

EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE
MINUTES OF THE SEPTEMBER 16, 2015 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, 929 North Water Street, Milwaukee, WI 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
Vera Westphal

Members Excused

Others Present

Marian Ninneman, Director-Retirement Plan Services
Mark Grady, Deputy Corporation Counsel
Vivian Aikin, CRC, ERS Sr. Pension Analyst
Tina Lausier, ERS Fiscal Officer
Brett Christenson, Marquette Associates, Inc.
Evelyn Orley, Vontobel Asset Management
Ben Falcone, Vontobel Asset Management
Doug Loveland, Siguler Guff
Kevin Kester, Siguler Guff
Graham P. Wiemer, MacGillis Wiemer, LLC,
Charlicia Brown, Former Milwaukee County Employee
Bob Ostrowski, President, Milwaukee Deputy Sherriffs Association
Steven Huff, Reinhart Boerner Van Deuren s.c.

3. Minutes—Special July 2, 2015 and July 15, 2015 Pension Board Meetings

The Pension Board reviewed the minutes of the July 2, 2015 special Pension Board meeting and the July 15, 2015 Pension Board meeting.

The Pension Board voted 7-0-1, with Mr. Leonard abstaining, to approve the minutes of the July 2, 2015 special Pension Board meeting. Motion by Mr. Gedemer, seconded by Mr. Smith.

In response to questions from Messes Westphal and Van Kampen, the Chairman and Ms. Ninneman explained that a footnote was added to the July 15, 2015 minutes to document a unique circumstance relevant to the appeal for Louvenia Wilson disclosed subsequent to the meeting. Subsequent to the July 15 Board meeting, the Retirement Office learned that Ms. Wilson had previously requested and received a refund of her ERS membership contributions. Therefore, the Retirement Office determined that Ms. Wilson ceased to be a member of ERS in November 2014 and was not eligible to receive a disability benefit from ERS.

In response to a follow-up question from Ms. Westphal regarding any possible future Board action on the matter, Mr. Grady answered that ERS has issued a denial letter to Ms. Wilson. The denial letter informed Ms. Wilson of her right to an appeal. As of today's meeting, Ms. Wilson has not filed an appeal.

Mr. Grady added that absent a second appeal from Ms. Wilson, counsel felt it was important to document the subsequent event via a footnote to state for the record that the Board reviewed and voted to approve Ms. Wilson's disability pension at its July 15, 2015 meeting based on the incorrect assumption that Ms. Wilson was still a member in ERS.

The Pension Board unanimously approved the minutes of the July 15, 2015 Pension Board meeting. Motion by Mr. Gedemer, seconded by Ms. Funck.

4. Investments

(a) Vontobel Asset Management

Mr. Christenson introduced Vontobel as the Fund's international large cap equity manager. Mr. Christenson noted that Vontobel currently manages approximately \$120 million or approximately 7% of the Fund's assets.

Evelyn Orley and Ben Falcone of Vontobel Asset Management distributed a booklet containing information on the investment management services

provided by Vontobel for ERS. Ms. Orley introduced Mr. Falcone as a Senior Portfolio Advisor in the firm's New York office. Mr. Falcone joined the firm approximately six months ago and represents the firm's portfolio managers to institutional clients and consultants, communicating the firm's investment philosophy and strategy from a portfolio management perspective.

In response to a question from the Chairman regarding prior work experience, Mr. Falcone stated that he spent 12 years at Merrill Lynch Asset Management as a research analyst for a global small cap fund. In 2008, Mr. Falcone began working at Morgan Stanley where he helped to manage an international equity fund which was eventually spun out into a startup firm called Echo Point Investment Management. Mr. Falcone remained at Echo Point as a portfolio manager until 2014.

Ms. Orley first provided an update of the firm as of August 31, 2015. Vontobel is a global equities international-only specialist investment firm. Vontobel has one investment team which adheres to one investment style and process. Vontobel currently manages six different investment strategies, with emerging market equity as its largest strategy at approximately \$28 billion in assets. ERS is invested in Vontobel's international equity strategy, which at approximately \$7.4 billion in assets, is Vontobel's second largest strategy. The firm's investment team remains unchanged since ERS's inception two years ago. Rajiv Jain retains his position as the firm's Chief Investment Officer and lead portfolio manager for international equity.

Ms. Orley then provided an overview of the international equity fund portfolio. ERS invested \$120 million in Vontobel's international equity fund on November 1, 2013. ERS is invested in a comingled fund with approximately \$1.7 billion in assets that is benchmarked against the MSCI ACWI ex USA Index. With no additional contributions or withdrawals since inception, ERS's original investment has grown to \$120.8 million as of August 31, 2015.

Ms. Orley next discussed the portfolio's performance. Since inception, the portfolio is up 0.41% net of fees, outperforming the benchmark of -3.84%. The portfolio has outperformed the benchmark over all time periods. While it has been a very difficult market environment to add absolute value to the portfolio, Vontobel has been able to successfully protect the portfolio in a down market. As of September 15, 2015, the portfolio is outperforming on a relative basis at -1.6%, versus the benchmark of -5.6%.

Mr. Falcone continued with a high-level overview of the portfolio's characteristics and Vontobel's investment strategy. Europe is currently the largest market in the international equity strategy. Over the last year, Europe has embarked on an economic reform agenda with quantitative easing led by the head of the European Central Bank ("ECB") Mario Draghi. Over the last year, spreads in peripheral countries have also compressed and interest rates have remained low. Although the euro has weakened and Europe is flat year-to-date, the current factors in Europe have been positive for the equity markets. International equity is currently the second best performing market in the strategy with performance up approximately 4.5%. Although Japan, at approximately 16% to 17% of the market, is another large market in international equities, Vontobel has remained underweight to Japan for some time. Japan has also been undergoing its own economic reform agenda over the last three years led by its Prime Minister, Shinzō Abe. Vontobel has remained underweight to Japan because it has had difficulty locating quality investments in Japan. Vontobel continually reviews potential Japanese investments and stock fundamentals, but they have not seen the levels of improvements that meet its standards for shareholder returns.

The Chinese stock market has experienced a great rise and, recently, a great fall. The rise in the Chinese stock market was largely liquidity induced. With a continued slowdown in property markets across China, investors had been focusing on the stock market to generate returns. The People's Bank of China lowered reserve requirements at banks which fueled liquidity into the market. Margin lending of stock purchases in China peaked this year at four times that of the U.S. There was also a recent interconnection between the Hong Kong market and the mainland market of Shanghai, which strengthened those markets, as well as the index. Vontobel was negatively affected by not having investments in Chinese banks. However, Vontobel has historically not owned investments in Chinese banks because their off balance sheet lending products are perceived as too risky. Much of the wealth management products in China are backed by the property market which has seen considerable weakness. Vontobel's selective investment strategy is based on investments that can produce very stable and consistent earnings growth year after year.

Markets driven by commodity exports in Brazil, Australia, South Africa and Indonesia have declined over the last year as Chinese demand for iron ore and copper has declined with infrastructure spending. However, because Vontobel typically does not invest in these sectors, the portfolio has benefited from underweights in these countries. Vontobel has also benefited from an underweight to Korea and Korean companies such as

Samsung and Hyundai. With the weakening of the Japanese yen and the euro, Hyundai has faced increased competition from manufacturers such as Toyota, Honda and Volkswagen.

In response to a question from Ms. Van Kampen regarding the portfolio's historical weighting to Japan, Mr. Falcone stated that the portfolio has never been overweight to Japan. Concurrent with its investment philosophy and minimum hurdle rate of 15% for return on equity, there are only a handful of companies in Japan that Vontobel would consider investing in. The average return on equity for the Japanese market is 10% and Vontobel has been able to successfully compensate for its underweight to Japan in other markets.

In response to a question from Mr. Christenson regarding the portfolio's current exposure to emerging markets, Mr. Falcone stated that the portfolio's exposure historically averages around 20%. However, the portfolio's current exposure to emerging markets is slightly less than 20% because Vontobel has recently reduced its positions in some Chinese companies such as Baidu, Alibaba and Tencent.

In response to a follow-up question from Mr. Christenson regarding the potential impact of rising U.S. interest rates on emerging markets, Mr. Falcone stated that the portfolio is currently underweight in emerging markets. Foreign debt and account deficits are also much lower than historical averages in countries such as Brazil, South Africa, India and Indonesia. While Vontobel does not anticipate a full-blown crisis will occur in emerging markets once the U.S. raises interest rates, the portfolio is currently well-positioned to manage volatility.

In response to a question from Mr. Leonard regarding the portfolio's significant overweights in India and the United Kingdom, Mr. Falcone stated that Vontobel tends to deviate from the benchmark because of its high-quality investment philosophy. The portfolio has been overweight to India for some time because Vontobel has identified the right mix of high-conviction, dominant franchise companies with consistent growth and sensible valuations. The portfolio is overweight to the United Kingdom, but much of that exposure is via multi-national companies and actual exposure to the U.K. is fairly low.

Mr. Falcone continued with a discussion of the portfolio's characteristics. The portfolio's strategy combines high-quality growth with sensible valuations. The portfolio has a fairly high growth rate and the companies Vontobel invests in typically grow 30% faster than companies in the index. The portfolio's price-to-earnings 12-month forecast as of August 31, 2015

is 19.4%, versus the index of 13.4%. However, Vontobel believes that the portfolio's price-to-earnings ratio should come down considerably by 2021. Although Vontobel tends to pay a premium for these high-quality companies, Vontobel can add value to its strategy with companies they feel the market is improperly valuing four to five years in the future. Vontobel expects these companies to compound earnings and continue to grow at 10% to 15% annually.

Mr. Falcone next discussed the portfolio's top ten holding. The portfolio's top ten holdings are primarily multinational, market-leading franchises and comprise approximately 40% of the total portfolio. British American Tobacco, at 6.2%, is the largest holding. Phillip Morris International and Imperial Tobacco Group are other tobacco companies in the top ten holdings. Vontobel has been adding European and U.S. tobacco companies because the economies have been improving in these countries. Vontobel's tobacco holdings provide annual earnings growth of 10% to 15% but trade at cheap multiples relative to the rest of the market. Vontobel recently exited its position in the Chinese company Baidu, Inc. within its international portfolio. Baidu has been increasing its investments and as a result, its costs have increased for the near term. Vontobel will continue to closely monitor Baidu and may eventually add the company back to the international portfolio at a more opportune time period.

Mr. Falcone then discussed the portfolio's sector and country exposure. The portfolio is significantly overweight in more stable sectors such as consumer staples and health care. The portfolio is significantly underweight in more cyclical sectors such as energy, industrials and materials. As previously discussed, the portfolio is overweight in India and the U.K. Switzerland is another country that is overweight in the portfolio and includes holdings in Nestle, Roche and UBS. Holdings in the United States represent companies which are listed in the U.S. but are predominantly international. U.S. held companies include Priceline, PayPal and Phillip Morris International.

