

EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE
MINUTES OF THE FEBRUARY 18, 2015 PENSION BOARD MEETING

1. Call to Order

The Chairman called the meeting to order at 8:35 a.m. at the Marcus Center for the Performing Arts, 929 North Water Street, Milwaukee, Wisconsin 53202.

2. Roll Call

Members Present

Laurie Braun (Vice Chair)
Dr. Brian Daugherty (Chairman)
Aimee Funck
Norb Gedemer
D.A. Leonard
Gregory Smith
Patricia Van Kampen

Member Excused

Vera Westphal

Others Present

Marian Ninneman, Director-Retirement Plan Services
Mark Grady, Deputy Corporation Counsel
James Carroll, Principal Assistant Corporation Counsel
Tina Lausier, Fiscal Officer
Kathryn A. Vorisek, FMA Fiduciary Management Associates, LLC
Eric J. Welt, FMA Fiduciary Management Associates, LLC
Brett Christenson, Marquette Associates, Inc.
Ray Caprio, Marquette Associates, Inc.
Scott Griffin, Milwaukee County Employee
Joan Mitchell, Retiree
Douglas Dehler, O'Neil, Cannon, Hollman, DeJong & Laing S.C.
Megan Harried, O'Neil, Cannon, Hollman, DeJong & Laing S.C.
Steven Huff, Reinhart Boerner Van Deuren s.c.

3. Chairman's Report

Mr. Smith first summarized key points from a recent unconstrained fixed income conference he attended at the University of Chicago, sponsored by *Pension & Investments Magazine*. The Pension & Investment Conference was led by five bond managers with favorable track records in unconstrained fixed income, providing both educational and advertising components to the conference. The bond managers were divided between two main camps of thought with respect to the ultimate goal of unconstrained fixed income. Some managers expressed the belief that unconstrained fixed income should be viewed as a substitute for a portfolio's total return bond fund over a period of time. Other managers expressed the belief that unconstrained fixed income should be categorized as a return-seeking investment, not risk mitigation, suggesting that unconstrained fixed income is more comparable to an equity allocation than a fixed income allocation.

Mr. Smith noted that in terms of applicability to the Fund, unconstrained fixed income should be thought of as a hybrid investment, with some overlap between fixed income and equity investments. Choosing the right manager is crucial to the art of unconstrained fixed income investing. However, choosing the right manager can be difficult because by definition, there are fewer rules imposed on unconstrained fixed income managers. Because there are many different ways to view unconstrained fixed income, it also becomes very difficult to define and benchmark the asset class.

Mr. Smith noted that during the conference, audience members were surveyed and asked where they thought the U.S. was in its current economic cycle. The results were somewhat cynical, with 53% of the survey respondents answering that the U.S. is currently in its late phase of economic expansion.

Mr. Smith concluded his remarks by noting that Gary Schilling, a famous economist during the 1980's, also presented at the conference. Based on historical data, Mr. Schilling made a very strong case that the U.S. should expect to experience a period of deflation. Mr. Schilling further suggested that the current fluctuations in oil prices are a part of that deflationary trend.

4. Minutes—January 21, 2015 Pension Board Meeting

The Pension Board reviewed the minutes of the January 21, 2015 Pension Board meeting.

The Pension Board unanimously approved the minutes of the January 21, 2015 Pension Board meeting. Motion by Mr. Leonard, seconded by Mr. Smith.

5. Investments

(a) FMA Fiduciary Management Associates, LLC

Eric Welt and Kathryn Vorisek of Fiduciary Management Associates ("FMA") distributed a booklet containing information on the investment management services provided by FMA for ERS. Mr. Welt introduced himself as Managing Director at FMA, and introduced Ms. Vorisek as the firm's Chief Investment Officer and small cap portfolio co-manager.

Mr. Welt first provided a high-level overview of the firm. FMA is an independent firm, which is 100% employee and majority-woman-owned. Total assets under management as of December 31, 2014 were approximately \$1.7 billion, with the majority of those assets under FMA's small cap value strategy. FMA also manages a SMID cap strategy, with approximately \$50 million in assets under management. ERS is invested in FMA's small cap strategy. During the fourth quarter of 2014, FMA had significant inflows into its small cap strategy and also added one new client. In 2014, the firm had an organizational change in ownership when FMA's Chief Compliance Officer, Candice Melcher, was made partner. As a result, some additional changes in ownership percentages were made, but Ms. Vorisek remains as the majority shareholder in the firm. Two employees were also added to the firm's investment team during 2014, to help support the growth of the firm's assets.

In response to a question from the Chairman regarding the firm's two new employees, Mr. Welt stated that Xiaoling Wang and John Nelson were both external hires. Ms. Wang was previously employed at the Ohio Public Employees Retirement System as an analyst for its internally-managed portfolio. Mr. Nelson joined the firm in May 2014 and will be taking over management of the firm's non-bank financials. FMA was seeking an addition to its financial services sector to manage that space and allow the firm's second portfolio co-manager, Leo Harmon, the ability to focus solely on portfolio management.

Ms. Vorisek then discussed FMA's strategy and investment philosophy. FMA is known as a relative value manager, focused on selecting investment opportunities with attractive valuations and catalyst-driven earnings growth. FMA believes that these factors combined will lead to superior stock price performance. FMA's investment objectives are generally focused on longer-term results and, therefore, dovetail well with pension plans. FMA's performance strategy tends to be higher quality in nature, taking a lower risk path relative to both the benchmark and FMA's small cap value peer group. FMA's risk/return profile over the past ten years reflects outperformance to the benchmark by approximately 200 basis points, with significantly lower risk than both its benchmark and median peer group manager.

Ms. Vorisek next discussed the recent market environment. Throughout 2014, large cap securities significantly outperformed small cap securities. A review of the last six major multi-year small cap market bottoms and subsequent rallies, suggests that the recent small cap rally has been fairly consistent with historical patterns. In general, absolute returns throughout 2014 were lower in the small cap market with increased volatility. Ms. Vorisek believes the U.S. is in the mid to late stages of its economic recovery, but expects another two to four years of decent economic growth. Whether or not that continued growth translates into positive returns remains to be seen, but the Federal Reserve's future action regarding increased interest rates will likely have a significant impact. FMA believes that the overvaluation of small cap securities to large cap securities, which was evident at the end of 2013, has now been corrected. FMA expects to see a 7% to 10% gain in the small cap market during 2015, which should be driven strictly by earnings growth.

In response to a question from Ms. Van Kampen regarding FMA's typical performance in both up and down markets, Ms. Vorisek stated that FMA's goal is to outperform the benchmark in all periods. However, FMA's outperformance will tend to be more significant in the middle to end stages of a market cycle, where absolute returns are lower on average or negative. During the 2008 drawdown in the market, FMA protected capital to a much greater extent, ranking in the top decile of managers for 2008. During the 4% pull-back in the market in January 2015, FMA outperformed the strategy by approximately 150 basis points. With a lower level of risk, FMA's goal is to outperform on the downside and protect capital to a greater extent than the average small cap manager.

