EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE

MINUTES OF THE JULY 16, 2014 PENSION BOARD MEETING

1. Call to Order

   The Chairman called the meeting to order at 8:30 a.m., at the Marcus Center for the Performing Arts, 127 East State Street, Milwaukee, Wisconsin 53202.

2. Roll Call

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

Others Present
Marian Ninneman, CEBS, CRC, ERS Manager
Mark Grady, Deputy Corporation Counsel
James Carroll, Principal Assistant Corporation Counsel
Daniel Gopalan, Fiscal Officer
Theresa Diaz, Assistant Fiscal Officer
Vivian Aikin, CRC, ERS Sr. Pension Analyst
Melissa M. Anezinis, J.P. Morgan Asset Management
Jim Cavanaugh, J.P. Morgan Asset Management
Brett Christenson, Marquette Associates, Inc.
Ray Caprio, Marquette Associates, Inc.
Jason Parks, Loop Capital Markets
Louvenia Wilson, Milwaukee County Employee
Yvonne Mahoney, Retiree
Dennis Hughes
Kenneth P. Greening
Steven Huff, Reinhart Boerner Van Deuren s.c.

3. Chairman's Report

On behalf of the Board, the Chairman expressed condolences to Ms. Ninneman on the recent passing of her husband.

4. Minutes—June Pension Board Meeting

The Pension Board reviewed the minutes of the June 18, 2014 Pension Board meeting.

The Pension Board unanimously approved the minutes of the June 18, 2014 Pension Board meeting. Motion by Ms. Braun, seconded by Mr. Smith.

5. Buck Consultants—Actuarial Results Final Report

The Chairman noted that due to a scheduling conflict, Larry Langer from Buck Consultants is unable to attend today's Board meeting to discuss the final ERS and OBRA January 1, 2014 Actuarial Valuation Reports.

The Chairman then stated that the final ERS and OBRA 2014 Actuarial Valuation Reports have been distributed to the Board. The 2015 ERS and OBRA budgeted contribution requests recommended by the actuary are now ready for Board approval and delivery to the County Executive.

The Chairman then requested a motion for the Board to approve the 2015 ERS and OBRA budgeted contribution requests and authorize delivery of the funding requests to the County Executive.

The Pension Board unanimously approved the 2015 ERS budget contribution request to the County Executive in the amount of $38,305,000, and the 2015 OBRA budget contribution request to the County Executive in the amount of $402,000, and granted authority to the Chairman to sign the letter to the County Executive requesting the contributions. Motion by Ms. Van Kampen, seconded by Mr. Smith.

6. Investments

(a) J.P. Morgan

Melissa Anezinis and Jim Cavanaugh of J.P. Morgan Asset Management distributed a booklet containing information on the investment management services provided by J.P. Morgan for ERS. Ms. Anezinis introduced

Mr. Cavanaugh as a client portfolio manager on J.P. Morgan's fixed income team.

Mr. Cavanaugh first provided an overview of J.P. Morgan's global fixed income team. Total assets under management for J.P. Morgan's global fixed income strategy are approximately $370 billion. During the spring of 2013, J.P. Morgan integrated its global fixed income platform, but there have been no changes to the core bonds and the team's investment philosophy remains unchanged. With the integration of J.P. Morgan's fixed income platform complete, the teams now have the ability to leverage resources across the broader range of the global fixed income universe. A cross-section of J.P. Morgan's current assets under management would illustrate a representation of the bulk of the fixed income universe.

Mr. Cavanaugh then discussed J.P. Morgan's investment philosophy. J.P. Morgan's investment philosophy is a consistent, value-driven approach that has produced long-term outperformance of the benchmark in a variety of market environments. Longer-term investing, versus trading mentality, is a core tenant of J.P. Morgan's investment philosophy. J.P. Morgan's investment philosophy is based on the belief that value successfully builds portfolios from the bottom up over the long term. J.P. Morgan's investment style also emphasizes research and individual security analysis, with an added emphasis on higher quality securities in place of large macro bets. This longer-term investment strategy leads to a lower turnover of strategies, resulting in minimized trading costs. J.P. Morgan's turnover rate currently averages around 15% to 25%, which is very low compared to many of their peers. Risk management is also embedded throughout J.P. Morgan's investment process, with a primary focus on downside protection relative to the benchmark.