In response to a question from Mr. Smith regarding the reason for the portfolio's underweight to Canada, Mr. Falcone stated that Vontobel has no exposure to any of the commodity names in Canada due to the dependence on energy and currency performance. The portfolio's exposure to Canada is through Alimentation Couche-Tard Inc. Alimentation Couche-Tard is consolidating the growing convenience store market and owns Canadian companies such as Circle K and Kangaroo. Vontobel recently exited its Canadian position in the Bank of Nova Scotia because they believe that the

continued pressure on currency and commodities will eventually impact the broader Canadian economy.

Mr. Falcone concluded with a discussion of performance. On a relative basis, the portfolio has performed well year-to-date. Health care, consumer staples, financials, materials and energy are all sectors that have all performed favorably year-to-date. Indian banks have continued to consistently outperform, and staple names such as Unilever, Nestle, British American Tobacco and Phillip Morris have performed well in a sluggish economy. Performance has lagged year-to-date in industrials and information technology. Vontobel believes that the sluggish growth environment will continue in the market for the near term. Vontobel will continue to focus on moving companies into the portfolio that will perform well on a relative basis and provide consistent annual earnings growth, especially in more volatile market periods.

In response to a question from Mr. Smith regarding the regulatory standards for Indian banks, Mr. Falcone stated that Private Banks in India represent one-quarter of the market and the Indian market is friendlier towards private banks than the Chinese market. The Indian government can be very bureaucratic. Government-led banks such as the State Bank of India can be persuaded to lend more towards large infrastructure projects than the country may need, which results in some risk.

With no further questions from the Board, Ms. Orley thanked the Board members and ERS for its continued support.

(b) Siguler Guff

Doug Loveland and Kevin Kester of Siguler Guff distributed a booklet containing information on the private equity investment management services provided by Siguler Guff for ERS. Mr. Loveland introduced himself as a member of the Siguler Guff's marketing and investor relations team.

Mr. Loveland first provided a brief update of the firm. Siguler Guff is a global multi-strategy private equity investment firm with over \$10 billion in assets under management. Siguler Guff has over 165 employees worldwide and is headquartered in New York. Siguler Guff serves over 500 institutional clients ranging from large public pension plans to small community colleges. ERS is invested in Siguler Guff's small business strategy which is focused on purchasing high, value-orientated, family-owned businesses in the United States.

Mr. Loveland next introduced Mr. Kester as the Managing Director and lead Portfolio Manager for Siguler Guff's small business strategy. Mr. Kester joined Siguler Guff in 2004 and was previously employed at the Colorado Public Employees Retirement Association ("PERA") where he served as Director of Alternative Investments.

Mr. Kester continued by stating that he spent eight years at the Colorado PERA where he helped to manage a \$5 billion private equity portfolio and a natural resource portfolio. After joining the firm, Mr. Kester developed Siguler Guff's Small Buyout Opportunities ("SBO") strategy which focuses on small, family-owned/owner-operated businesses. Siguler Guff's SBO strategy seeks to invest in small businesses that can be purchased at attractive valuations. At the time of purchase, these businesses may have some inherent deficiencies related to supply and demand, amount of capital or local competition. Siguler Guff will also purchase businesses when a founder or family is seeking growth opportunities. In 2012, ERS committed \$40 million to Siguler Guff's Small Buyout Opportunities Fund II ("SBOF II"). As of June 30, 2015, \$23.4 million of ERS's original commitment has been called and the net multiple on that capital is valued at 1.2x. Although the SBOF II is still in its early stages, Siguler Guff believes the portfolio is well-positioned and has excellent prospects.

Mr. Kester then discussed Siguler Guff's SBO leadership strategy. Siguler Guff has developed a preeminent, team-based investment strategy that has allowed them to become one of the largest investors in the small business sector of the market. Over the last decade, Siguler Guff has committed \$1.3 billion to 61 small buyout funds and over \$475 million to 82 small buyout co-investments. Siguler Guff's SBO strategy focuses on purchasing attractively-valued small businesses that could benefit from some professionalization to enhance inherent weaknesses and promote additional growth. Siguler Guff has invested in 386 companies across its SBO strategy, with approximately 175 of those companies in the SBOF II. Those 386 companies have added approximately 28,000 employees since acquisition, and employ approximately 148,000 individuals as of March 31, 2015. Siguler Guff also invests in smaller, newer institutional funds identified as "emerging managers." Siguler Guff sees a strong alignment of interests between these emerging managers and the small businesses it targets in its SBO strategy. These emerging managers are focused on putting large amounts of their own capital at risk and Siguler Guff has a great deal of influence over them. Siguler Guff manages any increased risk from the emerging managers by performing their own due diligence and taking the time to underwrite these funds before they invest.

In response to a question from Ms. Van Kampen regarding the extent of Siguler Guff's direct company involvement, Mr. Kester stated that Siguler Guff primarily influences its fund managers to professionalize the companies. However, when Siguler Guff does co-invest, it typically takes observer rights on company boards to lend professionalization guidance. Siguler Guff also adds value going into the investment by working with the sponsor and performing necessary due diligence to uncover hidden risks or weaknesses and ensure favorable investments.

In response to a question from Mr. Christenson, Mr. Kester stated that approximately 35% of the SBOF II will co-invest, and approximately 40% of Siguler Guff's new Small Buyout Opportunities Fund III ("SBOF III") will be focused on direct investments. Siguler Guff is scheduled to launch its SBOF III by the end of 2015.

In response to a question from Mr. Leonard regarding average investment size, Mr. Kester stated that Siguler Guff's typical investment falls within a range of \$10 million to \$30 million. When Siguler Guff does co-invest, they will typically take \$5 million to \$10 million of a \$25 million investment. These companies are generally selling a majority control but not 100% control. A typical company in the portfolio retains 20% to 30% ownership and is 32 years old at the time of acquisition. Siguler Guff wants a seller to retain rollover equity in the transaction and continue to be an owner. Siguler Guff believes that a favorable alignment of interest is created when a seller retains some ownership.

Mr. Kester next discussed Siguler Guff's small business team structure. There are nine individuals on the small business team. Mr. Kester also sits on the Investment Committee with the firm's founders, George Siguler and Drew Guff. The small business team follows an apprenticeship-style of education and there has been sequential growth, but no turnover on the team.

Mr. Kester continued with a discussion of the most inefficient segment of buyouts. Siguler Guff focuses on the small and lower middle market segment of companies with revenues of \$5 million to \$10 million. Approximately 94% of all companies with revenues greater than \$5 million are in this segment and most are privately held. The companies in this segment of the market represent 16% of private sector GDP. However, only 7% of the private equity capital raised in the last 5 years targets small buyouts because most managers raise too much capital to effectively invest in small buyouts.

In response to a question from the Chairman regarding Siguler Guff's exit strategy, Mr. Kester stated that Siguler Guff primarily works to position its

companies for exit to larger financial and strategic buyers with large amounts of capital. The majority of the companies Siguler Guff invests in initially have certain ownership issues and, therefore, are not well-positioned at the outset to sell directly to large private equity firms. Siguler Guff acts as an intermediary buyer and institutionalizes these businesses, making them attractive to larger financial and strategic investors. Siguler Guff does not seek to IPO its businesses. Across its first two funds, Siguler Guff has exited 105 companies.

In response to a follow-up question from Mr. Christenson, Mr. Kester confirmed that an original founder will typically exit its business completely during a second sale to a strategic buyer. Examples of strategic buyers include Coca Cola, Sara Lee, Masonite and Nestlé Purina. If Siguler Guff is selling to a larger private equity firm, and the family is still following an owner/operator business model, the family or founder may continue to own a portion of the company beyond the second sale.

Mr. Kester continued with a discussion of Siguler Guff's value-driven investment formula. Siguler Guff's investment formula is a time-tested successful formula. Siguler Guff's first Small Buyout Opportunities Fund I ("SBOF I") is in a very successful harvest mode and is returning large amounts of capital to its investors. While Siguler Guff will continue to improve upon its strategy with SBOF II and SBOF III, the general investment philosophy will remain consistent. Siguler Guff targets companies with approximately \$56 million in revenue. These companies have typically been in business for 30 years, with a compound annual growth rate ("CAGR") of 6% and \$6 million in earnings before interest, taxes and amortization ("EBITA"). These businesses are family-owned and operated niche market leaders, with no prior history of institutional ownership. While these businesses may have some weaknesses, those weaknesses present opportunities to create value by improving management teams and diversifying the customer base. Siguler Guff is value-oriented and at the time of acquisition, consistently purchases companies at attractive discounts relative to the current market. Siguler Guff employs a conservative approach to leveraging and will leverage these businesses at multiples of 2x to 3x EBITA, which is much lower than the typical private equity firm. Siguler Guff owns a business for an average of 4.5 years over a typical investment cycle. As a result of the professionalization, CAGR typically accelerates to 15%, EBITA rises to \$12 million, and revenue increases to \$90 million at the end of the investment cycle. As a result of the added value, the average transaction exit multiple is measured at 8.7x. Most of the geographic concentration in terms of invested capital is in the Midwestern and Southeastern areas of the U.S. because there is a higher

concentration of family-owned businesses in these areas. Therefore, Siguler Guff partners with many private equity firms in the Midwest and Southeast in addition to companies acquired and owned in these markets.

Mr. Kester then discussed Siguler Guff's co-investment strategy. Co-investments are a crucial component to Siguler Guff's successful investment strategy. Siguler Guff strives to maintain co-investments that reflect its principal core investment strategy in terms of valuation, longevity of business, margins and leverage. Siguler Guff is able to avoid adverse selection by seeking co-investments that mirror its overall portfolio strategy and not focusing solely on the largest deals. Siguler Guff is able to identify opportunistic co-investments via existing relationships. Siguler Guff then employs its sound investment judgment to ensure attractive co-investment opportunities. Performance on the co-investment side has been strong and SBOF II is on track to meet or exceed the strong performance of SBOF I.

In response to a question from Ms. Van Kampen regarding the slower than anticipated pace of Siguler Guff's capital calls, Mr. Kester explained that as of September 1, 2015, Siguler Guff has called 65% of funds committed to SBOF II. ERS invested in SBOF II in 2012 and, over that three-year period, capital has been called at a quicker pace than SBOF I. Siguler Guff believes that the investment pace for SBOF II is favorable, especially when measured against its peer group. Siguler Guff anticipates that 70% or more of funds committed to SBOF II will be called by the end of 2015 and 85% by the end of 2016.