Ms. Vorisek continued her discussion of the market environment. From January 2004 to July 2008, high-quality stocks outperformed low-quality

stocks. The most recent period of high-quality leadership lasted 58 months and during that period, FMA had a positive return of 8.3%, while the core and growth indices had substantially negative returns. During the end of 2008 and into 2009, lower-quality stocks began to outperform, which is very typical coming off of a market bottom. However, what was atypical, was the length of the recent low-quality rally. The recent low-quality extended almost 63 months, well beyond the average of 18 months. This extended period was a very significant aberration relative to historical levels, but FMA believes the most recent low-quality market rally has preliminarily ended as of February 2014. Stock selection is crucial to manager performance during the mid to late stages of an economic recovery. FMA is effectively choosing stocks that will outperform in a more volatile market environment. The 2015 year-to-date return for FMA's small cap portfolio is just over 1%, which is 160 basis points higher than the average of the Russell 2000 benchmark.

Ms. Vorisek then discussed the portfolio's positioning. FMA expects the recent period of very high returns to now transition into a period of low to modest returns for the next several years. From a macro standpoint, FMA is predicting strong economic growth on a relative basis in the U.S., with GDP growth at or above 3%. However, there are some areas of global weakness which will likely contribute to market volatility and add some risk to the overall portfolio. Issues with the Euro and the economic crisis in Greece are going to have an overall impact on the day-to-day market. The Federal Reserve is also suggesting that they will be raising interest rates this year and its messaging has tended to cause some disruptions in the market as well.

For 2015, FMA is strongly emphasizing consumer, technology and healthcare stocks in the portfolio relative to industrial cyclical stocks. This has been a major shift in the portfolio's positioning over the last 18 months. Lower oil prices are expected to boost consumer spending, and that, combined with stronger employment trends and improved wage growth, is expected to further boost GDP growth. FMA has decreased the energy sector weighting in its portfolio to around 3%, which is down approximately 9% from its peak last year. Because FMA did not completely catch the fall in the energy prices, the portfolio's energy sector was down approximately 30%. FMA is currently exiting its energy holdings as it deems necessary and will be increasing its focus on U.S. holdings, due to the global risks discussed earlier. FMA does not expect to see much GDP growth from the Euro zone and growth in China has also slowed. FMA does not expect to see a great deal of positive movement in

commodities overall, which will contribute to a somewhat deflationary environment.

In response to a question from Mr. Smith regarding the affect that the appreciating U.S. dollar is having on FMA's current stock selections, Ms. Vorisek stated that the portfolio as a whole is now more U.S.-orientated. FMA is also looking at international stocks with natural hedges towards a commodity, such as manufacturing and selling in the same country. FMA is focused on analyzing a company's business model to better understand where a company's costs and hedges are and how those factors will flow into earnings. A company with marginal fundamentals and a currency headwind will be sold from the portfolio.

Ms. Vorisek concluded with a discussion of performance. The portfolio's one-year total return as of December 31, 2014 was 6.44%. Since inception, in October 2009, the portfolio's total return is approximately 15%. The 15% return is higher than average and a more typical return should be expected to range from 7% to 9%. Since inception, FMA has been able to generate positive returns for all but one period in 2012. In the early part of 2015, there was a 4% pull-back in the market during January and a subsequent rally of 5% in the month of February. Year-to-date, the portfolio is ahead approximately 2%. FMA is not surprised with the current volatility in returns and does anticipate a return on the portfolio in the range of 7% to 10% for the remainder of 2015.

(b) Marquette Associates

Brett Christenson and Ray Caprio of Marquette Associates distributed and discussed the January 2015 monthly report.

Mr. Christenson first noted that Marquette's annual 2015 Investment Symposium will be held at Chicago's Union League Club on October 16, 2015. Marquette will have two keynote speakers at its symposium this year. Brian Singer from William Blair will be discussing global macro-economic factors in the marketplace. The second keynote speaker will be world-renowned fraud prevention expert, Frank Abagnale, whose real life adventures inspired the movie *Catch Me If You Can*. Mr. Abagnale will be closing the symposium with a discussion on the increasing instances of fraud around the world. In addition to the keynote speakers, Marquette will incorporate discussions related to its marketplace research.

Mr. Caprio then discussed market values. Three managers remain on alert, ABS and Geneva Capital for performance, and K2 for organizational issues. Total Fund assets as of January 31, 2015 were slightly over \$1.7

billion, but that figure is subject to change slightly month-to-month, as a number of the Fund's assets are either delayed in reporting or are valued on a quarterly basis. At 19.5%, the Fund is slightly underweight in fixed income but Marquette remains comfortable maintaining that under-allocation. The remainder of the Fund's asset classes are relatively in line with the investment policy targets except for a slight overweight to real estate. However, because real estate continues to perform very well and is producing solid income, Marquette is comfortable with maintaining the overweight. The infrastructure composite is on target at 8.5%. The private equity composite is currently at 4.1% and is slowly building towards the 6% policy target. Siguler Guff and Mesirov have been putting money to work relatively quickly, while the Adams Street Co-Investment Fund has been somewhat slower to call capital outside of their initial capital call. Marquette will continue to monitor the Fund's private equity allocation and schedule a future discussion with the Board on the matter closer to year-end. As always, Marquette naturally rebalances overweight areas of the Fund on a monthly basis as cash is withdrawn to fund benefit payments.

Mr. Caprio next discussed Fund performance. The Fund's one-month return for January was -0.6% net-of-fees. The Fund has performed very well over extended market cycles, with the three and five year returns at 9.2% and 9%. The one-month returns for fixed income were solid, as January interest rates went down significantly yet again. As a result, both J.P. Morgan and Mellon Capital were both up 2.1% for the month. There was some underperformance in the U.S. equity portfolio during the month of January. The U.S. equity portfolio was down -3.4%, versus the benchmark of -2.8%. Performance during January was mixed among the underlying U.S. equity managers, with Artisan Partners, FMA and Silvercrest outperforming, and Geneva Capital and Boston Partners underperforming. Boston Partners has typically been a long-term solid performer, while Geneva continues to struggle with its performance. Marquette will continue to closely monitor Geneva's performance and, if necessary, will recommend a change by the end of the second quarter by either issuing a request for proposal ("RFP") or exploring alternative solutions to address their underperformance.

In response to a question from Ms. Van Kampen regarding Geneva's underperformance, Mr. Christenson stated that an associate at Marquette has been in contact with Geneva almost every other week and is communicating with all Marquette consultants currently working with Geneva. Because Geneva did outperform during the 2014 fourth quarter, Marquette would like to wait and see how they perform through the first full quarter of 2015. If Geneva continues to underperform through the

second quarter, Marquette will invite Geneva in for additional discussions before the Investment Committee or full Pension Board.