Mr. Cavanaugh next discussed performance. During the most recent quarter, the fixed income portfolio has underperformed the Barclays Aggregate Index by approximately 27 basis points. There was similar underperformance on both an annualized and year-to-date basis, at -0.32 and -0.42 respectively. This recent underperformance is primarily due to the current defensive positioning of the portfolio, relative to the somewhat unexpected decrease in interest rates. J.P. Morgan does believe that the portfolio's defensive positioning will begin to pay off once interest rates eventually begin to rise. Another contributing factor to the recent underperformance is the underweighting of the non-corporate credit sector at 1%, relative to the 6% benchmark. The non-corporate credit sector has recently been the best performing area of the credit index and, on a year-to-date basis, has exhibited returns that have exceeded all other sectors in the benchmark. However, J.P. Morgan's 1% residual positioning of the non-corporate credit sector is based on a perceived credit risk for the issuers within that sector. J.P. Morgan's value-driven philosophy on individual security selection dictates a substitution of higher-quality cash flows for some of the issuers within the non-corporate credit sector, such as European Investment Bank, which J.P. Morgan believes has an increased credit risk. This proven element of value-driven focus to J.P. Morgan's historically successful investment philosophy dates back to the early 1980s.

Mr. Cavanaugh concluded with a discussion of market expectations. Yield spread levels remain very tight across the high-grade bond universe and it has been increasingly difficult to find value within the high-grade bond market. Approximately one-quarter of J.P. Morgan's fixed income portfolio is currently invested in Treasuries, which is the highest quality sector in the benchmark. The mortgage-backed securities sector is another large sector distribution within the portfolio where it has also been increasingly difficult to find attractive value opportunities. While the portfolio held approximately 47% in mortgage-backed securities one year ago, that allocation has now decreased to approximately 40%. At this point in the portfolio's cycle, it has become increasingly difficult to find high-quality cash flows with good yield. It is during such times that a defensive positioning of the portfolio has proven to be most beneficial in the long term. J.P. Morgan will continue to work towards upgrading the portfolio by taking advantage of attractive value-driven investment opportunities as they become available.

In response to a question from Ms. Braun, Mr. Cavanaugh stated that the portfolio's year-to-date and annualized underperformance figures relative to the benchmark are primarily the result of the portfolio's defensive positioning. Interest rates on bonds have decreased year-to-date, resulting in an increase in bond prices. Because the portfolio is currently underweight in bonds, this has hurt to some degree. Underweights in the portfolio's non-corporate credit sector, which is intentional and due to the perceived credit risk within that sector, has also contributed to the portfolio's recent underperformance.

Mr. Smith then noted that approximately one year ago, the interest rate on a ten-year bond was at 3% and despite all expectations that interest rates should have increased by now, they have not. However, the Federal Reserve has indicated that it will be going through some tapering and interest rates are expected to increase in the near future. In anticipation of the inevitable rate increase, J.P. Morgan has defensively positioned the portfolio to sacrifice some of the currently available yield in order to protect the portfolio's existing value from extension risk. In addition, J.P. Morgan appears to be consciously avoiding emerging markets in a quest for quality, as well as protecting existing value.

In response to a question from Mr. Smith regarding the current credit quality of municipal bonds, Mr. Cavanaugh stated that there are separate indices within the benchmark for municipal bonds, but the allocation is very small. There is a very small allocation to Build America bonds, which were taxable bonds issued by municipalities during the credit crisis, but no significant direct exposure to municipal debt currently exists in the portfolio or the benchmark.

In response to a follow-up question from Mr. Smith, Mr. Cavanaugh confirmed that Ohio State is an example of an issuer of municipal bonds in the portfolio, but reiterated that it is a very small percentage of the total portfolio.

Mr. Cavanaugh then added that J.P. Morgan searches for high-quality collateral with less extension risk within its mortgage-backed securities sector. There was a period last year when the ten-year Treasury did increase by approximately 100 basis points and mortgages in the portfolio favorably outperformed the index during that time. That scenario has reversed itself this year as interest rates have decreased and are more consistent with petty cash flows. The important thing to keep in mind is that J.P. Morgan has defensively positioned the portfolio relative to the credit and rate cycles. While there is currently a great deal of uncertainty surrounding interest rates within the Federal Reserve at this time, J.P. Morgan does anticipate a resolution of that uncertainty within the next year.

In response to a question from Ms. Van Kampen regarding a potential reevaluation of the portfolio's defensive positioning over time, Mr. Cavanaugh stated that J.P. Morgan tends to traditionally gravitate towards value and opportunity. J.P. Morgan tends to overweight the spread sectors and while the spreads are currently very tight, the market is cyclical and, with some patience, opportunities will continue to present themselves over time. While J.P. Morgan is aware that the portfolio could benefit from exposure to high quality sectors offering additional yield, it has been difficult to find such securities in the current market.

In response to a question from the Chairman regarding any potential changes to the economic outlook resulting from the Federal Reserve Chair's recent congressional testimony, Mr. Cavanaugh stated that Janet Yellen continues to remain fairly dovish regarding her commentary on interest rates. Based on the broader commentary from other Federal Reserve committee members expressing concerns surrounding the Federal Reserve's next move, J.P. Morgan anticipates that that there will not be a rate increase until the middle to latter half of 2015. The October 2014 meeting of the Federal Reserve should be very interesting, as the tapering will likely be over at that time and the inevitable discussion of the timing of the Federal Reserve's next move on interest rates should be brought to the forefront.