In response to a follow-up question from Ms. Braun, Mr. Kester stated that the pace for calling capital in SBOF III should be similar to the call pace of SBOF II. Siguler Guff expects to launch SBOF III later this year. Once SBOF III is closed, 15% to 20% of capital is expected to be called by the end of the first year, with another 20% to 25% by the end of the second year. The pace of the fundraising period will also affect those deployment percentages.

In response to a question from Mr. Smith regarding the potential impact of a rising interest rate environment on Siguler Guff's investment strategy, Mr. Kester stated that Siguler Guff's strategy is less sensitive to rates as a means for driving its equity returns. A rising interest rate environment would more likely impact the types of businesses Siguler Guff focuses on. Rising interest rates would increase market volatility and negatively affect the more cyclical industries such as energy and automotive. Siguler Guff would likely shift its focus away from the more interest rate-sensitive, cyclical industries in favor of companies with strong pricing power that provide critical services and components to its customers.

Mr. Kester concluded with a performance update for SBOF II. As of June 30, 2015, the estimated net internal rate of return ("IRR") for SBOF II is 10.4%. However, Siguler Guff expects to release its final quarterly results within the next two weeks and the actual returns typically exceed the estimated returns. Once the final quarterly results are released, Siguler Guff expects the actual net IRR to be slightly above 13%. When comparing performance between SBOF I and SBOF II during the same fund lifecycle time periods, SBOF II is far outpacing SBOF I. Siguler Guff believes that SBOF II performance will be very favorable, with a net IRR target in the upper teens and a net multiple on invested capital of 2x or greater.

(c) Marquette Associates Report

Brett Christenson of Marquette Associates distributed and discussed the August 2015 monthly report. Mr. Christenson began with a review of manager status. Artisan Partners, Geneva Capital and ABS remain on alert status for performance issues. K2 has been terminated under hedged equity for organizational and performance-related issues. K2 will be officially terminated on September 30, 2015. The majority of the assets from K2 will be rolled into its replacement strategy, Parametric, on November 1, 2015.

Mr. Christenson next discussed market values. As of October 31, 2015, the total Fund composite is just under \$1.7 billion in assets. The fixed income composite is currently underweight by \$53 million. U.S. equity is underweight by \$19 million and international equity is underweight by \$22 million. Current overweights are in the hedged equity composite at \$20 million, real estate at \$46 million and infrastructure at \$8 million. Marquette will begin liquidating some of the overweight areas of the portfolio to begin rebalancing equities in the near term. The private equity composite has grown to 4.8%, nearing the policy target of 6%. Both Adams Street and Mesirow have some outstanding capital to be called and it is likely that the private equity composite will get close to the 6% policy target relatively soon.

Mr. Christenson then discussed Fund performance. August 2015 was a very difficult month and the U.S. stock market was down approximately 6%. As of August 31, 2015, the Fund's year-to-date return is still positive at 0.5% net-of-fees, versus the benchmark of -0.1%. Significant assets in the alternative asset classes are only valued on a quarterly basis and, therefore, Marquette expects positive performance to continue into the third quarter. Although some of the alternative asset classes may help boost overall returns, Marquette believes the Fund will likely not achieve the 8% actuarial assumed rate of return in 2015. Under the fixed income composite, J.P. Morgan continues to outperform the benchmark over the one month and

three month periods. J.P. Morgan's high-quality positioning has helped to provide consistent returns in a very difficult market environment. J.P. Morgan's year-to-date performance as of August 31, 2015 is 0.5% net-of-fees, versus the benchmark at -0.1%. However, Mr. Christenson noted that J.P. Morgan's senior portfolio manager recently announced that he will take a leave of absence with plans to return to J.P. Morgan in approximately two years. The current senior portfolio manager will be replaced by another senior official at J.P. Morgan with over 15 years of experience. Marquette has no concerns to terminate J.P. Morgan because the investment team is very experienced. However, Marquette recommends placing J.P. Morgan on alert for organizational issues due to the loss of a significant member of its investment team.

In response to questions from Ms. Van Kampen and Mr. Smith, Mr. Christenson confirmed that J.P. Morgan's replacement manager is a member of the same investment team and Marquette has no significant concerns. However, Marquette believes that it is prudent for the Trustees to place managers on alert and closely monitor performance anytime there is a significant organizational change. The alert status prompts review and discussion for the short term.

The Pension Board voted unanimously to place J.P. Morgan fixed income on alert status for organizational issues. Motion by Ms. Van Kampen, seconded by Ms. Braun.

Mr. Christenson continued his discussion of performance. The Fund's one-month total return was -3.2% net-of-fees. Geneva Capital is one manager preserving capital particularly well in the down market, with a year-to-date return of 4.4%, net-of-fees, versus the benchmark of -0.3%. On a one-year basis, Geneva's return is up 9.3% net-of-fees, versus the benchmark of 2.5%. While Geneva's recent turnaround in performance is impressive, they are still underperforming for the two-year period and Marquette recommends maintaining Geneva's alert status. Artisan Partners is also on alert but preserving capital well, with a positive year-to-date return of 1.4%, net-of-fees, versus the benchmark of -0.3%. Other consistently strong performers in U.S. equity include Boston Partners, Fiduciary Management and Silvercrest. Despite its -6.8% benchmark, Fiduciary Management is maintaining a positive 1.5% year-to-date return, net-of-fees. Silvercrest is also protecting capital on the downside with a year-to-date return of -2.0%, net-of-fees, versus the -6.8% benchmark. On a relative-basis, Vontobel's performance in international equity is favorable despite the down market. GMO has been underperforming its benchmark for some time. However, GMO has proven in the past it can reverse performance

quickly after underperforming the benchmark for long periods. Marquette is not overly concerned about GMO at this time, but will continue to closely monitor their performance. In hedged equity, ABS is also preserving capital well with a positive year-to-date return of 4.2%, net-of-fees, versus the MSCI ACWI market index at -3.5%. The one-month return for ABS is very favorable, at -1.4%, net-of-fees, versus the MSCI ACWI market index at -6.9%. Marquette is pleased with the performance of ABS, as they are meeting expectations by providing favorable upside returns and preserving capital well on the downside. The real estate managers have continued to perform well, while the infrastructure manager has struggled somewhat due to currency issues.

Mr. Christenson next discussed the results of Marquette's asset allocation analysis. The overall positioning of the Fund's portfolio is extremely important in terms of balancing liquidity in the Fund while maintaining high overall returns. Marquette's hypothetical analysis included three portfolio options for reducing the Fund's fixed income exposure from the current policy target of 22%. Portfolio option C reduces fixed income to the lowest amount at 8%, while increasing private equity, the Fund's highest return category, to 20%. Portfolio option A reduces fixed income to 18% and increases private equity to 10%. Portfolio option B reduces fixed income to 13% and increases fixed income to 15%.

Mr. Christenson continued by explaining that Buck Consultants projects net cash outflows for the Fund will total \$124 million in 2016. Buck projects that the Fund's net cash outflow will peak in seven years at \$136 million and then level out to approximately \$133 million in ten years. Based on the portfolio's current asset allocations, Marquette projects the Fund's median market value to be approximately \$1.575 million in ten years.

Mr. Christenson further explained that if the Fund's \$1.575 million year ten projected market value is divided by the Fund's \$133 million year ten projected net cash outflow, 8.4% of the assets will be distributed from the Fund in year ten. Currently, the Fund is distributing approximately 7% in assets. Mr. Christenson noted this is a significant factor for the Board to consider when reviewing the Fund's current asset allocation. Marquette is focused on the Fund's fixed income allocation because that asset class will be the highest drag on returns over the next ten years. However, because fixed income also has the lowest risk of all the asset classes, it is necessary for stabilization. With its Director of Research, Marquette performed an analysis to help determine how low the Fund's fixed income allocation could be reduced while maintaining sufficient liquidity for future net cash flows. Except for private equity, all assets in the Fund are liquid. Over the next ten years, Marquette projects average net cash flow at \$135 million and average

market value at \$1.675 million. Marquette's Director of Research felt that the Fund could reduce its fixed income allocation to as low as one year of net cash outflows. The one-year figure would reduce the Fund's fixed income portfolio to \$135 million, or 7% of assets. However, considering the potential for future volatility in the equity markets, Mr. Christenson believes that the one year net cash outflow amount should be doubled to two years of benefit payments in fixed income. The two-year figure would amount to \$270 million in fixed income, or 16% of assets. If the Fund's overall equity portfolio would lose 20% during a 4 to 6 month bear market period, Marquette would need sufficient liquidity in the Fund to rebalance and maintain the Fund's asset allocation profile. Marquette concluded that 20% of the Fund's current total equity portfolio equals approximately \$150 million. Combined, the \$150 million and one year of benefit payments totals \$285 million, or approximately 17% in fixed income. Therefore, Mr. Christenson recommends that the Fund's fixed income allocation should not be reduced much below 17%. The portfolio A option in Marquette's analysis would maintain a slight buffer by reducing the Fund's fixed income allocation to 18%.

Mr. Smith then questioned whether Marquette's recommended \$285 million liquidity cushion would be sufficient in relation to the 10% proposed target increase to the private equity asset allocation target under portfolio option A. Increasing the Fund's private equity target allocation from 6% to 10% might result in an increase in capital calls over the longer term.

Mr. Christenson responded to Mr. Smith by stating that with a private equity allocation of 10%, as long as the overall portfolio remains balanced, there is still liquidity in the remaining 90% of the portfolio to fund capital calls. The alternative asset classes require a full quarter period of notice to withdraw funds, but the liquidity in the remaining asset classes would still be sufficient to fund capital calls.

Ms. Van Kampen then suggested that in accordance with Marquette's more extreme 20% loss scenario in equities, after rebalancing and funding benefit payments, the Fund's fixed income assets could be significantly reduced.

Mr. Christenson agreed that a 20% drop in equities would be a more severe scenario, but noted that fixed income would only be underweight for 3 to 4 months until funds could be reallocated from the other asset classes. As the Fund's consultant, Marquette believes that they are responsible for delivering a portfolio return profile that will achieve ERS's actuarial rate of return. Because the Fund is not achieving the 8% rate of return, it is important to consider that fixed income will only be delivering returns in the area of 2.5% over the next several years.