Ms. Braun expressed agreement that Geneva needs to be given a firm timetable to turn its performance around.

Mr. Smith stated that he believes an RFP should be issued now, because Geneva has significantly underperformed its benchmark for the past two years. Geneva could then defend its position as part of the RFP process.

Mr. Christenson suggested that additional discussions regarding Geneva's performance be held at the next Investment Committee as part of a comprehensive study and standard review of the Fund's asset allocations. Mr. Christenson stated that while he believes the portfolio is currently well-constructed, there are some minor changes that could be made to improve performance during the current cycle of very low to rising interest rates. Active managers in general continue to struggle throughout the portfolio and this has been a common theme among Marquette's clients. Because there is currently a great deal of active management in the U.S. equity portfolio, Mr. Christenson may strongly propose indexing this portion of the Fund's portfolio. Major current events such as quantitative easing and the unprecedented economic environment in the U.S. have made this an especially difficult extended period for active managers to outperform their benchmarks.

Ms. Van Kampen stated that a definitive determination should be made as to whether Geneva's underperformance is due to something beyond the larger cyclical environment for active managers as a whole.

Mr. Christenson continued by stating that Marquette is also displeased with the Fund's hedged equity performance, which currently comprises 10% of the total portfolio. Marquette will further discuss the hedged equity managers later today during closed session and at future Investment Committee meetings. Although the real estate composite continues to perform very well, it is overweight, and Marquette will incorporate possible changes to the real estate composite into their discussions over the next two months.

Mr. Caprio concluded his discussion of Fund performance. The International equity portfolio has been performing well, and both Vontobel and GMO outperformed their benchmarks in January. The NTGI ACWI Ex-US passive index fund, which replaced Barings, is also performing as expected. The hedged equity composite was down 10 basis points net of fees for the month of January. Because real estate is valued quarterly, there

is no January return to report. The infrastructure composite was down - 1.3% for the month of January. The strong dollar continues to be a major factor in the short term, month-to-month performance for the infrastructure managers.

6. Investment Committee Report

Ms. Van Kampen reported on the February 22, 2015 Investment Committee meeting. The Investment Committee entered into closed session for the duration of the meeting to hear presentations from the Fund's three real estate managers. After returning to open session, the Investment Committee took no further action on the matter.

Ms. Van Kampen then reminded the Pension Board that the Fund's real estate allocation is currently overweight to the policy target. In addition, the real estate allocations are not evenly distributed between the Fund's three real estate managers. The goal of the Investment Committee is to determine how many real estate managers the Fund should eventually retain and how investments should be allocated between those managers. After hearing the real estate manager presentations, the Investment Committee asked Marquette to prepare a detailed summary analysis of the three managers. In particular, the Investment Committee would like to analyze and compare the relative risk-return profiles for all three managers. The Investment Committee plans to discuss the topic in further detail at its March 2015 meeting.

Ms. Van Kampen concluded by stating that the Investment Committee also discussed the timeline for a final decision on the Fund's hedged equity managers. The Pension Board will review the final list of hedged equity managers with Marquette during closed session today and narrow the list of candidates down to three or four managers. Once the hedged equity manager candidates have been selected, the Investment Committee will invite the finalists to present at a future meeting. The Investment Committee hopes to have its hedged equity manager recommendations ready for presentation at the April 2015 Pension Board meeting.

7. Audit Committee Report

The Chairman reported on the February 5, 2015 Audit Committee meeting. The Audit Committee entered into closed session for the duration of the meeting to discuss buy-in/buy-back updates and underpayment to survivor. After returning to open session, the Audit Committee took no further action on those matters.

Ms. Braun then moved that the Pension Board adjourn into closed session under Section 19.85(1)(e) with regard to item 8 for the purpose of deliberating or negotiating the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session, and may adjourn into closed session under the provisions of Wisconsin Statutes section 19.85(1)(f) with regard to item 9 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 10, 11 and 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 unanimously agreed by roll call vote 7-0 to enter into closed session to discuss agenda items 8 through 12. Motion by Ms. Braun, seconded by Ms. Funck.

Messes. Ninneman and Lausier recused themselves from and left the room during the closed session discussion of agenda items 9(a) and 9(b).

8. RFP for Hedge Fund Managers

The Pension Board discussed the matter in closed session.

After returning to open session, the Pension Board took no further action on the matter.

9. Disability Matters

(a) Scott Griffin

In open session, in response to questions from the Chairman, Mr. Griffin stated that he would prefer to present his comments to the Board in open session.

Mr. Griffin introduced himself and expressed his gratitude to the Board for allowing him the opportunity to appear today. Mr. Griffin stated that he has been employed as a Milwaukee County Deputy Sheriff for 16-1/2 years and his most recent work assignment was to the Patrol Division's Operating While Intoxicated ("OWI") Task Force, specializing in impaired driving arrests. Mr. Griffin noted that as of October 29, 2013, he had made a total

of 261 impaired driving arrests. On October 29, 2013, Mr. Griffin encountered a wrong-way driver on the city streets of Milwaukee and attempted to affect a traffic stop, but the suspect driver fled onto the freeway system. The pursuit lasted approximately six minutes, with speeds reaching approximately 109 miles per hour, both on and off the freeway system. Mr. Griffin's pursuit of the suspect eventually ended in the stadium interchange, when the suspect crashed his vehicle and struck Mr. Griffin's squad car several times. The impaired driver had a prohibited alcohol concentration ("PAC") level of 0.18 and was arrested for his third OWI offense. This was the driver's first OWI injury-related arrest. Judge Yamahiro sentenced the driver to 9-1/2 years in the Wisconsin State Prison System and 5 subsequent years of extended supervision.

Mr. Griffin continued, stating that he sustained multiple injuries in the crash caused by the impaired driver. Mr. Griffin noted that his primary difficulty is with his lower back, but he also sustained a traumatic brain injury resulting from a severe concussion when his patrol car slammed into the freeway ramp wall. Mr. Griffin stated that he still experiences lingering effects from his injuries, describing them as memory-related problems, generalized anxiety disorder, depression and chronic pain syndrome. Mr. Griffin further described damage to his lower lumbar region in the L5 and S1 vertebrae, as lacerated, with osteoarthritis and some disc bulging. Mr. Griffin stated that he is in constant pain and indicated that it is very difficult for him to sit or stand for extended periods of time. Mr. Griffin also indicated that he has difficulty sleeping and stated that his injuries have impacted every single area of his life.

Mr. Griffin expressed pride in the duties he performed as a Deputy Sheriff, especially while assigned to the OWI task force. Mr. Griffin stated that he was devastated when he was not able to return to work six months after sustaining his injuries. Mr. Griffin stated that he had hoped to return to his former duties and worked hard towards that one goal. However, Mr. Griffin believes that he will never be able to return to work as a Deputy Sheriff because he has permanent work restrictions resulting from his injuries. Mr. Griffin further stated that this prognosis has been life altering.