(b) Marquette Associates Report

Brett Christenson and Ray Caprio of Marquette Associates, Inc. distributed and discussed the June 2014 monthly report.

Mr. Caprio first discussed the June 2014 flash report. Total Fund assets as of June 30, 2014 were slightly over $1.8 billion. There have been no substantial changes to the portfolio's target allocations, and minor rebalancing has been effectively accomplished through withdrawals for monthly benefit payments. The fixed income composite is currently at 21% of the overall Fund, versus the policy target of 22%. The U.S. equity composite, which includes large cap, mid cap and small cap stocks, is in line with the policy target at just over 25%. The international composite is also fairly in line at 21%, versus the 20% policy target. The hedged equity composite is slightly overweight at 10.7%, versus the 10% policy target. Marquette has recently requested withdrawals for benefit payments from the hedged equity composite, which are currently in queue and expected to be issued towards the end of the third quarter. The real estate composite, at 9.2% is slightly over the target allocation of 8.5%. However, Marquette is comfortable with the modest over allocation in real estate, because those shares have been performing very favorably. Infrastructure is right on target at 8.5%. The private equity composite is underweight at 3%, compared to the 6% policy target. A number of new private equity commitments have been made to Siguler Guff and Adams Street over the last several years and recently, a request for proposal ("RFP") was issued for a new private equity fund of funds manager. Marquette will continue to aggressively work towards reaching the Fund's 6% private equity target allocation over the next several years. Total cash equivalents in the Fund as of June 30, 2014 were slightly over $30 million or, approximately 1.7% of the total portfolio.

In response to a question from the Chairman, Messrs. Caprio and Gopalan confirmed that Adams Street has recently issued capital calls for its 2012 fund of funds. ERS also recently completed a new contract with Adams Street for its co-investment direct fund and it is expected that additional capital calls for that fund should be forthcoming.

Mr. Caprio then discussed performance. For the month of June, the Fund was up 1.5% net of fees, versus the benchmark at 1.2%. The Fund's year-to-date figure was also up at 4.4% net of fees, versus the benchmark at 4.3%. It is important to note that the 4.4% year-to-date return does not reflect all asset classes because the real estate, infrastructure and private equity managers all tend to lag on reporting. Therefore, the year-to-date return may be slightly revised in the full quarterly report once all the Fund's asset classes have reported. The Fund has experienced positive growth on an annualized basis over the last five years, with positive returns that are all well above the Fund's assumed 8% rate of return. Certain changes to the Fund's asset allocations have been made over the last two years in anticipation of the looming interest rate increase and correlating expectations of a drag on the portfolio. The asset allocation changes primarily involved lowering the Fund's fixed income allocation, and increasing the Fund's infrastructure and real estate allocations with the intention of achieving bonds-like returns without the risk.

The fixed income composite is underperforming year-to-date at 3.5%, versus the Barclays Aggregate Index at 3.9%. The majority of the fixed income underperformance can be attributed to J.P. Morgan, as they have the bulk of the allocation in that sector. Year-to-date performance under the U.S. equity composite has been very disappointing at 4.5%, versus the benchmark at 7%. There are many active managers in the U.S. equity composite, which does account for some of the underperformance, as active managers in general have been struggling throughout 2014. Conversely, the returns under international equity have been very strong, up at 6.7% year-to-date, versus the benchmark of 5.6%. Hedge funds are also performing well during the first half of 2014 and the composite is up at 3.2% year-to-date. Real estate is also looking favorable and is up at 4.9% year-to-date. The year-to-date return under infrastructure is extremely preliminary and is currently at 1.2%, versus the benchmark of 4.1%.

In response to a question from Ms. Van Kampen regarding individual manager performance within the U.S. equity composite, Mr. Caprio stated that Boston Partners, Artisan Partners and Geneva Capital are all exhibiting fairly significant year-to-date underperformance relative to their indices. The active managers ERS has retained can struggle in strong bull markets when company fundamentals aren't the primary focus of investors. Geneva's strategy is to buy healthy mid cap growth companies at a reasonable price. They deploy this strategy by analyzing the financial health of a few select high quality investments compared to just buying the entire index. Historically, this active approach has proven to outperform the benchmark with less risk.

Marquette did meet with Geneva recently and Geneva stated that one stock selection in particular has recently hurt their performance. The underperforming stock is a health care company, which is down at 10% year-to-date. Geneva has indicated that the poor performance of that stock has dramatically impacted the portfolio as a whole. While Geneva tends to outperform in down markets and did perform extremely well during the 2008 crisis, Marquette is currently concerned with their performance.

