek was laid off on December 31, 2001, but her installment payments were made in January, March, and August 2002, after termination of employment. In addition, if Ms. Mielcarek had completed her purchase of service credit while she was still employed, the purchase credit would be invalid due to the compensation limitations imposed by Ordinance section 201.24(12.4), limiting a member's contributions in any year to 25% of the member's compensation. The Pension Board acknowledges and regrets that some communications that Ms. Mielcarek received from the Retirement Office were contrary to Ordinances, rules or plan of benefits, but those communications do not bind the Pension Board to grant benefits that are not contained in the Ordinances, rules and plan of benefits and that are accordingly contrary to law. Motion by Dr. Peck, seconded by Ms. Bedford.

12. Lucky Crowley Claim Appeal-ERS Rule 207

The November 17, 2010, Pension Board motion to deny Mr. Crowley's request to complete a purchase of service credit under ERS Rule 207 because he did not complete all payments within four consecutive years, as required by ERS Rule 207, failed to pass because it lacked the necessary five votes as required by Ordinance section 201.24 (8.5). Mr. Crowley's appeal was then placed on the December 2010 Pension Board agenda.

The Board then discussed this appeal in detail in closed session and stated reasons for denial in open session.

In open session, the Pension Board voted 7-1, with Mr. Stuller dissenting, to deny Mr. Crowley's appeal to be allowed to complete a purchase of service credit under ERS Rule 207 because he did not complete all payments within four consecutive years as required by ERS Rule 207. The Pension Board interprets the requirement that payments be completed in up to four equal, annual installments as described in ERS Rule 207 to mean that payments must be made in consecutive years, allowing members to make payments ahead of schedule, but not to miss payments. The conventional understanding of the term "annual" means payments are made in consecutive years. Timely payment also provides time for investing payments to pay for the corresponding enhanced benefit. In addition, Mr. Crowley was aware of the four year requirement upon receipt of two letters outlining the schedule of installment payments. Motion by Mr. Cohen seconded by Ms. Bedford.

Mr. Stuller stated that his dissent to the above vote is because he does not support some of the language used in the motion.

13. Pending Litigation

(a) Mark Ryan, et al. v. Pension Board

The Pension Board took no action on this item.

(b) Travelers Casualty v. ERS & Mercer

The Pension Board took no action on this item.

(c) ERS v. Lynne Marks

The Pension Board took no action on this item.

14. Report on Compliance Review

The Pension Board took no action on this item.

15. Adjournment

The meeting adjourned at 12:10 p.m.

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

EXHIBIT A

AMENDMENT TO THE RULES OF THE PENSION BOARD OF THE EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE

RECITALS

1. Section 201.24(8.1) of the general Ordinances of Milwaukee County (the "Ordinances") provides that the Pension Board of the Employees' Retirement System of the County of Milwaukee (the "Pension Board") is responsible for the general administration and operation of the Employees' Retirement System of the County of Milwaukee ("ERS").

2. Ordinance section 201.24(8.6) allows the Pension Board to establish rules for the administration of ERS.

3. The Pension board believes that it is appropriate to adopt the following rule regarding procedures to apply when conducting the election of the employee members of the Pension Board.

4. Therefore, the Pension Board hereby adopts the following Resolution:

RESOLUTION

SECTION 1. Pursuant to Ordinance section 201.24(8.6), the Pension Board hereby amends Rule 1020 to read as follows:

1020. Election of Employee Members of Board.

The following procedures shall apply when conducting the election of the employee members of the Pension Board. The Pension Board shall have the discretion to interpret and amend these procedures in any manner that is consistent with Ordinance section 201.24(8.2).

(1) *Candidate Qualification.* To be a candidate for the employee member of the Pension Board, an individual must be an employee of the County of Milwaukee who is currently a member of ERS.