Mr. Christenson then discussed the characteristics of ERS's current portfolio and portfolio options A, B and C. The current portfolio has a projected annualized 10-year return of 7.05%. Portfolio option A would reduce fixed income to 18%, increase private equity to 10% and result in an improved annualized 10-year return of 7.6% without dramatically increasing the Fund's risk profile. Portfolio option B would reduce fixed income to 13% and increase the Fund's annualized 10-year return to 8.2%. Portfolio option C would reduce fixed income to 8% and increase the Fund's annualized 10-year return to 8.9%. Mr. Christenson noted, however, that portfolio options B and C would reduce fixed income below the Investment Committee's preferred threshold. Marquette's primary recommendation is to consider a portfolio that reduces fixed income and increases private equity allocations while maintaining liquidity in the Fund. With 2.5% returns projected for fixed income, the Board should consider a revised asset allocation to increase the Fund's private equity allocation to take advantage of double digit net returns. As a result of the incremental changes made to private equity over the last several years, the Board can now consider making an even larger commitment to private equity without too much exposure to a 2008/2009 vintage year.

In response to a question from the Chairman regarding the mature nature of ERS and how portfolio option A would rank against other mature pension funds in its peer group, Mr. Christenson stated that he could only rank ERS against the overall fund universe. Compared to the industry median peer group, ERS's current portfolio targets are 8% underweight in fixed income and 10% underweight in U.S. equity. If U.S. and international equities were combined, ERS is approximately 6% underweight to its peer group in equities. Portfolio option A would further decrease the Fund's fixed income peer group underweight and increase the private equity overweight to approximately 5%.

Ms. Van Kampen then noted that at the Investment Committee meeting, Mr. Christenson explained that ERS's fixed income portfolio is very conservative and likely to perform well in a down market. Therefore, although ERS is underweight in fixed income versus its peers, ERS is overall a more conservative and stable Fund when compared to its peers.

Mr. Christenson added that the high-quality nature of the Fund's fixed income composite was part of Marquette's overall investment strategy and allows the fixed income allocation to be maintained at a lower level than its peer group. It is likely that ERS's peers will also begin to dramatically reduce their fixed income allocations over the next several years.

The Chairman then added that while the peer group data is helpful, it is important to keep in mind that ERS is a more mature plan and should not necessarily mirror its peers.

In response to a question from Mr. Smith, Mr. Christenson stated that Marquette could gather some public plan data from its own client universe to further analyze how ERS ranks in composition relative to other public plans of similar maturity. Mr. Christenson also stated that Segal is a notable public pension plan actuary who maintains their own client universe data. Marquette has developed relationships with Segal and could ask Segal to provide some of their standard published materials. Mr. Christenson confirmed that Marquette will try to research and aggregate active versus non active data from ERS's peer group to fine tune the asset allocations.

The Chairman agreed that it would be helpful for Marquette to provide some meaningful data to help the Board better understand how ERS ranks with similar plans and determine an optimal portfolio composition.

In response to a question from Mr. Grady, Mr. Christenson confirmed that Marquette is projecting international equity will outperform U.S. equity in ten-year annualized returns.

In response to a follow-up question from Mr. Grady regarding the impact of the need for liquidity versus asset allocation on the Fund's assumed rate of return, Mr. Christenson stated that some of Marquette's endowment foundation clients have less than 10% fixed income because those clients need not maintain liquidity for cash outflows. ERS's need to maintain liquidity does negatively affect the Fund's ability to achieve the 8% actuarial assumed rate of return. However, because liquidity is necessary to ERS, Marquette must balance that need for liquidity with asset allocation to offer a portfolio that will achieve the Fund's assumed rate of return with the least risk.

Mr. Grady then noted that the 8% actuarial assumed rate of return is not a 10-year rate but a 20-year rate. Therefore, the results of Marquette's analysis would likely be different if projections were made over a 20-year period.

In response to a question from Mr. Grady regarding muted 10-year hedge fund return projections, Mr. Christenson stated that Marquette does not recommend removing the Fund's hedge fund allocation because it provides downside protection to the Fund. Marquette will continue to review the ERS's hedge fund allocation and may consider reducing it in the future. Currently, Marquette is pleased with hedge fund performance and would

recommend increasing the Fund's private equity allocation before reducing hedge funds.

In response to a question from Mr. Leonard regarding the projected impact of changes to ERS's asset allocation on its funded status, Mr. Christenson stated that under portfolio option A, ERS's funded ratio would remain relatively static because portfolio A is projecting a 7.56% return, which is still below the current 8% assumed rate of return.

Ms. Braun then suggested that it may be time to discuss potentially reducing the Fund's assumed rate of return to a more realistic number.

Ms. Van Kampen expressed agreement with Ms. Braun. Ms. Van Kampen also noted that even if the 8% return is a 20-year figure, the fact that the 10-year annualized returns are projecting a shortfall places an even greater burden to meet the 8% return in years 11 through 20.

Mr. Grady noted that contributions will increase if returns do not improve. However, any changes to the rate of return would also likely drive contributions higher. Contributions have already increased substantially due to the actuarial error related to cost of living adjustments and funding policy changes. These are all factors to consider and it is important to be mindful of the burden being placed on the employees and taxpayers. Mr. Grady suggested that gradually transitioning to a lower rate of return over a period of time may be a more favorable scenario than a one-time decrease.

The Chairman then noted his agreement with Mr. Smith's suggestion from a prior meeting, stating that regardless of what changes are made to the asset allocation, at some point, the Fund's current rate of return should be set to a rate projected by the Monte Carlo simulations over a 20-year period, based on the 50th percentile.

Ms. Van Kampen then commented that the Investment Committee is likely to recommend approving portfolio option A. The Investment Committee is not comfortable with lowering bonds to the levels stated in portfolio options B and C. With 10-year annualized returns projected at 7.56% in portfolio A, additional discussions will likely be needed to review additional options.

The Chairman expressed agreement with Ms. Van Kampen's comments.

Mr. Christenson concluded with a discussion of K2's termination. As discussed earlier, K2 will be terminated on September 30, 2015. K2 has just over \$95 million in allocations, but those funds will not be wired to ERS until 10 to 15 days after the termination date. Essentially, the \$95 million

will sit as cash and earn zero interest during that time period. Marquette recommends that the Fund ask its cash overlay manager to place an overlay of 50% of the dollar amount of the NAV to the S&P 500, until ERS receives the \$95 million. Once ERS receives the cash and, if it gets placed into a portfolio that already has an overlay, the previous overlay should be removed. Marquette would like to have at least 50% S&P, 50% cash overlay, or the current overlay balance, until the funds liquidated from K2 are invested in Parametric on November 1, 2015.

The Pension Board voted unanimously to recommend that upon termination of K2 on September 30, 2015, half of the proceeds received from K2 should be overlaid to the S&P 500 until October 31, 2015. Motion by Mr. Leonard, seconded by Ms. Funck.

In response to a question from Ms. Van Kampen regarding a memorandum distributed at the Investment Committee meeting recommending a \$40 million commitment to Siguler Guff's Fund III offering, Mr. Christenson stated that it would be prudent to first address updating the Fund's target allocations before making any additional commitments. There is still time for ERS to make a decision regarding the additional commitment to Siguler Guff.

5. Investment Committee Report

Ms. Van Kampen reported on the September 8, 2015 Investment Committee meeting.

The Investment Committee first discussed Marquette's asset allocation analysis. Marquette discussed its asset allocation study results and reviewed various alternative portfolio target options with the Committee. Marquette also discussed growth projections and reviewed the possible ranges for the Fund's 10-year annualized returns. Mr. Christenson advised the Committee members that Marquette will provide additional information regarding Fund liquidity at a future meeting after completion of a hypothetical analysis. After discussing various asset allocation options, which included lowering the Fund's current fixed income allocation by 2%, the Investment Committee took no further action.

The Investment Committee concluded with a discussion of Siguler Guff. The Committee noted that Siguler Guff attended the September 2015 Pension Board meeting to discuss their private equity fund and the Board would discuss the Fund's commitment to Siguler Guff.

Ms. Van Kampen then noted to the Pension Board, that at this time, it appears likely that the Fund will not achieve its 8% actuarial rate of return in the relative near term. With that in mind, the Investment Committee hopes to work towards a compromise of restructuring the Fund's current asset allocation to achieve higher returns, while simultaneously reviewing the possibility of reducing the Fund's assumed rate of return. Ms. Van Kampen also reminded the Pension Board that the actuary and certain County-level officials will have to be included in any discussions regarding possible changes to the Fund's assumed rate of return, which could potentially delay any action.

The Chairman recommended that concurrent with a decision to approve a revised asset allocation, the Board should consult with the Fund's actuary and Marquette to consider lowering the Fund's 8% assumed rate of return to a level more consistent with projections.

6. Audit Committee Report

Messes Westphal, Braun and the Chairman first expressed their gratitude to Mr. Huff for preparing the concise minutes to the special August 14, 2015 Audit Committee meeting.

In response to a question from Ms. Ninneman regarding the preparation of future minutes, the Pension Board requested that Mr. Huff prepare future Audit Committee meeting minutes only for meetings pertaining to the Annual Audit or, for any Audit Committee meeting the members deem as important.

Ms. Westphal reported on the August 14, 2015 special Audit Committee meeting. The Audit Committee first discussed the Baker Tilly audit. Representatives from Baker Tilly distributed and discussed four required communications regarding the audit process. Baker Tilly discussed one materiality threshold in the mid-level range pertaining to an alternative investment valuation. Baker Tilly explained that while they must report any mid-level range misstatements to ERS's governing body, they agreed with the reporting method and no adjustments were required. Baker Tilly concluded the discussion by stating that they found no critical accounting or reporting issues and had no formal disagreements with ERS management.

The Audit Committee next discussed ERS's 2014 Annual Report of the Pension Board ("Annual Report"). Representatives from Baker Tilly distributed and discussed the Annual Report. During its discussion, the Committee reviewed and analyzed minor changes to the Annual Report as previously suggested by the Chairman. Baker Tilly highlighted and

discussed all reporting changes as required by Governmental Accounting Standards Board ("GASB") Statement 67. The Committee discussed at length the subsequent event footnote on page 21 of the Annual Report. To remain consistent with other reports, the Committee requested that the final paragraph of the subsequent event footnote outlining the effect of the recent funding policy changes on the re-inclusion of certain 2013 and 2014 cost of living adjustment liabilities ("COLA") be deleted. Baker Tilly identified and discussed one material weakness in ERS's internal control. Due to the changes in financial reporting from GASB 67 and certain issues related to Fiscal Office staff turnover, Baker Tilly provided professional advice and direct assistance with preparing ERS's financial statements. The fact that Baker Tilly was asked to and provided assistance to ERS necessitated a finding of a material weakness. However, the Committee concluded that Baker Tilly's one-time assistance was necessary, and the material weakness was not considered to be a significant deficiency warranting disclosure in the Annual Report. Baker Tilly issued a clean opinion in the Annual Report.

In response to a question from Mr. Leonard regarding copies of the Annual Report, Ms. Ninneman stated that the Annual Report has been available online for several weeks and she will address with staff why a copy of the Annual Report was not included in today's Pension Board meeting materials.