In response to a question from Mr. Smith regarding Geneva's dramatic one-year underperformance figure of 17.4%, versus the benchmark at 26%, Mr. Christenson stated that one troublesome stock does not account for all Geneva's underperformance. Geneva, like many of its peers, has also been struggling over the last 12 months because of their high quality positioning. Geneva has also just announced that they are selling their firm to Henderson Global Investors of London and consequently, Marquette will recommend placing Geneva on alert today. Mr. Christenson also suggested having Geneva present at a future Investment Committee meeting or Board meeting.

In response to a question from Ms. Van Kampen, Mr. Christenson stated that large outflows, resulting from the sale of Geneva to Henderson Global, could have an additional impact on Geneva's underperformance. Marquette recently met with Geneva and Geneva stated that while it is difficult to gauge at this point, their smaller cap stocks and portfolio could be impacted from a liquidity standpoint by a large outflow. At this time, Marquette believes Geneva's dramatic underperformance, not the pending sale of the firm, is the greater reason for concern.

In response to a question from Ms. Braun, Mr. Christenson stated that because many of Geneva's clients are large public institutional funds, their existing clients will likely grant the firm a few quarters to turn things around, rather than immediately terminate because of the sale.

In response to a question from Ms. Van Kampen regarding Henderson Global's current presence in the U.S., Mr. Caprio stated that Henderson has previously acquired two other firms in the U.S. Geneva has communicated to Marquette that once the pending sale is complete, the firm plans to remain in Milwaukee, with its current team intact. Geneva will continue its normal operations, however, the name of the firm will likely change sometime within the next year. Current plans dictate that Henderson will be utilized more for corporate compliance and business management, to effectively manage the significant growth Geneva has experienced over a relatively short period of time. Marquette does not view the sale as either positive or negative for the firm. The pending sale will require consent by

70% of Geneva's existing clients and there is a chance that the deal may not be approved. It is very likely that Geneva will be contacting the Board in the near future for approval of the pending transaction with Henderson Global. While Geneva will receive a significant payout as a result of the sale, 30% of that payout will be reinvested into the strategy.

In response to concerns expressed by Ms. Braun that the sale may have an additional negative impact on Geneva's performance, Mr. Christenson stated that it is Marquette's strong recommendation that the Board place Geneva on alert today. In addition, Marquette recommends inviting Geneva to present at the next Investment Committee meeting or Pension Board meeting.

In response to a question from the Chairman, Mr. Christenson confirmed that if Geneva is placed on alert status today, they would be the only manager on alert.

After continued discussion between the Board and Marquette, the Board determined that Geneva should come before the full Pension Board for a presentation at its September 2014 meeting.

The Pension Board unanimously approved placing Geneva Capital Management on alert. Motion by Mr. Smith, seconded by Ms. Van Kampen.

7. <u>Investment Committee Report</u>

Mr. Grady noted that at the July 7, 2014 Investment Committee meeting, the Investment Committee entered into closed session to interview the private equity manager candidate finalists for the duration of the meeting. The Pension Board will now enter into closed session to further discuss the pros and cons of each of the private equity manager finalists, with the intention of making a new private equity manager recommendation later during today's Board meeting in open session.

Ms. Braun moved that the Pension Board adjourn into closed session under the provisions of Wisconsin Statutes section 19.85(1)(e) with regard to item 7 for considering the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session.

The Pension Board unanimously agreed by roll call vote 6-0 to enter into closed session to discuss agenda item 7. Motion by Ms. Braun, seconded by Ms. Funck.

The Board discussed the private equity manager candidates in closed session. Representatives from Marquette Associates and ERS staff remained present during the closed session discussion.

Upon returning to open session, the Chairman called for recommendations from the Board for a new private equity manager.

Ms. Braun recommended selection of Mesirow Financial for a total commitment of up to $30 million.

In response to a request from Mr. Grady, Ms. Van Kampen provided a summary of the reasons for recommending Mesirow Financial as ERS's new private equity manager. Mesirow Financial is a long standing successful firm that has historically produced very attractive and solid returns on investments. The Board believes that as a relatively small firm, Mesirow will be able to successfully navigate the private equity markets and identify attractive investment opportunities. The Board further believes that Mesirow will call capital in a timely manner, which is very important as ERS works towards the goal of attaining its 6% private equity policy target allocation. Lastly, Mesirow will be introducing a new private equity fund approximately every two years, which ERS will then have the option to participate in. The option of participating in future Mesirow funds will offer ERS the additional benefits of vintage year diversification of its private equity investments.

The Pension Board unanimously approved selecting Mesirow Financial as ERS's new private equity manager for a commitment of up to $30 million. Motion by Ms. Braun, seconded by Mr. Smith.

8. Audit Committee Report

Ms. Westphal reported on the July 2, 2014 Audit Committee meeting. The Audit Committee first discussed Pension Board member service after resignation. A discussion of the topic which began during the June 18, 2014 Pension Board meeting continued with the Audit Committee, and Ms. Mohn discussed proposed amendments to ERS Rules 1052 and 1053. The Audit Committee recommended that the proposed amendments to Rules 1052 and 1053 be presented to the Pension Board for final consideration.