(2) *Election Process Timeline.* The regular term for an elected employee member shall begin as of March 1 of an applicable year and last for three years. Special election timelines and different term effective dates shall apply in the event of a vacancy in this position as provided in section (9) of this Rule. In years during which an election of an employee member occurs, the following timeline shall apply, provided that, if the date of any deadline falls on a weekend or holiday, the deadline shall be extended until ~~5~~4:30 p.m. of the next business day.

(a) *Notice of Election and Ability to Seek Nomination.* The Retirement Office shall send, by mail or electronic communication, a Notice of Election and Ability to Seek Nomination to employees in the first week of December for a regular election or in the first week of the month when it is first feasible to do so for a special election. In the event a regular election and special election are being held concurrently, the Notice described in this section shall make clear that an employee member nominee may only declare candidacy for one of the elections.

(b) *Nomination Deadline.* Complete nomination papers must be received in the Retirement Office by ~~5~~4:30 p.m. on January 2 or, for a special election, the first day of the month following the month when the Notice in section 2(a) was distributed.

(c) *Notice of Candidates for Primary Election and Date of Primary Election.* The combined ~~75~~300-word resumes and statements of candidates shall be communicated to employees by January 31 or by the last day of the month established by section (2)(b) for a ~~preceding special~~ the election.

(d) *Primary Election Date.* A primary election shall be held by February 15 for a regular election or the 15th day of the month following the month established by ~~described in~~ section 2(~~b~~c) for a special election. If only two candidates file valid nomination papers, this primary election shall be the final election.

(e) *Notice of Candidates for Final Election and Date of Final Election.* The Retirement Office shall inform the candidates of the results of the primary election and post the results of the primary election, if any, as soon as practicable following tabulation of the votes.

(f) *Final Election.* If necessary, the final election shall be held before the last business day of February for a regular election or the last day of the month ~~described in~~ established by section 2(d) for a ~~regular~~ special election. Notice of the results of the final election will be given to the candidates and posted in various departments as soon as practicable following tabulation of the votes.

(g) *Commencement of Service.* Service begins as of March 1 for a member elected pursuant to a regular election. Service begins as of the first day of the month following the final election for a member elected pursuant to a special election, with the expectation that the member would be available to attend the regularly scheduled Pension Board meeting for that month.

(3) *Nomination of Candidates.* To begin the nomination process, an eligible individual must register as a candidate, prove eligibility for candidacy to the Retirement Office and request nomination papers from the Retirement Office.

(a) *Nomination Requirements.* To earn a nomination as a candidate for an employee member position on the Pension Board and be placed on the ballot for the election, an eligible individual must obtain 100 signatures from persons eligible to be candidates for employee member of the Pension Board. An eligible individual's representative(s) may circulate the nomination papers and collect signatures on behalf of the eligible individual. The potential candidate or candidate's representative(s) must obtain the requisite number of signatures from other employees eligible to run for employee Pension Board membership. Upon receiving the required number of signatures for nomination, the candidate or representative(s) shall sign and date the nomination papers, have them notarized and return the nomination papers to the Retirement Office. The individual may also present, along with the nomination papers, a resume and statement, limited to ~~75~~ 300 words, detailing the candidate's qualifications for the position at that time.

(b) *Nomination Papers.* The Pension Board shall approve the form of the nomination papers and any changes to the nomination papers. These papers shall require the signatory to include, at a minimum, his or her employment location and years of County service to date. In the event that a regular election and a special election are taking place concurrently, the candidate must fill out specific nomination papers for either the regular election or the special election but not both. If a candidate is nominated for both the regular election and the special election, the candidate will become ineligible for both elections.

(4) *Campaigning.* In the time period between the nomination deadline and either of the applicable election dates, a candidate may campaign for the position of Pension Board member. Mailing labels will not be available for candidates to send mailings to eligible voters. The communication of candidates' resumes and statements to eligible voters shall be made according to the timeline described in section 2(c), as applicable. Candidates must comply with any applicable campaign laws. Candidates should seek counsel regarding these requirements prior to beginning their campaigns.