Mr. Griffin then expressed concerns regarding Dr. Shivaram's final medical report. Mr. Griffin noted that Dr. Shivaram only discusses Mr. Griffin's L1-L2, L2-L3 and L3- L4 vertebrae in his report. However, Mr. Griffin believes the majority of the damage to his spine is in the L5 and S1 vertebrae of his lower back, which is not even addressed in Dr. Shivaram's medical report. Mr. Griffin indicated that he has a printout of his MRI lumbar scan that illustrates contrast details from the radiologist, if any

Board member wishes to review it. Mr. Griffin believes his MRI scan will clearly illustrate that the majority of his back pain stems from his L5 and S1 vertebrae.

In response to a question from Ms. Funck regarding Mr. Griffin's MRI scan, Mr. Griffin stated that the MRI scan was performed by his orthopedist, Dr. Perlewitz. Mr. Griffin stated that he only saw Dr. Shivaram once for approximately 20 minutes and he asked Mr. Griffin several questions while performing a brief physical exam.

In response to a follow-up question from Ms. Braun regarding the MRI report, Mr. Griffin stated that he would assume his MRI results were included with the medical records sent to Dr. Shivaram, but he could not be certain.

In response to a question from the Chairman regarding the date of the MRI, Mr. Griffin stated that the MRI scan was performed on January 19, 2014.

Mr. Griffin indicated that he believes his MRI results were likely included in the numerous medical sent to Dr. Shivaram for review. However, Mr. Griffin expressed confusion, because while the injuries to his L5 and S1 vertebrae were clearly listed on the radiologist's MRI report, Dr. Shivaram did not even reference those vertebrae in his final report.

Mr. Griffin stated that he has completed a seven week rehabilitation program through Midwest Rehabilitation Associates in Wauwatosa. Mr. Griffin attended the rehabilitation program five days a week for eight hours each day. The rehabilitation program involved physical and occupational therapy, psychotherapy, and pain management techniques for the chronic pain syndrome Mr. Griffin also suffers from. Mr. Griffin stated that Drs. Zylstra and Stewart were his primary physicians at Midwest and they spent much more time interacting with and observing him than the 20 minutes he spent with Dr. Shivaram.

In response to a question from Mr. Grady regarding Dr. Shivaram's opinion that Mr. Griffin's symptoms will improve in the due course of time and he will be able to return to the workforce, Mr. Griffin stated that he does not agree with Dr. Shivaram's opinion because his symptoms have only worsened over time. Dr. Perlewitz has advised Mr. Griffin that even though he has not yet required surgery, his condition could worsen over time to the point where surgery may be necessary. Mr. Griffin stated that his pain has started to progress into his tailbone and sciatic nerves. Mr. Griffin expressed his respect for Dr. Shivaram's opinion, but stated that he does not agree with that prognosis because he is in pain every day,

regardless of whether he sits, stands or lies down. Mr. Griffin added that his physicians at Midwest Rehabilitation have indicated that he has a permanent disability and have issued permanent work restrictions.

In response to a question from Ms. Funck regarding continued physical therapy, Mr. Griffin stated that he has reached his healing plateau and graduated from Midwest's rehabilitation program in June or July of 2014. Mr. Griffin added that he does continue a daily home exercise program that the therapists at Midwest Rehabilitation designed for him. The at-home therapy program includes stretching, core work and exercises on a treadmill and elliptical machine. Mr. Griffin noted that he has recently experienced a significant flare up in his osteoarthritis due to the cold weather. Consequently, Mr. Griffin has been in contact with his physical therapist at Midwest Rehabilitation to further discuss pain management.

In response to questions from Mr. Grady and Ms. Braun regarding his current work status, Mr. Griffin stated that he is still classified as an active employee, but is quickly running out of accrued time because his Worker's Compensation has ended.

In response to a follow-up question from Mr. Grady, Mr. Griffin stated that to his knowledge, no one at the County has filed papers for his discharge.

In response to a question from Mr. Smith, Mr. Griffin stated that he did not experience any issues with mood disorder, depression or anxiety prior to his accident.

In response to a question from Mr. Grady, Mr. Griffin stated that he continues to see a psychiatrist at least once a week and is currently on medication for depression and pain.

The Chairman thanked Mr. Griffin for his appearance before the Board and indicated that the Board will timely notify Mr. Griffin of its decision in writing if he does not wish to wait for the Board to return from closed session.

The Pension Board discussed the matter in closed session.

After returning to open session, the Pension Board voted unanimously to refer Mr. Griffin's appeal to ERS's new Medical Review Board for review. Motion by Ms. Van Kampen, seconded by Mr. Smith.

In open session, the Chairman explained to Mr. Griffin that ERS recently engaged a new Medical Review Board and a determination has been made

to refer his disability application to ERS's new Medical Review Board. The Chairman further stated this determination will also be communicated to Mr. Griffin in writing. The Chairman encouraged Mr. Griffin to review his disability application and ensure that all of his accident-related medical conditions have been clearly stated on his application form. The Chairman further stated that Mr. Griffin also has the option to complete and submit a new disability application.

In response to a question from Mr. Griffin regarding the estimated length of time for the new Medical Board to complete its review, Mr. Grady stated that ERS will make Mr. Griffin's case a priority. Because Mr. Griffin's medical records are already compiled, review by the new Medical Board should be completed relatively quickly.

Mr. Griffin expressed further concern about the additional review time, noting his accrued County time will run out in March 2015 and he will then be without any income.

In response to a follow-up question from Mr. Griffin regarding his current disability application, Mr. Grady clarified that Mr. Griffin's application has not been denied and there was nothing wrong with his current application. The Board has chosen to set Dr. Shivaram's opinion aside and is requesting that ERS's new Medical Board review Mr. Griffin's application. Once the new Medical Board has completed its review, Mr. Griffin's application will come back before the Pension Board for a determination. Mr. Grady also encouraged Mr. Griffin to review his application to ensure that all permanently disabling medical conditions Mr. Griffin believes he suffers from are listed on his application.

10. Appeals

(a) Joan Mitchell

In open session, Ms. Mitchell provided additional comments to the Board regarding her appeal. Ms. Mitchell stated that during her appearance at the September 17, 2014 Pension Board meeting, she made an open records request for all file contents relating to the error ERS made in determining the amount of her pension benefit. Ms. Mitchell stated that she had to wait a very long time before receiving the requested information from ERS and indicated that she even sent a letter to the State Attorney General's office to inquire about any further recourse. Ms. Mitchell stated that a few days after she received a response from the State Attorney General's office, she received a packet from ERS with the requested file contents. Ms. Mitchell stated that she then reviewed the file contents and, as Ms. Ninneman had

previously suggested, admitted that the additional documents provided her with no additional insight into how her pension benefit was initially calculated. Ms. Mitchell stated that at the time she retired, ERS did not provide her with any written calculation that would clearly demonstrate how her pension benefit was calculated. Ms. Mitchell further admitted that had she been able to review her file prior to retiring, she would have never been able to understand the calculations or catch the error ERS made in her benefit calculation to avoid her current situation.