Mr. Huff then provided a summary to the Pension Board of the proposed amendments to ERS Rules 1052 and 1053. The proposed amendments are fairly straightforward and are designed to more clearly define the concept of Pension Board member service after resignation and to further clarify what constitutes a quorum. The proposed amendments to Rule 1053 would formally allow a willing Board member to continue to serve on the Pension Board after turning in his or her resignation until their available seat is filled, but not beyond the service time period currently allowed by the ERS Ordinances. The proposed changes to Rule 1053 also contain provisions that would prevent a member from revoking his or her resignation once a specified fixed date of resignation has passed. This requirement was designed to address concerns that the resigning member may change his or her mind after the process for appointment or election has commenced. In addition, a holdover member may not serve past the earlier of, (1) the end of the month in which a final special election is held or, (2) the effective date of a successor's appointment or, (3) the end of his or her three-year term as established by ERS's Ordinances. This provision will ensure that the resigning member and the member's replacement are not simultaneously serving on the Pension Board, as well as ensuring that a resigning member is not allowed to serve past the end of what would have been their full term on the Pension Board.

The proposed changes to Rule 1052 are simply designed to clarify the existing Rule regarding the establishment and loss of a quorum during a meeting. The Ordinances were amended in June 2012 to add a representative of the Milwaukee Deputy Sheriff's Association as a tenth member of the Pension Board. Prior to the Ordinance amendment, there were nine members of the Pension Board. The current Ordinances and Rules do not clearly address how many Pension Board members must be present at a meeting to constitute a quorum. In addition, while the Ordinances do state that five affirmative votes are required for a measure to pass, they do not provide that a majority of votes is also required for a measure to pass. For example, in a scenario with a full ten-member Pension Board, the Ordinances do not address what would happen if a five-to-five tie should occur during a vote. The proposed changes to Rule 1052 would further clarify that a majority of sitting members constitutes a quorum. For example, with an eight-member Board, five members would be required to constitute quorum. That number would increase to six members with a full ten member Board. The Audit Committee also suggested that the Pension Board make a final determination as to whether or not once a quorum is established, it continues for the duration of the meeting or could, in fact, be lost if enough members left during a meeting. The Audit Committee suggested that they would prefer a rule that states a quorum could be lost if enough members were to leave during a meeting.

Mr. Huff then asked the Board to confirm whether the proposed changes to Rule 1052 should state that the Pension Board may conduct a meeting for business purposes without a quorum or may continue to conduct a meeting if a quorum is lost, but may not vote on any resolutions.

In response to a question from the Chairman regarding the loss of a quorum during a meeting, Mr. Huff stated that whether there is a quorum or not, the Ordinances state that it takes five members to pass a resolution. However, during full capacity periods with a ten-member Board, it would matter for voting purposes whether or not a quorum is lost because then six votes, not five, would be required for a resolution to pass. This specific circumstance may be the reason the Audit Committee is recommending inclusion of the language in the Rule amendment which states that Board members may not vote on any resolutions if a quorum is lost during a meeting.

In response to a question from the Chairman, Ms. Westphal confirmed that the Audit Committee supports the proposed option 1 language in the amendment to Rule 1052, that states the Pension Board may conduct a meeting for business purposes without a quorum or may continue to conduct a meeting if a quorum is lost, but may not vote on any resolutions.

In response to a question from Mr. Huff, Mr. Grady indicated that he concurred with the discussion and had no further comments regarding the proposed Rule amendments.

In response to a question from the Chairman regarding a circumstance when six members would be required to pass a resolution, Mr. Huff confirmed that would be during periods of a full Board of ten.

The Pension Board unanimously approved adopting amendments to ERS Rule 1052, with a selection as written in option 1, attached to these minutes as Exhibit A, effective July 16, 2014, and approved adopting amendments to ERS Rule 1053, attached to these minutes as Exhibit B, effective July 16, 2014. Motion by Ms. Westphal, seconded by Mr. Smith.

The Audit Committee next discussed materials provided to disability applicants. Ms. Ninneman reviewed the standard procedures ERS currently follows once a disability applicant's final report is received from the Medical Board.

Ms. Braun commented that the Audit Committee felt it was important that disability applicants have the right to review the Medical Board's report before appearing before the Pension Board. The Audit Committee has requested that once a final report is issued by the Medical Board, it be provided to disability applicants as soon as his or her application request has been added to the Pension Board agenda. Mr. Grady clarified that the applicants will now receive the Medical Board report when they are informed that the Pension Board has scheduled review of their application. This will ensure that they have had the opportunity to review the report before appearing before the Pension Board.

Mr. Grady then added that Ms. Ninneman has been implementing certain administrative changes that are designed to tighten up the disability application process. Some additional administrative changes to disability application forms and procedures may occur in the near future. It is also possible that some Ordinance amendments may be proposed in the near future to further streamline the disability application process.