(5) *Election Format.* If only one candidate files approved nomination papers, no election will be held and that candidate shall be certified as the winner of the trustee position. If only two candidates file approved nomination papers for an election, no primary election will be held. Instead, a final election will be held according to the timeline described in section 2(d) above and will determine the employee member representative on the Pension Board. If more than two candidates file approved nomination papers for an election, a primary election will be held according to the timeline described in sections 2(d) and (f) above. Following the primary election, the two candidates receiving the highest number of votes in the primary election shall have their names placed on the ballot for the final election. However, if one candidate receives more than 55% of the votes cast in the primary election, there will be no final election. If necessary, the final election shall be held according to the timeline described in sections 2(e) and (f) above. If a paper ballot is used, positions on the ballot for the primary election and the final election will be determined by random drawing. The drawing will take place in the Retirement Office before one or more witnesses. Attendance of the candidates at the ballot position drawing is optional. If an electronic or telephonic ballot is used, positions on the ballot for any election shall be randomly alternated by the software program.

(6) *Voting.*

(a) *Eligibility to Vote.* ERS and OBRA members who are on the Milwaukee County payroll as of the second pay period prior to the election are eligible to vote.

(b) *Voting Procedure.* All elections shall be conducted by use of a computer-based internet system and a telephonic system, unless the Pension Board specifically decides to use a paper ballot process for a designated election. Voters shall be given the option to vote by either one of these methods, but the system shall be designed to limit an eligible voter to one vote per election. If a paper ballot is used, voting shall take place in person at times and places and over such number of days as are established by the Retirement Office~~during regular working hours at several locations throughout the County.~~ The Pension Board reserves the right to grant special accommodations for those with

extenuating circumstances. If a telephonic or a computer-based internet ballot system is used, the Retirement Office shall send notice, by mail or electronic communication, of the primary or final election to all eligible voters, with instructions for the methods of voting, with voter identification and password, according to the timeline set forth in section (2) above. If a ballot system other than paper is used, write-in votes are not allowed and will not be accepted.

(c) *Validity of Votes.* An eligible individual may only cast one vote per election. If an individual attempts to cast more than one vote, all of the individual's votes will be declared invalid.

(7) *Election Results.*

(a) *Determination of Outcome.* In the case of a primary election, the two candidates receiving the highest number of votes will progress to the final election. However, if one of the candidates receives more than 55% of the votes cast in a primary election, that candidate shall be declared one of the employee members of the Pension Board. If no candidate receives more than 55% of the votes cast in the primary election, the candidate receiving the highest number of votes in the final election shall be the winner of that election. In the result of a tie in either the primary or general election, the Retirement Office shall break the tie in accordance with Wisconsin Statutes section 5.01(4).

(b) *Certification and Announcement of Results.* As soon as possible after completion of both the primary election and the final election, the Retirement Office shall certify the election results to the Pension Board Chairperson. The Retirement Office will then announce to the public the election results, including the number of votes received by each candidate. If no election is held because only one candidate filed approved nomination papers, the Retirement Office shall certify that fact to the Pension Board Chairperson and announce to the public that such candidate will be the new trustee.

(8) *Administration of Election.* The Retirement Office shall oversee and administer the election process. As a result, the Retirement Office shall take the following actions:

(a) Compliance with the applicable election laws as determined by Corporation Counsel.

(b) Compliance with applicable election policies of the Pension Board.

(c) Acceptance and confirmation of validity of nomination papers.

(d) Tabulation of votes. In the result of a tie, the Retirement Office shall break the tie in accordance with Wisconsin Statutes section 5.01(4).

(e) Announcement of election results.

(f) Handling complaints or disputes with the election process.

The Retirement Office shall take all other actions necessary and within its power to administer this election. The Retirement Office may assign responsibility for various actions to various other parties.