Ms. Mitchell concluded her remarks by encouraging ERS to provide more comprehensive written information to retirees in the future, which will clearly and easily demonstrate how their pension benefits are calculated. Ms. Mitchell stated that such improved practices would allow future retirees the opportunity to catch any benefit calculation errors in advance and prevent anyone else from paying interest on an unknown debt. Ms. Mitchell further stated that she has not spoken to any ERS retiree who believes that the information ERS provided to them upon retirement sufficiently demonstrated how their pension benefits are calculated. Ms. Mitchell believes she should not be held accountable for the error ERS made in her pension benefit calculation and should not have to return any erroneous payments to the County.

The Chairman thanked Ms. Mitchell for her comments and stated that the Board will timely notify Ms. Mitchell of its decision in writing if she does not wish to wait for the Board to return from closed session.

The Pension Board discussed the matter in closed session.

After returning to open session, the Pension Board voted 6-1, with Ms. Funck dissenting, motion by Mr. Leonard, seconded by Mr. Gedemer, to deny the appeal by Joan Mitchell, 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 facts and rationale:

1. Ms. Mitchell retired on February 24, 2010, and began receiving pension benefits from ERS on April 4, 2010.
2. The Retirement Office mailed a letter to Ms. Mitchell dated June 20, 2014, informing her that the Retirement Office discovered she was incorrectly credited additional service credits for 2009. Because of the calculation error, Ms. Mitchell received overpayments from ERS totaling

\$4,467.54, which included interest on the overpayments calculated through June 30, 2014.

3. The June 20 letter further explained that ERS had a fiduciary duty to recover any overpayments made to Ms. Mitchell. The letter advised that unless Ms. Mitchell repaid the entire overpayment amount to ERS within ten days, ERS would reduce her future monthly pension payments until the overpayment, plus interest, was recovered.

4. The Retirement Office received an e-mail from Ms. Mitchell dated June 26, 2014, requesting an appeal to the Pension Board.

5. The Retirement Office mailed a letter and sent a follow-up e-mail, dated July 3, 2014, to Ms. Mitchell stating that her monthly pension benefit would be offset by \$186.12 for approximately two years until ERS recovered the overpayment, plus interest. The letter also stated that the earliest date her appeal could be heard was at the Pension Board meeting scheduled on September 17, 2014.

6. The Retirement Office received a letter dated July 8, 2014, and an e-mail dated July 10, 2014, from Ms. Mitchell requesting a specific explanation regarding the recalculation of her benefit.

7. The Retirement Office mailed a letter to Ms. Mitchell dated July 31, 2014, providing Ms. Mitchell with additional information regarding the use of service credits in calculating her benefit in ERS.

8. The Retirement Office mailed a letter to Ms. Mitchell dated September 8, 2014, informing her that her appeal was placed on the agenda for the upcoming Pension Board meeting.

9. At the Pension Board's September 17, 2014 meeting, the Pension Board reviewed Ms. Mitchell's Rule 1050 offset appeal. Ms. Mitchell attended the meeting and requested additional documentation regarding benefit calculations, records relating to her service credit discrepancy and a waiver of the 5% interest charge.

10. Ms. Mitchell also indicated at the Pension Board meeting she had submitted both verbal and written open records requests requesting her complete records. For this reason, Ms. Mitchell stated that she felt it was appropriate to delay her appeal until she could review any records received from her open records request.

11. Following its discussion regarding Ms. Mitchell's appeal, the Pension Board voted unanimously to hold over its decision until Ms. Mitchell's open records request was fulfilled.
12. The Retirement Office responded to Ms. Mitchell's open records request by letter dated October 6, 2014.
13. The Retirement Office mailed a letter to Ms. Mitchell dated October 7, 2014, informing her that her appeal was rescheduled for the October 15, 2014 Pension Board meeting. Ms. Mitchell failed to attend this meeting.
14. The Pension Board mailed letters to Ms. Mitchell dated October 21, 2014 and November 14, 2014, informing her that she could present her appeal at the November 19, 2014 and December 17, 2014 Pension Board meetings. Ms. Mitchell failed to attend either meeting.
15. Ms. Mitchell appeared at the January 21, 2015 Pension Board meeting, but the Retirement Office was unaware that she planned to attend the meeting, so her appeal had not been put on the agenda for review. Thus, her appeal was not heard by the Pension Board at the January meeting.
16. The Pension Board mailed a letter to Ms. Mitchell dated January 26, 2015, informing her that her appeal was scheduled to be reviewed at the February 18, 2015 Pension Board meeting. Ms. Mitchell attended this meeting and the Pension Board reviewed her appeal. Ms. Mitchell argued she should not be required to repay the overpayment and interest because the calculation error was not her fault and the Retirement Office provided her with insufficient information to recognize she was receiving an overpayment when she began receiving her monthly pension benefit in 2010.
17. Upon discovery that a member has been paid in error, Rule 1050 allows ERS to offset future benefit payments to a member by up to 100% until the overpayment, plus interest on the overpayment, have been recovered.
18. This requirement is in accordance with Internal Revenue Service guidance, which requires plans to pursue overpayments and attempt to place the plan in the position it would have been if the overpayment had not occurred. Interest is part of making the plan whole.

19. If the Pension Board does not follow the Ordinances and Rules, an operational error under the Internal Revenue Code results for failure to follow the written plan document.

20. In deciding how much to offset a member's benefit, the Retirement Office must consider the following factors in Rule 1050: (a) the reason for the overpayment; (b) the life expectancy of the individual; (c) the amount of the benefit versus the overpayment to be recovered; and (d) the financial resources available to the individual to satisfy the amount of the overpayment from resources other than the individual's ERS benefit.

21. Rule 1050(2)(d) provides that a "member may appeal the offset decision [of the Retirement Office] and amount of the offset to the Pension Board..." In determining the appropriate amount of offset, Rule 1050 requires the Pension Board, on appeal, to consider all of the offset factors listed above.

22. After weighing the factors required by Rule 1050 and in consideration of all the facts and circumstances, the Pension Board determined that offsetting Ms. Mitchell's monthly pension benefit to recover the overpayment made to her is appropriate.

23. However, the Pension Board finds that if Ms. Mitchell is not satisfied with a two-year repayment schedule, she may choose to repay the overpayment immediately, with no additional interest, or repay the overpayment over either a one, two, three, four or five year period, with interest.

24. Pursuant to the appeal process in Rule 1050, Ms. Mitchell may request reconsideration of this decision under the appeal procedures in Rule 1016.