The Audit Committee continued with a discussion of the proposed service agreement from Managed Medical Review Organization, Inc. ("MMRO") to provide medical review board services and disability claims management services to ERS.

Ms. Westphal then indicated to the Pension Board that the MMRO service agreement will be discussed in greater detail as the next item on today's Pension Board meeting agenda.

The Audit Committee concluded with a discussion of Buck Consultants' final Actuarial Valuation Report for the Plan year January 1, 2015 to December 31, 2015 ("Actuarial Report"), and its January 1, 2015 Actuarial Valuation Presentation to the Pension Board dated July 15, 2015 ("Actuarial Presentation"). The Committee members discussed at length a letter dated July 31, 2015 from the Chairman to the County Executive regarding the ERS and OBRA County contribution request (the "Letter"). The Committee confirmed that a copy of the Actuarial Presentation should be enclosed with the Letter to the County Executive. The Committee noted that as previously requested by the Pension Board, Buck Consultants did not include a statement in its Actuarial Presentation or Actuarial Report which stated that the re-inclusion of certain 2013 and 2014 COLA liabilities in ERS's total liabilities resulted in a further increase of approximately \$16.7 million to

ERS's 2016 contribution. However, the Committee concluded that no additional changes were needed because the amounts in the Letter are materially correct and can be tied to the amounts in the Actuarial Presentation and Actuarial Report.

7. MMRO Service Agreement

Ms. Ninneman discussed the MMRO service agreement. In December 2014, the Pension Board agreed to issue a Request for Proposal ("RFP") for a new Medical Review Board. Once the RFP was issued, the process to select a new vendor was completed and contract negotiations began. However, approximately six weeks into the negotiation process, the vendor pulled their contract because its medical director was resigning. The vendor delayed announcing cancellation of its contract to ERS because they did not want the news of its medical director's resignation to immediately become public. ERS subsequently reissued the RFP and received one response from a sole practitioner who did not meet the qualifications.

Ms. Ninneman continued by stating that she later received an e-mail from MMRO unrelated to the RFP. Ms. Ninneman then learned that MMRO is a vendor that solely reviews medical claims for public organizations. Following a conference call with MMRO, ERS reissued its RFP and received a response from MMRO. Ms. Ninneman explained that MMRO employs a very analytical statistical review process which will provide for efficient and cost effect review of ERS's disability claims. At the special August 14, 2015 Audit Committee meeting, Ms. Ninneman reviewed and discussed the proposed service agreements from MMRO to provide medical review board services and disability claims management services to ERS. After reviewing the proposed agreements and discussing the current number of pending cases, a quorum of the Pension Board present at the special August 14 Audit Committee meeting voted unanimously to authorize ERS to engage in a contract with MMRO, with such action to be reviewed by the full Pension Board at today's meeting.

The Chairman noted that MMRO is based in Michigan but has contracts with physicians nationwide. MMRO has been in business for many years and reviews medical claims for the California Public Employees Retirement System ("CalPERS").

In response to a question from Ms. Braun regarding the proposed timeline for MMRO to begin its formal review of pending claims, Ms. Ninneman stated that the formal implementation process is currently scheduled to begin in November 2015 and MMRO should begin processing claims by December 2015. However, Ms. Ninneman explained that ERS is

prioritizing its discussions with MMRO and the formal claim review process could begin at an earlier date.

Ms. Van Kampen then noted that some of the language on page 10 of the MMRO service agreement discussing the three possible conclusions based on the disability reexamination claims process appears to be redundant.

After further review and discussion of the language in question, counsel requested that Ms. Ninneman discuss the matter with MMRO to ensure the contract reads as intended.

The Pension Board voted unanimously to approve the contract with MMRO to provide medical review board services and disability claims management services to ERS. Motion by Mr. Leonard, seconded by Ms. Westphal.

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 8 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 8, 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 8-0 to enter into closed session to discuss agenda items 8, 10, 11 and 12. Motion by Ms. Braun, seconded by Ms. Funck.

Messes Ninneman, Aikin and Lausier recused themselves from and left the room during the closed session discussion of agenda items 8(a) and 8(b).

Mr. Gedemer recused himself from and left the room during the closed session discussion for agenda item 10.

8. Appeals

(a) Charlicia Brown.

In open session, the Chairman welcomed and invited Ms. Brown to address the Board regarding her appeal.

Ms. Brown explained that she filed an appeal because she did not receive a packet from ERS upon termination of employment with Milwaukee County and, therefore, was unaware that she could receive early benefits upon termination. Ms. Brown stated that she later received an annual pension statement from ERS in April 2015 which appeared to be a summary of her ERS benefits. Ms. Brown noted that her 2015 annual pension statement indicated that she was no longer employed with Milwaukee County and had not attained normal retirement age but, also indicated that she may be eligible for early retirement benefits. Ms. Brown stated that if she had received this information at the time of her termination, she would have applied to receive her "early retirement benefit."

The Chairman then clarified Ms. Brown's terminology for the record, noting that her appeal is not related to her ERS pension benefit. Rather, Ms. Brown filed an appeal to receive a refund of her ERS membership contribution account.

Ms. Brown expressed agreement with the Chairman's clarification.

In response to a question from the Chairman regarding her termination date, Ms. Brown stated that she terminated employment with Milwaukee County on July 16, 2014.

Ms. Brown acknowledged that she applied beyond the 180-day deadline to receive a refund of her membership contribution account. Ms. Brown explained, however, that she had no knowledge she could have applied to receive a refund of her member contributions until receiving her annual pension statement in April 2015. Ms. Brown further explained that because she was working six to seven days a week at her new job with the U.S. Postal Service, it was difficult for her to take the time from her schedule to contact the Retirement Office. Ms. Brown stated that it took some time for her to receive any information and to request a "packet" via telephone inquiries to the Retirement Office during her breaks and lunches. Ms. Brown noted that she did eventually speak to Ms. Jackson at ERS via telephone. Ms. Brown stated that Ms. Jackson explained she first must apply for a refund of her membership account to receive a denial letter and file an appeal. Ms. Brown concluded her comments, noting that she

requested all of the necessary information from ERS in May 2015, but first received documents from ERS at the end of June 2015.

The Chairman then called for questions from the Board members and counsel.

In response to a question from Mr. Grady, Ms. Brown confirmed that she did not receive a letter from ERS in August 2014 after terminating her employment with Milwaukee County.

In response to follow-up questions from Mr. Grady, Ms. Brown confirmed that in April 2015, she received her annual pension statement from ERS in the mail. Ms. Brown also confirmed that she did not move between 2014 and 2015 and has been at the same address since 2012. Ms. Brown noted that the April 2015 annual pension statement was the first correspondence she had ever received from ERS.

In response to a question from Ms. Braun regarding any other problems with receiving her mail, Ms. Brown stated that she believes she has experienced problems with receiving her mail in the past. Ms. Brown explained that she recently filed her third complaint with the Postal Service because she believes she has not been properly receiving all of her mail. Ms. Brown further explained there have been certain circumstances where she has only received an outer envelope with no contents or has entirely missed receiving expected mail.

Ms. Brown also noted for the record that when she received the letter from ERS dated July 18, 2015 regarding the denial of her membership contribution refund request, a copy of Rule 1016 was not enclosed as stated in the denial letter.

Mr. Grady then explained to Ms. Brown that she has taken all necessary action to comply with Rule 1016.

Mr. Smith then asked counsel whether there was any bright-line test ERS has historically used to prove whether a terminated employee received the letter from ERS explaining the deadline to request a refund of the membership contribution account.

Mr. Grady answered Mr. Smith by stating that because the Ordinance is relatively new, and requests for refunds of membership contributions have only been occurring for approximately two to three years, there is no past practice to serve as a bright-line test.

Ms. Westphal then reminded Ms. Brown that because she has 6.5 years of County service, she is vested in ERS. Therefore, if Ms. Brown received a refund of her membership contributions, she would no longer be eligible to receive a future pension benefit from ERS.

Mr. Grady further explained to Ms. Brown that under the present circumstances, once she attains age 60, Ms. Brown would be eligible to receive a monthly pension benefit from ERS that would amount to approximately 9% to 10% of her salary when she terminated employment with the County. Mr. Grady further explained to Ms. Brown she would then continue to receive that monthly pension benefit for the remainder of her life. However, if the request for a refund of her membership contributions was granted, Ms. Brown would forfeit any future right to receive a pension benefit from ERS.

Ms. Brown acknowledged that she understood she would forfeit her right to any future pension benefit from ERS if she received a refund of her membership contributions.

In response to a question from Mr. Huff regarding the dates Ms. Brown filed the three complaints with the Postal Service, Ms. Brown stated that she filed the first complaint shortly after she moved to her current address in 2012. Ms. Brown noted that she filed the first complaint because she felt she was not receiving all of her mail in a timely fashion. Ms. Brown stated that she filed a second complaint with the Postal Service in 2013 and a third complaint in 2015, just several weeks ago.

In response to a question from Mr. Grady regarding the Postal Service's response to Ms. Brown's complaints, Ms. Brown stated that the Postal Service just guaranteed each time she would receive her mail correctly.

Ms. Braun then asked for clarification regarding an incorrect termination date Ms. Brown refers to in her letter to ERS requesting an appeal. In her letter to ERS requesting an appeal, Ms. Brown states that the denial letter she received from ERS dated July 18, 2015 incorrectly lists her termination date as February 18, 2014. Ms. Braun expressed confusion and stated that she was not provided with any documentation listing a February 18, 2014 termination date.

Ms. Brown answered by stating that her correct termination date is July 16, 2014 and handed Ms. Braun her copy of the ERS's denial letter dated July 18, 2015.

After comparing Ms. Brown's July 18, 2015 denial letter with a copy of the July 18, 2015 denial letter Ms. Braun received in her meeting materials labeled as Exhibit 4, Ms. Braun noted a discrepancy with the termination dates. Ms. Braun explained that the Exhibit 4 copy she received lists Ms. Brown's correct termination date of July 16, 2014. However, the July 18, 2015 denial letter Ms. Brown just handed to her lists an incorrect termination date of February 18, 2014. Ms. Braun also noted that neither the Exhibit 4 copy of the letter nor Ms. Brown's version of the letter is signed.

Ms. Braun then asked what ERS's standard practice is for providing documentation to the Board, and whether Exhibit 4 represents a true copy of the documentation in Ms. Brown's file with ERS.

Ms. Ninneman answered by stating that the exhibits provided to the Pension Board members are scanned electronic documents and the letters are issued without signatures.