(9) *Special Election.* In the event a vacancy exists in an employee member position, the Pension Board shall determine the need for and timing of a special election. A special election may be necessary to elect an employee member in the event of the resignation, removal or death of a sitting employee member. If an employee member terminates employment with Milwaukee County, that member shall not remain an employee member of the Pension Board. If a special election becomes necessary, the Retirement Office shall follow similar election procedures to conduct the special election as are used to elect the employee member during the regular election. The Pension Board shall establish alternative timelines appropriate for conducting the special election in a timely manner. These timelines shall be based upon the timeline used for a regular election. If the date of any deadline falls on a weekend or holiday, the deadline shall be extended until ~~5~~4:30 p.m. of the next business day.

Amended effective ~~May 21, 2008~~December 15, 2010.

EXHIBIT B

AMENDMENT TO THE RULES OF THE PENSION BOARD OF THE EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE

RECITALS

1. Section 201.24(8.1) of the general Ordinances of Milwaukee County (the "Ordinances") provides that the Pension Board of the Employees' Retirement System of the County of Milwaukee (the "Pension Board") is responsible for the general administration and operation of the Employees' Retirement System of the County of Milwaukee ("ERS").

2. Ordinance section 201.24(8.6) allows the Pension Board to establish rules for the administration of ERS.

3. The Pension Board believes that it is appropriate to adopt the following rule regarding procedures to apply when conducting the election of the retiree member of the Pension Board.

4. Therefore, the Pension Board hereby adopts the following Resolution:

RESOLUTION

SECTION 1. Pursuant to Ordinance section 201.24(8.6), the Pension Board hereby amends Rule 1034 to read as follows:

1034. Election of Retiree Member of Board.

The following procedures shall apply when conducting the election of the retiree member of the Pension Board. The Pension Board shall have the discretion to interpret and amend these procedures in any manner that is consistent with Ordinance section 201.24(8.2).

(1) *Candidate Qualification.* To be a candidate for the retiree member of the Pension Board, an individual must be a retiree of ERS. A "retiree" is a person who:

- (a) previously worked as a Milwaukee County employee;
 - (b) earned retirement benefits as an active member in ERS;
 - (c) retired directly from County employment or as a deferred vested retiree;
 - (d) as of the date of the nomination deadline, has begun to receive pension benefits; and
 - (e) is currently receiving an ongoing monthly benefit from ERS.
- For these purposes, a "retiree" does not include a beneficiary of a former County employee who receives a survivor annuity benefit after the former County employee's death.

(2) *Election Process Timeline.* The initial term for the elected retiree member shall begin as of November 1, 2004. Subsequent regular terms shall begin as of November 1 of an applicable year. Special election timelines and different term effective dates shall apply in the event of a vacancy in this position as provided in section (9) of this Rule. In years during which a regular election of the retiree member would occur, the following timeline shall apply, provided that, if the date of any deadline falls on a weekend or holiday, the deadline shall be extended until 4:30 p.m. of the next business day.

(a) *Notice of Election and Ability to Seek Nomination.* The Retirement Office shall send this Notice to retirees with monthly checks or automatic deposit notices by May 31 for a renewal term or the end of the month it is first feasible to do so for a special election.

(b) *Nomination Deadline.* Complete nomination papers must be received in the Retirement Office by ~~5-4:30~~ p.m. on the last business day of ~~the June or the last business day of the following~~ month following the month established by section (2)(a) for a special election.