In open session, Mr. Grady stated that ERS should also prepare a chart for Ms. Mitchell that will list the amount of each offset repayment option, so as to provide Ms. Mitchell with a clearer understanding of each repayment option amount.

Ms. Van Kampen also suggested that ERS break out the principal amount from the interest on the repayment option chart to clearly illustrate to Ms. Mitchell the impact an extended recovery period will have on increased interest payments over time.

(b) George Mecouch, Jr.

In open session, Doug Dehler and Megan Harried, both attorneys from O'Neil, Cannon, Hollman, DeJong & Laing S.C., noted that Mr. Mecouch is not present today and stated that they are representing Mr. Mecouch in regards to his appeal.

Mr. Dehler first summarized his firm's understanding of the facts of Mr. Mecouch's appeal. Mr. Dehler stated that Mr. Mecouch worked for Milwaukee County for a period of twelve years, between 1978 and 1990. Between 1978 and 1982, Mr. Mecouch was employed with the County as a resident doctor of psychiatry and later, as a staff psychiatrist from 1982 to 1990. Mr. Mecouch resigned in 1990, at which time he was the Medical Director of the day hospital for the Milwaukee County Mental Health Complex. Towards the end of his employment, Mr. Mecouch learned that his first four years of employment with the County as a resident psychiatrist did not qualify as eligible years of vesting service towards his pension benefit with ERS. Without those four years of service, Mr. Mecouch did not have enough vested years of service with the County to qualify for a pension benefit. As a result of learning of the shortfall in service credits, Mr. Mecouch contacted ERS Human Resources prior to leaving County employment. ERS subsequently advised Mr. Mecouch to submit a written authorization to purchase sufficient service credits for his time worked as a resident, to fully vest his retirement benefits with ERS. On August 15, 1990, prior to leaving County employment, Mr. Mecouch made a written request to ERS to purchase additional service credits. After receiving Mr. Mecouch's written request, ERS allowed Mr. Mecouch to purchase the additional service credits. Mr. Mecouch then paid via check, the specified amount to purchase the additional service credits, including interest. Because of certain administrative related matters within ERS, formal confirmation of the purchase of service credits was not provided to Mr. Mecouch until 1992. In 1992, the County cashed Mr. Mecouch's original check and confirmed in an internal memorandum that Mr. Mecouch had reinstated his prior service credits. On January 19, 1993, Jac Amerell of ERS sent a letter to Mr. Mecouch confirming that he was entitled to a deferred vested pension benefit of \$1, 250 per month upon his retirement at age 60, on April 1, 2011.

On July 22, 2005, Matthew Janes, then ERS Manager, sent a letter to Mr. Mecouch offering Mr. Mecouch early retirement, confirming that he was eligible for a deferred vested pension of approximately \$1,277.79 per month. Mr. Mecouch did not elect early retirement at that time, but subsequently elected to begin receiving his pension benefit in 2011.

Mr. Mecouch began receiving pension benefit payments from ERS in 2011. In 2014, Mr. Mecouch began receiving additional correspondence from ERS, which culminated in a letter dated June 28, 2014 from Ms. Ninneman, demanding that Mr. Mecouch return a total of \$51,965.95 in pension overpayments to the County. Mr. Mecouch then filed a timely appeal.

Mr. Dehler stated that Mr. Mecouch followed ERS's required processes to the letter by submitting all of the required paperwork and requested payments in a timely fashion. ERS informed Mr. Mecouch in writing in 1993, 2005 and 2011, that he was eligible for a pension benefit from ERS at age 60. Mr. Mecouch relied upon the written information ERS provided to him and made important life decisions based on that information. Mr. Mecouch is now 64 years old and currently resides in Oregon.

Mr. Dehler continued by stating Mr. Mecouch's terms of appeal. Mr. Mecouch is first requesting that the Board make a decision to rescind all determinations and demands contained in the letter from ERS dated June 28, 2014. Second, Mr. Mecouch is requesting that he not be required to return benefits previously paid to him from ERS in the aggregate amount of \$51,985.95. Finally, Mr. Mecouch is requesting that ERS continue to pay his monthly pension benefit in the same manner and amount that he received prior to the June 28, 2014 correspondence from ERS.

Mr. Dehler concluded by stating that he is uncertain whether recent votes of the County Board regarding ERS's proposed corrections of the buy-in/buy-back errors may impact Mr. Mecouch's appeal. However, Mr. Dehler stated that the recent vote by the County Board to override a veto on the matter, should lend further support Mr. Mecouch's appeal. In light of the recent decisions at the County Board level, combined with the reasons stated in Mr. Mecouch's appeal letter dated October 20, 2014, Mr. Dehler asked that the Board grant the relief requested.

In response to a request from Mr. Dehler for additional questions, no Board member had any further questions.

The Chairman thanked Mr. Dehler and Ms. Harried for appearing before the Board on behalf of Mr. Mecouch, and stated that the Board will timely notify all parties of its determination in writing if they did not wish to wait for the Board to return from closed session,

The Pension Board discussed the matter in closed session.

After returning to open session, the Pension Board voted 7-0 to deny Mr. Mecouch's appeal, motion by Mr. Gedemer, seconded by Mr. Smith, consistent with the discretion assigned to the Pension Board by Ordinance section 8.17 to interpret the Ordinances and Rules of the Employees' Retirement System of the County of Milwaukee ("ERS"), based on the following facts and rationale:

1. Mr. Mecouch began employment with Milwaukee County (the "County") as a resident in psychiatry in 1978. This position was an optional position, under which a member may elect to enroll in ERS but is not required to do so.
2. Mr. Mecouch enrolled in ERS on September 26, 1982 when he began employment as a staff psychiatrist, which is a position that requires enrollment in ERS.
3. Mr. Mecouch had approximately 4 years of optional service as a resident physician from 1978 -1982. On August 15, 1990, Mr. Mecouch sent a letter to the Retirement Office requesting to purchase 2 of those 4 years of optional service credit in ERS. In the letter, Mr. Mecouch noted that he was ceasing his County employment and moving to Oregon.
4. According to his letter of appeal, on August 17, 1990, Mr. Mecouch terminated County employment. Based on information received from the Retirement Office, at the time of his termination of employment, Mr. Mecouch had 7.89167 years of ERS service credit. For members such as Mr. Mecouch with membership enrollment dates on or after January 1, 1982, ten (10) years of service credit are required for vesting.
5. On September 4, 1990, the Retirement Office sent a letter to Mr. Mecouch providing that his request would be placed on the Pension Board's agenda for its September 21, 1990 meeting.
6. On September 26, 1990, the Retirement Office sent a second letter to Mr. Mecouch explaining that the Pension Board decided to lay over issues related to reinstatement of prior service until a special meeting scheduled for October 2, 1990.
7. On October 9, 1990, the Retirement Office sent a third letter to Mr. Mecouch notifying him that the Pension Board would review petitions for reinstatement of prior service credit on October 11, 1990 and explaining that while his presence was not required, he could attend if he desired.