In response to a question from Mr. Leonard, Ms. Ninneman stated that the letter notifying terminated employees of the right to request a refund of their membership contribution account within 180 days of terminating employment is issued by ERS as a courtesy to the employee. Ms. Ninneman also explained that ERS does not send those letters via certified mail, because with approximately 40 employees terminating monthly, there would be a significant cost to ERS.

In response to a follow-up question from the Chairman, Ms. Ninneman confirmed that the courtesy letters are issued via first class mail to all terminated members with a balance in their membership contribution account. Therefore, ERS receives those letters back if they are undeliverable. ERS researches any undeliverable mail and tries to locate those individuals. Ms. Ninneman confirmed that ERS did not receive notification from the Postal Service that the letter to Ms. Brown dated August 8, 2014 was undeliverable.

In response to a follow-up question from Mr. Leonard regarding other ways a terminated member would know about the 180-day timeframe to request a refund of their ERS membership contributions, Ms. Ninneman stated that each department has a Human Resource field representative that should know of the deadline.

In response to a question from Ms. Funck regarding what type of training the Human Resource field representatives receive, Ms. Ninneman stated

that she is not aware of any training that group would receive because she is not directly involved with that group of employees.

The Chairman thanked Ms. Brown for appearing before the Board and indicated that the Board may be in closed session for some time to discuss her appeal in addition to other matters. The Chairman stated that the Board will communicate its decision to Ms. Brown in a timely fashion.

The Chairman concluded by reiterating to Ms. Brown, that she would forfeit her right to receive a future pension benefit from ERS if she received a refund of her membership contribution account.

Ms. Brown thanked the Board and acknowledged that she understands she would forfeit her right to a future pension benefit from ERS, adding that she could better use her member contribution funds to help with current family expenses.

The Pension Board discussed the matter in closed session.

After returning to open session, the Pension Board voted 5-2, with Mr. Leonard and Ms. Funck dissenting, motion by Ms. Westphal, seconded by Mr. Gedemer, to deny the appeal by Charlicia Brown 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:

Factual Background.

1. Charlicia Brown is an ERS member who terminated County employment on July 16, 2014.
2. On August 8, 2014, ERS sent a letter to Ms. Brown at the address contained in her ERS file. ERS's letter informed Ms. Brown that she had a balance of \$3,929.86 in her membership account and that she had a right to request a refund of her membership account within 180 days of terminating her employment. The letter was not returned to ERS as undeliverable.
3. Ms. Brown indicated that she received her annual pension statement from ERS in April 2015, which showed a membership account balance of \$4,476.37.

4. On June 29, 2015, Ms. Brown signed a consent form electing to receive a distribution of the balance of her membership account. The consent form was received by ERS on July 1, 2015.
5. On July 18, 2015, the Retirement Office sent Ms. Brown a letter denying her request for a refund of her membership account, noting that the deadline to request a refund under Ordinance section 201.24(3.11)(6)(a) had expired.
6. Ms. Brown requested an appeal of the Retirement Office's decision to deny her request for a refund of her membership account.
7. Ms. Brown appeared at the Pension Board's meeting on September 16, 2015. During open session, Ms. Brown argued that she had problems receiving her mail and indicated that she filed complaints with the United States Postal Service ("USPS") in 2012, 2013 and 2015. Ms. Brown stated that the USPS responded to her complaints and guaranteed she would get her mail.
8. During open session, Ms. Brown also argued that the Retirement Office's July 18, 2015 letter included an incorrect employment termination date. Ms. Brown indicates that the version of the letter she received included a termination date of February 18, 2014 rather than the correct date of July 16, 2014.

Applicable Ordinances and Rules.

9. Ordinance section 201.24(3.5) provides, in pertinent part, that "[u]pon termination of employment, for a reason other than death or retirement, a member shall be entitled to receive a refund of the balance as of the date of termination of his membership account and his savings account, accumulated at interest as set from time to time by the board."
10. Ordinance section 201.24(3.11)(6)(a) specifies that "[r]efunds of all accumulated contributions made under this section 3.11, with interest at the rate of five (5) percent per annum, shall be made on the same conditions and under the same circumstances as refunds under section 3.5, but may only be paid in the form of a lump sum payment."
11. Ordinance section 201.24(3.11)(6)(a) further provides that [a]ny refund of accumulated contributions must be requested within one hundred eighty (180) days after termination of County

employment. The Retirement Office shall send an employee who terminates employment a written notice of the refund option via United States mail, or an equivalent service, to the member's address on file with the system.

If a member does not receive written notice of the refund option, then the Pension Board, or the Retirement Office as delegated by the Pension Board, may allow the individual to receive a refund of accumulated contributions later than the refund period of this Section 3.11. A determination that notice was not received can be based on the Retirement Office and/or Pension Board finding that notice was either not sent by the Retirement Office or not received by the member. The member shall have the burden of proving notice was not received, and the Pension Board or Retirement Office shall have the sole and exclusive authority to determine whether the individual received written notice. The appeal rules of the Pension Board shall apply to refund requests under this paragraph.

Pension Board Conclusions.

12. The Pension Board finds that Ms. Brown failed to request a refund of her membership account within 180 days of terminating County employment as required by Ordinance section 201.24(3.11)(6)(a).
13. ERS sent a letter to Ms. Brown's last known address on August 8, 2014 informing her of the 180 day deadline to request a refund, which was not returned to ERS as undeliverable. Accordingly, the Pension Board determines that the Retirement Office complied with its obligation to inform Ms. Brown of the refund option, as required under Ordinance section 201.24(3.11)(6)(a).
14. Pursuant to Ordinance section 201.24(3.11)(6)(a), a member who requests an exception to the 180-day deadline to receive a refund of his or her membership account has the burden of proving he or she did not receive notice of the deadline.
15. Based on the information provided by the Retirement Office, the Pension Board finds that the Retirement Office sent the notification letter to Ms. Brown. Therefore, to obtain an exception to the 180-day deadline, Ms. Brown has the burden to show that she did not receive the notice.
16. Ms. Brown argued during her appeal that she did not receive some of her mail and filed complaints with the USPS in 2012, 2013 and

2015. She did not offer evidence that she filed such a complaint in 2014. The Retirement Office sent the notification letter to Ms. Brown on August 8, 2014, during the year in which she did not file a complaint with USPS. In addition, Ms. Brown confirmed in open session that the address to which her annual statement of benefits was sent, and which she acknowledged receiving, was the same address to which the August 8, 2014 letter was sent.

17. Ms. Brown argued that the Retirement Office's July 18, 2015 letter denying her request for a refund included an incorrect termination date. Even if this is correct, the essence of the letter stated that she had 180 days to request a refund from her termination of employment. Ms. Brown was aware of her termination date. Her refund request was received more than 180 days after her correct employment termination date and more than 180 days after the date of the letter sent by ERS on August 8, 2014.
18. The Pension Board considered the evidence presented by Ms. Brown and her arguments that she did not receive the notification letter. However, the Pension Board concludes that Ms. Brown did not meet her burden of proof to establish that she did not receive notice of her obligation to request a refund within 180 days as required under Ordinance section 201.24(3.11)(6)(a). Accordingly, the Pension Board denies Ms. Brown's appeal and determines she is not entitled to a refund of her membership account.

(b) Jeanine Joe

The Pension Board discussed the matter in closed session.

After returning to open session, the Pension Board unanimously voted, motion by Mr. Smith, seconded by Ms. Braun, to deny the appeal by Jeanine Joe 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:

Factual Background.

1. Jeanine Joe is an ERS member who terminated County employment on December 31, 2013.
2. On January 16, 2014, ERS sent a letter to Ms. Joe at the address contained in her ERS file. ERS's letter informed Ms. Joe that she

had a balance of \$2,593.31 in her membership account and that she had a right to request a refund of her membership account within 60 days of terminating her employment. The letter was not returned to ERS as undeliverable.

3. At the time Ms. Joe terminated County employment, Ordinance section 201.24(3.11)(6)(a) required members to request a refund within 60 days. Ordinance section 201.24(3.11)(6)(a) was amended on January 9, 2014 to give members 180 days from the date of termination to request a refund.
4. On February 18, 2015, Ms. Joe sent an e-mail to ERS inquiring as to the status of her request for a refund of her membership account. Ms. Joe did not clarify when she believes she initially requested a refund. ERS has no record of a request from Ms. Joe until February 18, 2015.
5. Between April 14, 2015 and June 22, 2015, Ms. Joe sent several e-mail inquiries to ERS regarding the status of her request for a refund of her membership account.
6. On July 7, 2015, the Retirement Office sent Ms. Joe an e-mail denying her request for a refund of her membership account, noting that the deadline to request a refund under Ordinance section 201.24(3.11)(6)(a) had expired prior to her request being received.
7. On July 9, 2015, Ms. Joe responded to ERS's July 7 e-mail requesting an appeal of the Retirement Office's decision to deny her request for a refund of her membership account. In her e-mail, Ms. Joe indicates that a fire occurred in her apartment building and notes that she did not receive a lot of her mail during the time she was displaced from her apartment.
8. Ms. Joe was sent a letter by the Pension Board Chair dated August 31, 2015 informing her that her appeal would be heard by the Pension Board at its meeting on September 16, 2015 and providing her with the meeting location and other information. Ms. Joe did not appear at the September 16, 2015 meeting of the Pension Board and offered no additional statements in support of her appeal.

Applicable Ordinances and Rules.

9. Ordinance section 201.24(3.5) provides, in pertinent part, that "[u]pon termination of employment, for a reason other than death or

retirement, a member shall be entitled to receive a refund of the balance as of the date of termination of his membership account and his savings account, accumulated at interest as set from time to time by the board."

10. Ordinance section 201.24(3.11)(6)(a) specifies that "[r]efunds of all accumulated contributions made under this section 3.11, with interest at the rate of five (5) percent per annum, shall be made on the same conditions and under the same circumstances as refunds under section 3.5, but may only be paid in the form of a lump sum payment."

11. Ordinance section 201.24(3.11)(6)(a) further provides that:

[a]ny refund of accumulated contributions must be requested within one hundred eighty (180) days after termination of County employment. The Retirement Office shall send an employe who terminates employment a written notice of the refund option via United States mail, or an equivalent service, to the member's address on file with the system.

If a member does not receive written notice of the refund option, then the Pension Board, or the Retirement Office as delegated by the Pension Board, may allow the individual to receive a refund of accumulated contributions later than the refund period of this Section 3.11. A determination that notice was not received can be based on the Retirement Office and/or Pension Board finding that notice was either not sent by the Retirement Office or not received by the member. The member shall have the burden of proving notice was not received, and the Pension Board or Retirement Office shall have the sole and exclusive authority to determine whether the individual received written notice. The appeal rules of the Pension Board shall apply to refund requests under this paragraph.

Pension Board Conclusions.