The Audit Committee concluded with a discussion of buy-ins and buy-backs. In open session, Mr. Grady provided an update to the Audit Committee regarding the status of the buy-in and buy-back violations since the June 18, 2014 Pension Board meeting. The Audit Committee then entered into closed session for the remainder of the meeting for further discussion of the matter.

9. Disability Matters

(a) Louvenia Wilson

In open session, the Chairman stated that it is the recommendation of the Medical Board that Ms. Wilson does not qualify for an accidental disability pension.

In response to questions from the Chairman and Mr. Grady, Ms. Wilson stated that she would like to present additional comments regarding her disability application to the Board in open session.

The Chairman then advised Ms. Wilson that the Board generally relies on the Medical Board's recommendation. It is also the Pension Board's general understanding that the Medical Board should have received and reviewed all relevant medical records and any other pertinent information related to Ms. Wilson's disability application prior to arriving at its final recommendation. While the Pension Board cannot override the Medical Board's recommendation, applicants who have been denied a disability pension are offered the opportunity to present any additional information, primarily medical in nature, which they believe may have further bearing on the Medical Board's recommendation.

Ms. Wilson then stated that she does not know for certain what information the Medical Board received, because she only received a copy of the Certificate of the Medical Board's final recommendation and did not receive a copy of the full Medical Board report.

Ms. Wilson next stated that she was injured when she was kicked in the knee by an inmate while working for the Sheriff's Department. Ms. Wilson further stated that she required surgery as a result of the work-related injury, and that this is in fact her third injury and second surgery. Ms. Wilson further noted that her doctor's report indicates a 7% permanent partial disability, meaning she can no longer perform the duties required of the job she held at the time she sustained her injury.

Ms. Wilson continued by noting that she has brought with her today all of the paperwork related to her injury, including the incident report as well as information from the program she underwent with Sue Chase indicating the County was unable to identify other suitable employment. Ms. Wilson further stated that because the County was unable to locate other suitable employment, she is essentially unemployed and has no income at this time because of the injury she sustained while employed with the Sheriff's Department.

In response to a question from Dr. Daugherty, Ms. Ninneman confirmed that after Ms. Wilson sustained her injury she did sign a medical release form. The medical release form asked Ms. Wilson to list all of her current treating physicians and authorized the release of all medical records related to her injury. ERS then contacted Ms. Wilson's treating physicians listed on the release form for all relevant reports related to the injury. Those medical records, along with any other documentation Ms. Wilson provided, were then sent to the Medical Board for review. The Medical Board then reviewed all records received and also performed their own independent physical examination of Ms. Wilson.

In response to a question from Dr. Daugherty regarding any subsequent medical examinations or reports that the Medical Board may not have been privy to, Ms. Wilson stated that she had no subsequent medical exams, but she does not know for certain what information the Medical Board received.

Ms. Wilson then stated that she believes she should be able to review what information was sent to the Medical Board. Ms. Wilson noted that she only went to one physician who specialized in knee injuries.

Ms. Ninneman stated that because Ms. Wilson signed the release form, any information Ms. Wilson's treating physician would have had in her medical file would have been sent to the Medical Board for review.

Ms. Wilson then commented that she does not understand how the Medical Board could have arrived at its recommendation of denial if they did receive and review all relevant medical information from her treating physician.

In response to a question from Ms. Wilson, Ms. Ninneman and Mr. Grady stated that the Medical Board should have also been provided a copy of the incident report. Mr. Grady further stated that while he cannot say for certain at this time, the workers' compensation file, which includes the incident report, is normally sent to the Medical Board for review. Mr. Grady added that Dr. Shivaram does reference specific details contained in the incident report in his own report, which would suggest he did receive a copy of the incident report.

In response to a question from the Chairman, Ms. Wilson stated that she had no further comments or questions at this time.

Ms. Braun then moved that the Pension Board 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 specific persons which, if discussed in public, would be likely to have a substantial adverse effect upon the reputation of any person referred to in such histories, and that the Pension Board adjourn into closed session under the provisions of Wisconsin Statutes section 19.85(1)(g), with regard to items 9 through 11 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 6-0 to enter into closed session to discuss agenda items 9 through 11. Motion by Ms. Braun, seconded by Ms. Funck.

The Board discussed the matter in closed session. Ms. Wilson and other public attendees left the meeting. ERS staff remained present during the closed session discussion.

After returning to open session, the Pension Board voted 5-0-1, with the Chairman abstaining, to accept the Medical Board's recommendation to deny the accidental disability pension application. Motion by Mr. Smith, seconded by Ms. Westphal.

10. Pending Litigation

(a) Stoker v. ERS

The Pension Board took no action on this item.

(b) AFSCME v. ERS

The Pension Board took no action on this item.