8. Based on chronologies prepared in the process of reviewing errors for IRS reporting purposes, it appears that the Pension Board at both meetings in October 1990 discussed the interest rate for repurchasing prior service credit as a buy back. There is no indication that purchases of prior service credit after termination of employment were authorized by the Pension Board at these meetings.

9. A note dated August 21, 1992 states that "per Jac," it is acceptable for Mr. Mecouch to reinstate his prior service credit because his request was received prior to his resignation of County employment. It is likely that "Jac" refers to Jac Amerell who was the manager of ERS during this time period. The letter also notes that while Mr. Kenner's September 4, 1990 letter provides so, it is unclear whether Mr. Kenner ever placed Mr. Mecouch's issue on the Pension Board's agenda.

10. On September 21, 1992, Mr. Amerell sent Mr. Mecouch a letter stating that he may purchase 1.23558 years of service credit for \$2,441.18. The letter provides that the purchase "must be received by this office within 90 days from the date of this letter." Ninety days from September 21, 1992 is December 20, 1992.

11. On December 21, 1992, ERS received a check from Mr. Mecouch in the amount of \$2,441.18.

12. On December 28, 1992, Gordon Mueller, the ERS Fiscal Officer at the time, sent a memorandum to Gloria Morris of ERS stating that Mr. Mecouch had reinstated 1.23558 years of service credit with a check payable to ERS on December 15, 1992.

13. On December 29, 1992, Mr. Amerell sent a letter to Mr. Mecouch acknowledging receipt of his check and noting that his account would be credited with the purchased service credit.

14. On January 19, 1993, Mr. Amerell sent a letter to Mr. Mecouch informing him of his eligibility for a deferred vested retirement benefit at age 60.

15. On July 22, 2005, Matthew Janes, ERS Manager, sent Mr. Mecouch a letter informing him that he is eligible for a deferred vested pension benefit after his attainment of age 60 and asking him to complete an application for deferred retirement.

16. On May 1, 2011, Mr. Mecouch commenced his deferred vested pension benefit from ERS.

17. On April 22, 2014, Ms. Ninneman sent a letter to Mr. Mecouch informing him that his purchase of service credit is subject to errors and not allowed under the County Ordinances.

18. On June 26, 2014, Ms. Ninneman sent another letter to Mr. Mecouch explaining how ERS intends to correct his error. The letter explained that without his purchased service credit, Mr. Mecouch is ineligible to receive a benefit and that his monthly benefit would cease effective July 1, 2014. The letter further explained that because Mr. Mecouch was receiving a benefit in violation of the Ordinances and Rules, he received an overpayment from ERS totaling \$51,965.95 after the reduction for his payment towards the purchase of service credit, plus interest. ERS requested the repayment of the overpayment in a lump sum, or with proof that a lump sum was not possible, an established repayment schedule.

19. On October 21, 2014, ERS received a letter from Mr. Mecouch's attorney requesting an appeal of the Retirement Office's decision to the Pension Board.

20. The Pension Board heard Mr. Mecouch's appeal at its February 18, 2015 meeting. Mr. Mecouch's attorneys appeared on his behalf and requested that the Pension Board overturn the Retirement Office's decision to rescind his purchase service credit, release him from the request to return benefits previously paid to him from ERS and continue to pay his monthly pension benefit in the same manner and amount that he received prior to the June 28, 2014 letter from ERS.

21. Pension Board meeting minutes from November and December 1995 indicate that the Pension Board discussed codifying the Retirement Office's allowance of individuals to purchase prior service credit in a rule. At its January 24, 1996 meeting, the Pension Board adopted Rule 207.

22. Rule 207 requires a member to be in active employment to commence a buy in. The original Rule 207 (adopted on January 24, 1996) did not include the express requirement that a member be in active service to purchase service credit, but the Rule consistently references "employee," which demonstrates that the Pension Board intended only active members to be allowed to purchase service credit. Rule 207 was subsequently amended on September 23, 1998 and included the express requirement that an employee be in active service to purchase service credit.

23. Rule 207 also prohibits partial purchases of service credit. This section provides that if an employee elects to purchase service credit, the employee must contribute for all of his or her pre-1992 optional

employment. Rule 207 as originally adopted in 1996 includes the requirement that an employee "must pay to the System an amount equal to 6% of his wages earned with the County during his entire period of optional employment..."

24. Mr. Mecouch argues that Rule 207 was adopted in 1996, so it is inapplicable to his purchase in 1992. Mr. Mecouch is correct that Rule 207 was adopted after his purchase was complete, but the Rule was created to codify how the Pension Board determined that ERS should be administering purchases of service credit.

25. There is no evidence that the Pension Board ever approved a purchase of service credit that was made after a member terminated County employment. Similarly, it appears that the Pension Board has always required a member to purchase all of his or her service credit.

26. Mr. Mecouch terminated County employment on August 17, 1990. His purchase of service credit was made in December 1992. At the time of his purchase, he was not an active employee; therefore, he was not eligible to purchase service credit under the terms of Rule 207 and ERS's past practice.

27. Similarly, it appears Mr. Mecouch was eligible to purchase 4 years of service credit and only purchased 1.23558 years of service credit. Therefore, Mr. Mecouch's purchase was also improper because it did not include all optional service credit available to him for the period he worked in optional employment.

28. Mr. Mecouch contends that even if Rule 207 is applicable to his purchase, his purchase does not violate Rule 207 because Mr. Mecouch commenced the buy in while he was an active employee, which is all that is required by Rule 207.

a. The Pension Board finds that Mr. Mecouch's payment to purchase service credit must have been made while he was in active service in order for the purchase to be valid. An inquiry regarding a purchase of service credit while in active service is not sufficient.

29. Mr. Mecouch also argues that because the authority to elect to purchase service credit was granted on a case-by-case basis pursuant to written requests and later granted to all employees, Mr. Mecouch's written request and approval of that request were procedurally and substantively appropriate. Mr. Mecouch further argues that the "ERS/Board decision" became final after one year.

a. Rule 1001 provides that the action of the Pension Board shall be final after one year. This Rule on its face applies to actions of the Pension Board. An action of the Pension Board is different from the decision of the Retirement Office or a decision of one employee in the Retirement Office. Mr. Mecouch has not provided any documentation that his request was reviewed by the Pension Board and determined to be allowable despite the fact that he was not in active employment at the time of his purchase. Instead, the note from the Retirement Office questions whether Mr. Mecouch's purchase was ever even on the Pension Board's agenda. Accordingly, the Pension Board finds that Mr. Mecouch's purchase was approved by Jac Amerell alone, without the input of the Pension Board. Rule 1001 is therefore inapplicable to Mr. Mecouch's purchase of service credit because the Pension Board did not make a decision regarding his purchase.