12. The Pension Board finds that Ms. Joe failed to request a refund of her membership account within 180 days of terminating County employment as required by Ordinance section 201.24(3.11)(6)(a).

13. ERS sent a letter to Ms. Joe's last known address on January 16, 2014 informing her of her obligation to request a refund, which was not returned to ERS as undeliverable. Accordingly, the Pension Board determines that the Retirement Office complied with its

obligation to inform Ms. Joe of the refund option, as required under Ordinance section 201.24(3.11)(6)(a).

14. Pursuant to Ordinance section 201.24(3.11)(6)(a), a member who requests an exception to the 180-day deadline to receive a refund of his or her membership account has the burden of proving he or she did not receive notice of the deadline.
15. Based on the information provided by the Retirement Office, the Pension Board finds that the Retirement Office sent the notification letter to Ms. Joe. Therefore, to obtain an exception to the 180-day deadline, Ms. Joe has the burden to show that she did not receive the notice.
16. Ms. Joe argued that there was a fire in her apartment building and that she and her daughter were displaced for a time, but did not indicate when the fire occurred. Ms. Joe did not appear at her appeal heard at the September 16, 2015 meeting of the Pension Board and provided no additional evidence that she did not receive ERS's January 16, 2014 letter.
17. The Pension Board considered the evidence presented by Ms. Joe and her argument that she did not receive the notification letter. However, the Pension Board concludes that Ms. Joe did not meet her burden of proof to establish that she did not receive notice of her obligation to request a refund within 180 days as required under Ordinance section 201.24(3.11)(6)(a). Accordingly, the Pension Board denies Ms. Joe's appeal and determines she is not entitled to a refund of her membership account.

9. Disability Applications - Brenda Jameson

The Chairman noted for the record that Ms. Jameson is deceased and there are no representatives present today on her behalf.

Mr. Grady then stated there is documentation the Pension Board does not yet have regarding Ms. Jameson's disability and, therefore, it would be appropriate to defer the matter to the October 2015 Pension Board meeting.

The Pension Board agreed to defer discussion of the matter to its October 21, 2015 meeting.

10. Milwaukee Deputy Sheriffs' Association - Rule of 75

In open session, Attorney Graham Wiemer introduced himself as a partner from the law firm of MacGillis Wiemer, LLC. Mr. Wiemer first noted that the majority of the correspondence between his firm and ERS to date has been via his partner, Attorney Christopher MacGillis. Mr. Wiemer then announced that he is accompanied today by the President of the Milwaukee Deputy Sheriffs' Association ("MDSA"), Deputy Robert Ostrowski, and that he is here to discuss three main issues.

Mr. Wiemer stated that the first issue is regarding a denial letter dated July 8, 2015 from the ERS Director of Retirement Plan Services to Deputy Rick Worzala. Mr. Wiemer suggested that the Pension Board should consider taking some type of action today regarding Deputy Worzala's denial for retirement. In addition, Mr. Wiemer suggested that the Pension Board should also take some general action regarding the Rule of 75 as it pertains to deputy sheriffs who are currently employed by Milwaukee County. Lastly, Mr. Wiemer suggested there is another potential issue for the Pension Board to consider relating to former Milwaukee County deputy sheriffs who have already retired under the Rule of 75.

Mr. Grady then expressed his disagreement with Mr. Wiemer's statement regarding the matter pertaining to Deputy Worzala. Mr. Grady indicated that he previously had a telephone conference with Attorney MacGillis regarding the July 8, 2015 denial letter from ERS to Deputy Worzala. Mr. Grady stated that during that conversation, he encouraged Mr. MacGillis to file an appeal in response to Mr. Worzala's denial letter. Mr. Grady noted that Mr. MacGillis specifically stated he did not wish to take the steps to file an appeal, which is why the Board has no appeal to review for Mr. Worzala this month. Mr. Grady added that the deadline for Mr. Worzala to file an appeal has not yet expired and there is still time remaining to file an appeal.

Mr. Grady further explained that Mr. MacGillis expressed a clear desire to raise the issue of Mr. Worzala's denial with the Pension Board as an informational item because it is a broader issue that will eventually impact more than one deputy sheriff. Mr. Grady suggested that Messers Wiemer and MacGillis would like the MDSA to first state their general case to the Pension Board, absent an appeal, to allow the Board to be proactive and provide specific advance direction to the Retirement Office regarding the Rule of 75. Alternatively, the Pension Board could hear the information provided today and take no further action until required by an appeal or some other legal recourse. Mr. Grady further stated that Mr. MacGillis inquired whether the Pension Board would agree to stay the 120-day

deadline for Deputy Worzala to file an appeal while the Board takes the other matters pertaining to the Rule 75 under consideration.

Mr. Wiemer expressed agreement with Mr. Grady's statements.

Mr. Wiemer then summarized the current issues regarding the MDSA and the Rule of 75. The Rule of 75 is part of the collective bargaining agreement ("CBA") with the MDSA. The CBA states that an individual is only eligible to retire under the Rule of 75 if they became a deputy sheriff prior to January 1, 1994. That specific language in the CBA has historically been interpreted to exclude individuals employed with Milwaukee County prior to January 1, 1994 in other departments, such as the Milwaukee County House of Correction. Mr. Wiemer stated ERS has already allowed eight individuals to retire under the Rule of 75 who became deputy sheriffs after January 1, 1994. These eight individuals were employed with Milwaukee County in other positions prior to January 1, 1994. Mr. Wiemer further stated that as a standard practice, ERS has historically used an individual's original hire date with the County, and not their employment date as a deputy sheriff, to determine a deputy sheriff's eligibility to retire under the Rule of 75. However, as far as the MDSA is aware, something unilaterally changed on July 8, 2015 with ERS's practices regarding the Rule of 75. On July 8, 2015, Deputy Worzala received a letter from ERS stating that he is no longer eligible to retire under the Rule of 75. As a result, the MDSA now has a grievance pending with the Wisconsin Employment Relations Commission ("WERC"). The grievance arbitration hearing is set for November 30, 2015. However, in the interim, there are as many as 30 individuals who have previously been notified by ERS that they are eligible to retire on a certain date under the Rule of 75 that are now being told by ERS they are not eligible to retire under the Rule of 75. One individual, who was already notified by ERS that he was eligible to retire under the Rule of 75 is preparing to move and his wife has resigned from her job. This individual is now being told by ERS he is no longer eligible to retire under the Rule of 75. With the grievance arbitration already scheduled, Mr. Wiemer stated that his firm is also investigating the possibility of filing a federal lawsuit. Mr. Wiemer also stated there is a potential circuit court case involving an injunction that would prevent any further action by ERS at this time. In light of the proposed actions, Mr. Wiemer suggested that at a minimum, it would be prudent for the Pension Board to stay or extend the 120-day appeal deadline for Deputy Worzala and other individuals in a similar circumstance.

Mr. Wiemer continued by stating that the upcoming November 30 grievance arbitration would apply only to those deputy sheriffs actively employed and

affected by the Rule of 75. There is another separate issue as it relates to the eight individuals who, as previously mentioned, have already retired and are receiving pension benefits under the Rule of 75. Mr. Wiemer suggested that the issue regarding those eight retired individuals is completely separate, yet extremely important. These eight retirees have expressed a fear that they will be subject to a lawsuit and ERS will attempt to recoup the pension benefits they have already received.

Mr. Smith then noted that if the Pension Board followed what is actually in the CBA language, the Rule of 75 comes into effect only for those individuals already employed as a deputy sheriff prior to January 1, 1994. However, in practice, ERS has not followed the CBA language as written. Mr. Smith theorized that Mr. Wiemer is suggesting that ERS must hold its past practice as a precedent versus suddenly deciding to enforce the Rule of 75 as written.

Mr. Wiemer acknowledged that Mr. Smith's statement was a "pretty fair" analysis of his argument. Mr. Wiemer elaborated by acknowledging that although the CBA language is important, the actions of the parties are equally as important to the interpretation of the contract. An arbitrator will be appointed by the WERC at the grievance arbitration. The arbitrator will hear from the MDSA, Mr. Wiemer's firm and representatives from Milwaukee County. Mr. Wiemer stated that he believes the County will base its argument on the specific CBA language. However, as of July 8, 2015, multiple individuals have already received communications from ERS stating that they are eligible to retire under the Rule of 75. Additionally, there are the eight individuals that have already retired under the Rule of 75 and are currently receiving benefits. Mr. Wiemer stated that he believes the past practices of ERS and the understanding of what the CBA language means could not be clearer.

In response to a question from Ms. Braun, Mr. Wiemer confirmed that he has copies of documents employees previously received from ERS stating they are eligible to retire under the Rule of 75. However, Mr. Wiemer noted that he cannot release those documents to the Pension Board at this time because his firm is currently in the process of assembling those documents as evidence for a lawsuit.

Mr. Wiemer then reiterated that because of the scheduled grievance arbitration and potential for a federal lawsuit, he requests that at a minimum, the Pension Board agree to stay the 120-day appeal deadline for Deputy Worzala and any other individual in a similar situation. Mr. Wiemer also suggested that concurrent with such decision, the Pension Board should agree to stay any further action regarding the eight individuals who have

already retired under the Rule of 75. Mr. Wiemer also suggested to the Pension Board that, if so inclined, they do have the authority to allow the approximately 30 affected individuals to retire under the Rule of 75 and take no further action against the eight individuals who have already retired under the Rule of 75.

In response to a question from Ms. Funck, Mr. Grady stated that the language which states an individual must become a deputy sheriff before January 1, 1994 to become eligible under the Rule of 75 is in the collective bargaining agreement with the MDSA. The Ordinances state that the ERS Manager shall incorporate the collective bargaining agreements into the Pension Fund. Therefore, the language is not literally in the Ordinances, but has been incorporated into ERS via the collective bargaining agreement.

Mr. Wiemer noted that for purposes of clarification, in addition to listing the January 1, 1994 date, the retirement benefits section of the CBA also states at what age and number of years of service a deputy sheriff can retire. The CBA language specifically states that employees who became deputy sheriffs prior to January 1, 1994 shall be eligible to retire without penalty, once a combined total of their age and years of credible pension service equals or exceeds 75. Mr. Wiemer then suggested that the arbitration will focus on how that specific CBA language has historically been interpreted by ERS through past practice and how it was intended to be interpreted. Mr. Wiemer expressed confidence in the past practice argument.