(c) Tietjen v. ERS

The Pension Board took no action on this item.

(d) Brillowski & Trades v. ERS

The Pension Board took no action on this item.

(e) AFSCME v. ERS

The Pension Board took no action on this item.

(f) Weber v. ERS

The Pension Board took no action on this item.

11. Report on Compliance Review

The Pension Board took no action on this item.

12. Reports of ERS Manager and Fiscal Officer

(a) Retirements Granted, June 2014

In open session, Ms. Ninneman presented the Retirements Granted Report for June 2014. Twenty-one retirements from ERS were approved, with a total monthly payment amount of $40,247. Of those 21 ERS retirements, 16 were normal, 4 were deferred and one was an accidental disability retirement. Ten members retired under the Rule of 75. Twelve retirees chose the maximum option and four retirees chose Option 3. Thirteen of the retirees were District Council 48 members. Ten retirees elected backDROPs in amounts totaling $1,820,384.53.

(b) ERS Monthly Activities Report, June 2014

Ms. Ninneman presented the Monthly Activities Report for June 2014. ERS and OBRA combined had 8,056 retirees, with a monthly payout of $14,376,453.

Ms. Ninneman stated that ERS customer service volume had decreased in June and is likely due to the summer months. There were two appeals in June, bringing the year-to-date appeals total to five. ERS does anticipate an increase in appeals activity over the next few months.

Ms. Ninneman then noted that approximately one-third of terminated members are now requesting a refund of their required member contributions. This is a new trend as, initially, a greater percentage of terminated members had been requesting refunds.

In response to a question from the Chairman, Ms. Ninneman stated that it is not much of an administrative burden to calculate the member contribution refunds because that information can be directly accessed from the ERS database. However, ERS must also send out a letter to each terminated employee which notifies them of their option to request a refund of their member contributions.

In response to a follow-up question from the Chairman, Ms. Ninneman confirmed that the member contribution refunds are paid at a 5% interest rate.

Ms. Ninneman concluded with an update on recent ERS staffing developments. ERS's current System Administrator has given notice and will be leaving her position at the end of July. ERS is currently recruiting for a replacement and has posted the open position on the County's website. Because the System Administrator position is very specialized, Ms. Ninneman has also requested a broader posting beyond the County website to search for potential candidates. In the interim, the current ERS Assistant Manager will resume her former duties as System Administrator until the position is filled. Ms. Ninneman will also pick up some additional duties, including management of ERS staff.

(c) Fiscal Officer

Mr. Gopalan first discussed the June 2014 portfolio activity report. The month of June was another relatively quiet month. Benefit payments for the month of June were funded with a withdrawal of $13 million from GMO. Standard quarterly dividends were also received from Morgan Stanley and J.P. Morgan Infrastructure.

In response to a question from the Chairman, Mr. Gopalan confirmed that the balancing of policy targets is of primary focus when determining where to withdraw funding for monthly benefit payments. Mr. Gopalan stated that both he and Marquette work together to review the investment manager allocations and prepare the letters requesting the withdrawals. Timing can occasionally be an issue, as some hedge fund managers require 90-day advance notice for cash withdrawals.

Mr. Gopalan continued with a discussion of the June 2014 cash flow report. ERS received a capital call from Siguler Guff in July 2014 for $2 million. Mr. Gopalan then noted that ERS recently signed a contract for Adams Street's 2014 Co-Investment Fund to help achieve the Fund's private equity target allocation. It is hoped that Adams Street will begin issuing capital calls for its 2014 Co-Investment Fund in September or October of 2014.

In response to a question from the Chairman regarding third quarter funding requests, Mr. Gopalan confirmed that the necessary withdrawals for the third quarter have already been approved at the June 2014 Board meeting. No additional requests should be necessary until the fourth quarter funding requests scheduled for the September 2014 Board meeting.

Mr. Gopalan then referred to the second quarter check register, noting the list of expenses paid to vendors from ERS funds. In response to a question from Mr. Gopalan, there were no questions from the Board regarding the second quarter check register.

Mr. Gopalan concluded with a discussion of the 2013 annual report approval. The 2013 annual report has been finalized and a copy of the final report was distributed to the Board with a copy of Baker Tilly's 2013 audit comment letter. Mr. Gopalan then noted that the Baker Tilly audit was a clean audit and asked the Board if there were any further questions or comments on the final annual report.

In response to a question from Mr. Smith regarding the draft annual report distributed and discussed at the June 2014 Audit Committee meeting, Mr. Gopalan confirmed that there were no additional changes made to the final report.

The Pension Board unanimously approved and accepted the 2013 Annual Report of the Pension Board. Motion by Ms. Van Kampen, seconded by Ms. Funck.

13. Administrative Matters

The Pension Board discussed additions and deletions to the Pension Board, Audit Committee and Investment Committee topic lists. The Chairman noted that anyone with future topic suggestions should voice them now, or notify Ms. Ninneman at a later date if they wish to have any agenda items added or changed.