(c) *Notice of Candidates for Primary Election and Date of Primary Election.* The 300 word combined resumes and statements of the candidates shall be communicated to retirees by the Retirement Office shall send with the retirees' monthly checks or automatic deposit notices by the last business day of July or by the last business day of the month following the month established by section (2)(b) for a special election. resumes and statements of candidates for the primary election and the ballot for the primary election, if necessary, to retirees with monthly checks or automatic deposit notices by the end of the following month. ~~At the same time, the Retirement Office shall send the paper ballot, if one is to be used, or, if a telephonic and/or computer-based internet ballot system is to be used, shall send instructions for the methods of voting, with voter identification and password.~~ If only two candidates file valid nomination papers, this primary election shall be the ballot for the final election ~~shall be sent.~~

(d) *Primary Election Date.* If necessary, a primary election shall be held. Paper ballots must be received in the Retirement Office, and electronic or telephonic ballots must be completed, by 4:30 p.m. on the last business day of August or by the last business day of the month following the month established by section (2)(c) for a special election. ~~Votes must be received in the Retirement Office by 5 p.m. on the last day of the following month.~~ If only two candidates file valid nomination papers, this shall be the deadline for receipt or completion of ballots for the final election.

(e) *Notice of Candidates for Final Election and Date of Final Election.* The Retirement Office shall send results of the primary election, resumes and statements of candidates for the final election, if necessary, and the paper ballot or instructions for computer or telephonic voting for the final election to retirees with monthly checks or automatic deposit notices by the last business day of September or the last business day of the month following the month established by section (2)(d) for a special election ~~end of the following month.~~

(f) *Final Election.* If necessary, the final election shall be held. ~~Votes~~ Paper ballots must be received in the Retirement Office, and electronic or telephonic ballots must be completed, ~~by 54:30~~ p.m. on the last business day of October or the last business day of the month following the month established by section (2)(e) for a special election ~~the following month.~~

(g) *Commencement of Service.* Service begins on November 1 or on the first day of the month following the month established by section (2)(f) for a special election, with the expectation that the retiree member would be available to attend the regularly scheduled Pension Board meeting for that month.

(3) *Nomination of Candidates.* To begin the nomination process, an eligible individual must register as a candidate, prove eligibility for candidacy to the Retirement Office and request nomination papers from the Retirement Office.

(a) *Nomination Requirements.* To earn a nomination and be placed on the ballot for the retiree member election, an eligible individual must obtain 15 signatures. An eligible individual's representative may circulate the nomination papers and collect signatures on behalf of the eligible individual. The potential candidate or representative must obtain the requisite number of signatures from other retirees eligible to run for Pension Board membership. Upon receiving the required number of signatures for nomination, the candidate or representative shall sign and date the nomination papers, have them notarized and return the nomination papers to the Retirement Office. The individual shall also present, along with the nomination papers, a resume and statement, limited to 300 words, detailing the candidate's qualifications for the position at that time.

(b) *Nomination Papers.* The ~~nomination papers should be designed by the Retirement Office, and the~~ Pension Board shall approve the form of the nomination papers and any changes to the nomination papers. These papers shall require the signatory to include, at a minimum, his or her retirement location and years of County service.

(4) *Campaigning.* In the time period between the nomination deadline and either of the applicable election dates, a candidate may campaign for the position of retiree Pension Board member. Mailing labels will not be available for candidates to send mailings to eligible voters. Mailing of candidates' resumes and statements will be made by the Retirement Office as part of the mailing of monthly benefit checks or monthly automatic deposit notices according to the timeline described in sections (2)(c) and (e) above, as applicable. Candidates must comply with any applicable campaign laws. Candidates should seek counsel regarding these requirements prior to beginning their campaigns.

(5) *Election Format.* If one candidate files approved nomination papers, no election will be held and that candidate shall be certified as the winner of the trustee position. If only two candidates file approved nomination papers, no primary election will be held. Instead, a final election will be held according to the timeline described in sections (2)(c) and (d) above and will determine the retiree member representative on the Pension Board. If more than two candidates file approved nomination papers, a primary election will be held according to the timeline described in sections (2)(c) and (d) above. Following the primary election, the two candidates receiving the highest number of votes in the primary election shall have their names placed on the ballot for the final election. However, if one candidate receives more than 55% of the votes cast in the primary election, there will be no final election. If necessary, the final election shall be

held according to the timeline described in sections (2)(e) and (f) above. If a paper ballot is used, positions on the ballot for the primary election and the final election will be determined by random drawing. The drawing will be conducted by the Secretary of the Pension Board and will take place in the Retirement Office before one or more witnesses. Attendance of the candidates at the ballot position drawing is optional with the candidates. If an electronic or telephonic ballot is used, positions on the ballot for any election shall be randomly alternated by the software program.