In response to a question from Ms. Braun regarding any impact to former deputy sheriffs who may have moved on to other County law enforcement positions, Mr. Gedemer noted there are several distinct groups of individuals affected by the issues surrounding the Rule of 75. As already discussed, there are those individuals who were employed by the County prior to January 1, 1994 in departments other than the deputy sheriff's department. There are individuals who were re-hired by the County after January 1, 1994 and, under the buy-back program, purchased their pre-January 1, 1994 service time with the County. There are also individuals who came from other government agencies via municipalities such as the City of Milwaukee or the State of Wisconsin with various hire dates based on their prior city or state employment. In addition, there are some individuals who may have moved on to other law enforcement positions within the County, such as district attorney investigators. For those individuals that have moved on, some may have theoretically had coverage under the Rule of 75, lost that coverage and then regained it via job hopping. Other individuals may have theoretically had coverage under the Rule of 75, lost that coverage and may or may not regain coverage, dependent upon any possible future action.

Mr. Wiemer noted that he is here as an attorney representing only the MDSA but believes that a current deputy sheriff is eligible under the Rule of 75 if their employment began with the County prior to January 1, 1994, regardless of the department they were first employed with. Mr. Wiemer added that similar contract language in other bargaining agreements with the County refers to a specified date only in relation to an individual's date of employment with the County and not a specific department. Therefore, there are no issues similar to the deputy sheriffs and Rule of 75 occurring with any of the other unions. Mr. Wiemer argued that the specificity in the CBA with the MDSA does not matter because all of the other contracts do not have that specificity. Furthermore, Mr. Wiemer argued that past practices by the parties on both sides of the issue have been to expect that the Rule of 75 would apply to the individuals currently in question. These individuals have previously been told by ERS that they are eligible to retire under the Rule of 75.

In response to Mr. Grady recalling a prior statement from Mr. MacGillis, Mr. Wiemer confirmed that at the arbitration hearing, his firm intends to argue that the language regarding the Rule of 75 in the MDSA CBA was intended to have a different meaning because of the bargaining history at the time that language was added to the CBA.

Mr. Gedemer noted that in the MDSA CBA matters regarding seniority are referred to in terms of "departmental," not "County," service and suggested that may offer a plausible explanation as to why some of the MDSA contract language is so specific to deputy sheriffs.

Mr. Wiemer added that the specific reference to a "deputy sheriff," instead of referring to a "member" or "employee," is not particular to the Rule of 75 contract language and occurs throughout the MDSA CBA. Other collective bargaining agreements with the County generally refer to an employee of Milwaukee County, whether that individual may be in a specific union as a nurse or machinist. Because other contracts do not have the same specificity, it could lend support to the argument to not read too much into the specificity of the MDSA contract.

Mr. Smith suggested to Mr. Wiemer that his argument against the specificity in the MDSA contract language could be interpreted both ways because you cannot enforce the specificity of language in one section of the contract, while ignoring it in another section.

Mr. Wiemer acknowledged the plausibility of Mr. Smith's argument, noting there are certain provisions of the MDSA contract where the specificity is enforced. For example, overtime pay for a deputy sheriff is calculated

differently than that of other Milwaukee County employees. A deputy sheriff will get overtime pay if he or she works in excess of 8 hours per day, regardless of whether their total weekly hours exceed 40. However, Mr. Wiemer again argued that ERS's past practice, as it relates to the Rule of 75 for deputy sheriffs, lends strong support to the argument against the specificity in the relevant section of the MDSA contract.

In response to a question from Ms. Funck regarding the amount of time the eight individuals have already been retired under the Rule of 75, Mr. Wiemer stated those individuals have all been retired for approximately two years.

Mr. Wiemer concluded by noting that his firm submitted an open records request to ERS in writing on August 18, 2015 which is still pending. Mr. Wiemer stated that he would like to know the names of the eight individuals that have already retired under the Rule of 75 and other relevant issues related to their retirement.

The Chairman thanked the parties for appearing before the Board and noted that that the Board may be in closed session for some time to discuss this matter and other matters. The Chairman stated that he or counsel will communicate the results of the Board's discussion to Mr. Wiemer in a timely fashion.

The Pension Board discussed the matter in closed session.

After returning to open session, the Pension Board voted 6-0-1, with Mr. Gedemer abstaining, to stay the 120-day deadline related to Deputy Worzala's appeal. Motion by Ms. Braun, seconded by Mr. Smith.

In open session, the Pension Board voted 6-0-1, with Mr. Gedemer abstaining, to direct ERS to take no action at this time with respect to the eight deputy sheriffs who have already retired under the Rule of 75. Motion by Mr. Smith, seconded by Mr. Leonard.

11. Pending Litigation

(a) Tietjen v. ERS

The Pension Board took no action on this item.

(b) 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 opposed, to end the litigation by contributing a settlement in the amount of \$59,515.10. Motion by Mr. Leonard, seconded by Mr. Gedemer.

(c) Trapp, et al v. ERS

The Pension Board took no action on this item.

(d) Baldwin v. ERS

The Pension Board took no action on this item.

12. Report on Compliance Review

The Pension Board took no action on this item.

13. Reports of ERS Manager & Fiscal Officer

(a) Retirements Granted, July 2015 and August 2015

Ms. Ninneman first presented the Retirements Granted Report for July 2015. Thirty-four retirements from ERS were approved, with a total monthly payment amount of \$60,272. Of those 34 ERS retirements, 27 were normal retirements and 7 were deferred. Twenty members retired under the Rule of 75. Eighteen retirees chose the maximum option and six retirees chose Option 3. Fifteen of the retirees were District Council 48 members. Fifteen retirees elected backDROPs in amounts totaling \$2,803,850.26.

Ms. Ninneman noted that the date of birth column has been left on the copy of the July Retirements Granted report circulated to the Board, but confirmed the column will be deleted prior to posting the report to the ERS website.

In response to a question from the Chairman, Ms. Ninneman confirmed that the Pension Board decided approximately two years ago to delete that information from the final report for privacy reasons.

Ms. Ninneman then presented the Retirements Granted Report for August 2015. Thirty retirements from ERS were approved, with a total monthly payment amount of \$55,419. Of those 30 ERS retirements, 22 were normal retirements, 7 deferred and one was an accidental disability. Sixteen members retired under the Rule of 75. Fourteen retirees chose the maximum option and 7 retirees chose Option 3. Thirteen of the retirees were District

Council 48 members. Fifteen retirees elected backDROPs in amounts totaling \$3,067,255.56.

Ms. Ninneman noted that the final quarter of 2015 should see a decrease in the number of retirements, as members will typically wait until January to file for retirement once their vacation balances are replenished.

(b) Retirement Services Update

Ms. Ninneman announced that ERS has hired a new Fiscal Officer Assistant and noted that the Fiscal Office is now fully staffed. The Retirement Office also promoted an internal candidate to fill one of the two vacant Retirement Specialist positions. One position remains open for a Retirement Specialist and another for a vacancy in the records room. The Retirement Office will begin interviewing for those two positions next week.

Ms. Ninneman then stated that she went before the Civil Service Commission and had the vacant Retirement Manager position reclassified as a non-exempt position, which will eliminate some hiring constraints for that position. The Retirement Manager position has now been reposted and candidate interviews are scheduled for next week. It is hoped that the Retirement Manager position will be staffed by mid-October.

Ms. Ninneman concluded by noting that the preretirement session scheduled for September 17 has been moved to November due to current workload and staffing issues.

(c) Fiscal Officer

Ms. Lausier distributed the July 2015 and August 2015 portfolio activity reports. Ms. Lausier noted that she has also issued a revised portfolio activity report for June 2015. The June report contains some revised information received from K2 Advisors which is highlighted on the report.

Ms. Lausier then noted that she removed a row previously added to the bottom of the cash flow report listing quarterly funds approved by the Board for disbursements. The information in that row has now been included on a separate page for clarity. The Board previously approved \$51 million in June 2015 for third quarter funding. Ms. Lausier stated that of that amount, she used \$18 million each in July and August, which leaves \$15 million remaining for September funding. Ms. Lausier stated she will need at least \$16 million to meet funding needs for September and requested that the Board approve an additional \$2 million today.

In response to a question from the Chairman, Ms. Lausier confirmed that the additional \$2 million will be sufficient for September, while leaving a cushion of \$1 million.

The Pension Board unanimously approved the liquidation of assets to fund additional cash flow of \$2 million for September 2015, and a total of \$52 million for the months of October 2015, November 2015, and December 2015. The amounts should be withdrawn from investments designated by Marquette. Motion by Mr. Smith, seconded by Mr. Gedemer.

In response to a question from Ms. Braun regarding a row titled "benefit expense payment reserve \$50 million" on the July and August cash flow reports with zeros across the monthly columns, Ms. Lausier explained that the row was likely inadvertently included on the reports and there is no \$50 million reserve. Ms. Lausier noted that she will review the matter and ensure that the information is corrected on the October 2015 cash flow report.

Ms. Lausier concluded by stating there was approximately \$7 million in capital calls between the months of July and August 2015 for Adams Street and Siguler Guff.

14. Administrative Matters

The Pension Board reviewed and discussed upcoming conference attendance.

Ms. Ninneman stated that Mr. Leonard has requested approval to attend a February 2016 conference sponsored by the International Foundation of Employee Benefit Plans ("IFEBP"). The Board has typically approved attendance on an annual basis for all IFEBP conferences in January. However, there is a significant cost reduction to the IFEBP February 2016 conference if early registration is received by October 2015.

The Pension Board unanimously approved the costs for any interested Pension Board member or ERS staff member to attend any of the 2016 IFEBP Conferences, the October 25-28, 2015 P2F2 Annual Public Pension Financial Forum, the November 5-6, 2015 Emerging Manager Summit South, and the December 9-11, 2015 Alternative Investing Summit. Motion by Mr. Smith, seconded by Ms. Funck.

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

In response to a question from Mr. Gedemer regarding the asset allocation study results, Mr. Grady answered that if the Fund's assumed rate of return were lowered from the current 8%, it would have an impact on the funding percentage as stated in the current asset allocation study results.

In response to a follow-up question from Mr. Gedemer regarding the possibility of investigating bonding options, Mr. Smith explained that Messer's Krecklow and Manske discussed the bonding issue at the July 2015 special Pension Board meeting and advised the Pension Board that it is a matter for the County to decide.

In response to a question from Mr. Leonard regarding a future discussion topic to investigate the potential to issue a request for proposal ("RFP") for a new actuary, Mr. Grady stated that the matter could be added to the full Pension Board as a new future topic for closed session discussion.

The Chairman also requested that the actuary RFP be included as a future discussion topic for closed session discussion under either the full Pension Board or Investment Committee.

Mr. Grady added that the County Board passed a resolution to review the actuary issues at the County level. The Corporation Counsel's office is currently working with the County on that issue and will provide an update to the County Board and Pension Board at a future date.

After further discussion, the Pension Board agreed to include the actuary RFP as a recurring closed session topic to be discussed on an as-needed basis.

15. Adjournment

The meeting adjourned at 2:20 p.m.

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