30. The Pension Board is required to administer ERS based on the Ordinances and Rules. Because Mr. Mecouch's purchase of service credit was not valid, the Pension Board finds he is not eligible to retain the purchased service credit.

31. Without the purchased service credit, Mr. Mecouch has only 7.89167 years of purchased service credit and his enrollment date is September 26, 1982. With this enrollment date, Mr. Mecouch must have 10 years of service credit in order to receive a pension benefit from ERS. Accordingly, the Pension Board finds that Mr. Mecouch is not eligible for a pension benefit from ERS.

32. On June 29, 2007, ERS and the County filed a Voluntary Correction Program ("VCP") application to self-report and correct the buy in and buy back operational errors to the IRS. On February 17, 2015, the Milwaukee County Board of Supervisors adopted Ordinance amendments that would correct some of the buy in and buy back operational failures. However, the Pension Board finds that these Ordinance amendments do not correct the errors related to Mr. Mecouch's purchased service credit. The Ordinance amendments do not address failures related to partial purchases of optional service credit and only correct the failure to purchase service credit during active employment for members who terminated employment due to a specific reason not relevant to Mr. Mecouch. Because Mr. Mecouch's benefit was not corrected by Ordinance amendment, his errors must be corrected through rescission of his purchased service credit.

33. Because the Pension Board determined that Mr. Mecouch was ineligible to purchase service credit, Mr. Mecouch has been receiving an erroneous benefit since his retirement in May 2011.

34. As part of the VCP, ERS is required to be made whole for the erroneous payments received by Mr. Mecouch, plus interest. Rule 1050 also allows ERS to request repayment of any overpayment made to a member in error.

35. The Pension Board finds that Mr. Mecouch is responsible for repaying the overpayments he received from ERS. Any amounts owed by Mr. Mecouch will be offset by the amount Mr. Mecouch paid into ERS to purchase the service credit, plus interest.

11. Pending Litigation

(a) Stoker v. ERS

The Pension Board discussed the matter in closed session.

(b) AFSCME v. ERS

The Pension Board discussed the matter in closed session.

(c) Tietjen v. ERS

The Pension Board discussed the matter in closed session.

(d) Brillowski & Trades v. ERS

The Pension Board discussed the matter in closed session.

(e) AFSCME v. ERS

The Pension Board discussed the matter in closed session.

(f) Weber v. ERS

The Pension Board discussed the matter in closed session.

(g) Angeles v. ERS

The Pension Board discussed the matter in closed session.

After returning to open session, the Pension Board voted 6-1, with Mr. Smith dissenting, to approve the retirement application submitted by Ruben Angeles following the passage of the retroactive amendments to sections 201.24(8.17), (11.1), (11.11) and (12.4) of the Milwaukee County Code of General Ordinances by the Milwaukee County Board of Supervisors on February 17, 2015. Motion by Mr. Leonard, seconded by Mr. Gedemer.

(h) Trapp, et al v. Pension Board

The Pension Board discussed the matter in closed session.

12. Report on Compliance Review

The Pension Board discussed the matter in closed session.

13. Reports of ERS Manager and Fiscal Officer

(a) Retirements Granted, January 2015

In open session, Ms. Ninneman presented the Retirements Granted Report for January 2015. Twenty-seven retirements from ERS were approved, with a total monthly payment amount of \$33,846. Of those 27 ERS retirements, 17 were normal retirements and 10 were deferred. Twelve members retired under the Rule of 75. Additionally, 13 retirees chose the maximum option, and 7 retirees chose Option 3. Seventeen of the retirees were District Council 48 members. Fourteen retirees elected backDROPs in amounts totaling \$1,039,393.

Ms. Ninneman noted that one of the retirees listed on the January 2015 Retirement Granted Report did purchase service credits, but those purchased service credits were not included in that individual's monthly benefit calculation.

(b) ERS Monthly Activities Report, January 2015

Ms. Ninneman presented the Monthly Activities Report for January 2015. ERS and OBRA combined had 8,054 retirees, with a monthly payout of \$13,519,437. Trends during the month of January have been similar to the last few months.

(c) Fiscal Officer

Ms. Lausier discussed the January 2015 portfolio activity report. Ms. Lausier first noted to the Board that a revised December 2014 Portfolio Activity Report was also included with today's meeting materials. The December 2014 Portfolio Activity Report issued at last month's Board meeting erroneously contained some data through the middle of January 2015. The revised December 2014 Portfolio Activity Report reflects corrected figures and consequently, net assets were reduced by \$160,000.

In response to a question from the Chairman regarding the revised December report, Ms. Lausier confirmed that the revised figures are simply due to a timing issue and how the data was pulled for the report.

In response to a question from the Chairman regarding the need for additional funding, Ms. Lausier confirmed that she will request additional funding today to adequately cover benefit payments and expenses for March 2015. In addition, Siguler Guff recently issued another capital call. Because \$24 million is currently available in cash, an additional amount of \$10 million should be sufficient to cover the Siguler Guff capital call, and the remainder of 2015 first quarter funding and operational expenses. An additional amount of \$50 million will be needed to cover funding and operational expenses for the second quarter of 2015.

In response to a question from Mr. Smith, Ms. Ninneman stated that the date for Siguler Guff's capital call is February 26, 2015.

The Pension Board unanimously approved the liquidation of assets to fund cash flow of \$10 million for the remainder of the 2015 first quarter and \$50 million for the second quarter of 2015. The amounts should be withdrawn from investments designated by Marquette. Motion by Ms. Braun, seconded by Mr. Gedemer.

14. Administrative Matters

The Pension Board discussed additions and deletions to the Pension Board, Audit Committee and Investment Committee topic lists. The Chairman noted that per Mr. Smith's request, a discussion topic regarding the Fund's discount rate has been added under the full Pension Board.

Mr. Grady and the Chairman suggested that the Fund's actuary should also attend the upcoming discount rate discussion. The actuary should also be prepared to provide several different scenarios illustrating the effect an incremental drop of 10 to 25 basis points over the next two to four years may have on future County contributions. This information should help the Board determine if there is any advantage to making a relatively quick drop in the discount rate or whether decreasing the rate gradually over time may ultimately be more beneficial.

Ms. Van Kampen requested that some follow-up action be taken with Marquette regarding ERS's request for an updated list illustrating the changes other Funds have recently made to their discount rates.

Mr. Grady also suggested that Marquette and/or Buck Consultants look at the Fund's projected returns over the next 10-20 years, and indicate whether or not they expect those future returns to remain similar to the last 20-30 years.

In response to a question from Mr. Gedemer regarding any projected increases to employee contributions, Mr. Grady stated that Buck Consultants is expecting that both employee and County contributions will increase in the next few years.

15. Adjournment

The meeting adjourned at 12:50 p.m.

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