In response to a question from Mr. Smith, the Chairman and Ms. Van Kampen stated that Marquette Associates will arrange for Geneva Capital to present at the September 2014 Board meeting.

The Chairman then noted a request for approval of attendance at the International Foundation's 60th U.S. Annual Employee Benefits ("IFEB") Conference in Boston, Massachusetts on October 12-15, 2014.

In response to a question from the Chairman, Ms. Ninneman stated that, if approved, she would like to attend the IFEB conference for ERS staff professional development.

Mr. Grady then noted that the IFEB conference is the preeminent conference and recommended attendance approval for any interested Board member or ERS staff member.

The Pension Board unanimously approved the attendance of any interested Pension Board member or ERS staff member at the International Foundation's 60th U.S. Annual Employee Benefits Conference. Motion by Mr. Smith, seconded by Ms. Braun.

The Chairman concluded by noting that at this time there is no Board meeting scheduled for the month of August and the next scheduled Pension Board meeting will be held on September 17, 2014.

14. Adjournment

The meeting adjourned at 11:20 a.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 Ordinances and Rules do not address how many Pension Board members are required to constitute a quorum.

4. Ordinance section 201.24(8.5) provides, in pertinent part, that "[f]ive (5) votes shall be necessary for a decision by the members of [the] board at any meeting of the board."

5. Ordinance section 201.24(8.5) is clear that five affirmative votes are required for Pension Board action. However, Ordinance section 201.24(8.5) does not address whether a majority of votes is also required for Pension Board action.

6. The Pension Board desires to clarify that a majority of Pension Board members in office shall constitute a quorum and that a quorum shall not be retained in the event one or more members of the Pension Board leaves prior to the meeting being adjourned.

7. The Pension Board desires to codify its current practice requiring five affirmative votes for a decision by the Pension Board and clarify that a majority of votes is required for a decision by the Pension Board.

Effective July 16, 2014 pursuant to Ordinance section 201.24(8.6), the Pension Board hereby creates Rule 1052 to read as follows:

1052. Pension Board Quorum and Voting

(1) A majority of Pension Board members in office at any time shall constitute a quorum. The Chairperson or acting Chairperson shall

ensure that a quorum is present prior to any decision by the Pension Board.

(2) The Pension Board shall be permitted to hold or continue a meeting and discuss issues related to the system though a quorum of Pension Board members is not present. Notwithstanding the forgoing, the Pension Board shall not take any action at a meeting at which a quorum of Pension Board members is not present.

(3) A decision by the Pension Board shall require the greater of:

(a) five (5) affirmative votes; and

(b) a majority of those Pension Board members present at a meeting of the Pension Board.

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. Periodically, concerns arise that the Pension Board will have insufficient members present at a meeting to constitute a quorum. These circumstances typically arise due to lags in the election and appointment of Pension Board members.

4. The Ordinances and Rules do not address whether a Pension Board member who resigns his or her seat may continuing serving on the Pension Board as a holdover member until his or her seat is filled, either by a special election or appointment.

5. Ordinance section 201.24(8.2)(1) provides that "[m]embers may not continue to serve after the completion of any term, unless reappointed and confirmed or re-elected," and that the Pension Board has discretion to determine "any question arising under this section 8.2 concerning a member's qualification or eligibility to continue to serve as a member."

6. The Pension Board interprets Ordinance section 201.24(8.1) to prohibit a Pension Board member from holding over on the Pension Board after his or her term has expired. Additionally, the Pension Board interprets Ordinance section 201.24(8.1) to not apply in those circumstances in which a Pension Board member resigns but has not yet completed his or her term.

7. The Pension Board further interprets Ordinance section 201.24(8.1) to permit a Pension Board member to hold over past his or her resignation, provided that the member complies with certain parameters that prevent two Pension Board members from holding the same seat.

8. The Pension Board desires to codify its interpretation of Ordinance section 201.24(8.2) permitting a Pension Board member to hold over past his or her resignation date provided that the resigning Pension Board member complies with certain parameters.

Effective July 16, 2014, pursuant to Ordinance section 201.24(8.6), the Pension Board hereby creates Rule 1053 to read as follows:

1053. Holdover of Pension Board Members Following Resignation

A pension board member who resigns his or her position on the pension board may continue to serve as a holdover member beyond the pension board member's resignation date under the following conditions:

(1) The pension board member's resignation shall specify a fixed date of resignation;

(2) The pension board member shall not revoke his or her resignation once the resignation date required by subsection (1) has passed; and

(3) The pension board member shall not serve past the date that is the earlier of:

(a) the end of the month in which a special election is held and a successor is elected, or the effective date of a successor's appointment, as applicable; or

(b) the end of the pension board member's term, as established by Ordinance section 201.24(8.2)(1).