(6) *Voting.*

(a) *Eligibility to Vote.* To be eligible to vote, an individual must be eligible to be a candidate under section (1).

(b) *Voting Procedure.* All primary and final elections shall be conducted by computer-based internet and/or telephone voting, unless the Pension Board specifically decides to use a paper ballot process for a designated election. Voters shall be given the option to vote by either one of these methods, but the system shall be designed to limit an eligible voter to one vote per election. The Retirement Office shall send notice of the primary election, if any, and, as applicable, a paper ballot or a secure passcode and instructions for voting for that election to all eligible voters according to the timeline described in section (2)(c) above. If necessary, the Retirement Office shall send notice of the final election and, as applicable, a paper ballot or a secure passcode and instructions for voting for that election to all eligible voters according to the timeline described in section (2)(e) above. If a ballot system other than paper is used, write-in votes are not allowed and will not be accepted.

(7) *Election Results.*

(a) *Determination of Outcome.* In the case of a primary election, the two candidates receiving the highest number of votes will progress to the final election. However, if one of the candidates receives more than 55% of the votes cast in the primary election, that candidate shall be declared the retiree member of the Pension board. In the event that no candidate receives more than 55% of the votes cast in the primary election, the candidate receiving the highest number of votes in the final election shall be the winner of that election. In the result of a tie in either the primary or general election, the Retirement Office shall break the tie in accordance with Wisconsin Statutes section 5.01(4).

(b) *Certification and Announcement of Results.* As soon as possible after completion of both the primary election and the final election, the Retirement Office shall certify the election results to the Pension Board Chairperson. The Retirement Office will then announce to the public the election

results, including the number of votes received by each candidate. If no election is held because only one candidate filed approved nomination papers, the Retirement Office shall certify that fact to the Pension Board Chairperson and announce to the public that such candidate will be the new retiree trustee.

(8) *Administration of Election.* The Retirement Office shall oversee and administer the election process. As a result, the Retirement Office shall take the following actions:

(a) Compliance with the applicable election laws as determined by Corporation Counsel.

(b) Compliance with applicable election policies of the Pension Board.

(c) Acceptance and confirmation of validity of nomination papers.

(d) Tabulation of votes. In the result of a tie, the Retirement Office shall break the tie in accordance with Wisconsin Statutes section 5.01(4).

(e) Announcement of election results.

(f) Handling complaints or disputes with the election process.

The Retirement Office shall take all other actions necessary and within its power to administer this election. The Retirement Office may assign responsibility for various actions to various other parties.

(9) *Special Election.* In the event a vacancy exists in the retiree member position, the Retirement Office shall conduct a special election. A special election may be necessary to elect the retiree member in the event of the resignation, removal or death of a sitting retiree member. If a special election becomes necessary, the Retirement Office shall follow the same election procedures to conduct the special election as are used to elect the retiree member during the regular election. To maintain the same three-year term length and two consecutive term limit, the Pension Board may need to modify the retiree member's date of termination and the successor member's beginning date. The Pension Board shall establish alternative timelines appropriate for conducting the special election in a timely manner. These timelines shall be based upon the timeline used for a regular election. For a special election, the deadline for each step of the process shall be the end of the month following the month in which the prior step is completed. If the date of any deadline falls on a weekend or holiday, the deadline shall be extended until ~~5~~4:30 p.m. of the next business day.

SECTION 2. Section 1 shall be effective for elections held pursuant to Rule 1034 after May 19, 2010.

[Amended effective December 15, 2010.](#)