

EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE
MINUTES OF THE SEPTEMBER 17, 2014 PENSION BOARD MEETING

1. Call to Order

The Chairman called the meeting to order at 8:30 a.m., at the Marcus Center for the Performing Arts, 929 North Water Street, Milwaukee, Wisconsin 53202.

2. Roll Call

Members Present

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

Members Excused

Others Present

Marian Ninneman, CEBS, CRC, ERS Manager
Mark Grady, Deputy Corporation Counsel
James Carroll, Principal Assistant Corporation Counsel
Vivian Aikin, CRC, ERS Sr. Pension Analyst
Dale Yerkes, Fiscal Consultant
Peter McCarthy, OFI Global Asset Management
Brett Christenson, Marquette Associates, Inc.
Ray Caprio, Marquette Associates, Inc.
Steven Huff, Reinhart Boerner Van Deuren s.c.
Kenneth P. Greening, Retiree
Thomas Grossmeyer, Retiree
Ray Johann
Ralph F. Kamasinski, Jr.
Ray Kress, Retiree
Steve Koszalka
Yvonne Mahoney, Retiree
Robert Miller
Joan Mitchell, Retiree
Shanon Molina
Mike Povolo

Glorius D. Walker, Former Milwaukee County Employee
Edward Walker

3. Minutes—July Pension Board Meetings

The Pension Board reviewed the minutes of the July 16, 2014 Pension Board meeting.

The Pension Board unanimously approved the minutes of the July 16, 2014 Pension Board meeting. Motion by Mr. Smith, seconded by Ms. Braun.

4. Investments

(a) OFI Global Asset Management

Peter McCarthy of OFI Global Asset Management distributed a booklet containing information on the emerging markets investment management services provided by OFI for ERS.

Mr. McCarthy first provided an overview of the firm. Throughout the first half of 2014, OFI's total assets under management ("AUM") have grown from just under \$200 billion in January 2014 to approximately \$250 billion as of June 30, 2014. OFI has recently benefited from a cooperative market, as well as some attractive new investments exhibiting strong performance. OFI is well diversified by strategy and does not derive its revenue from any one specific source.

OFI did have a recent change in leadership when Bill Glavin stepped down as Chief Executive Officer in July 2014. Mr. Glavin's position was filled internally by Art Steinmetz. As the firm's first internal replacement for CEO, Mr. Steinmetz has been employed with the firm as an investment professional for over 26 six years, most recently as the firm's Chief Investment Officer. Mr. Glavin will continue to serve the firm as Board Chairman.

Mr. McCarthy next provided an overview of OFI's emerging markets equity strategy. As of June 30, 2014, OFI's emerging markets equity portfolio was just slightly under \$50 billion in AUM. During the first half of 2014, the portfolio realized approximately \$1.5 billion in cash inflows and, as a result, OFI recently closed the strategy to new investors. As an existing investor in the portfolio, ERS is still free to add or trim its position in the portfolio as long as an open account is maintained. With a number of other strategies closing in 2013, OFI's velocity of inflows has increased significantly and OFI closed the strategy to primarily protect its existing investors.

Mr. McCarthy then discussed OFI's emerging markets investment team. With the exception of several additions to staff during the last quarter of 2013, there have been no major changes to the team. The recent additions were brought on board to help launch OFI's new emerging markets innovators ("EMI") strategy. The EMI strategy will focus on innovative small-cap and mid-cap companies and will be co-managed by Justin Leverenz and Heidi Heikenfeld. Ms. Heikenfeld has been with the firm for over 14 years and is a small-cap and mid-cap specialist, focusing primarily on health and information technology stocks. Over the last year, Ms. Heikenfeld has been traveling the world to research potential additions to the EMI strategy.

Mr. McCarthy next discussed performance. OFI's strategy and goal for its emerging markets portfolio is to outperform the MSCI Emerging Markets Index on both an active and risk-adjusted basis. Over the last three-, five- and ten-year periods, OFI has significantly outperformed the benchmark and has been in the top decile among its peer group across all time periods. Since its inception in December 2003, OFI's emerging markets fund has significantly outperformed the benchmark. An important aspect to the portfolio's successful performance is its upside-downside capture ratio. The five-year upside-downside capture ratio on this portfolio is 112-74. This means that when the market rallies, the portfolio gains 112% of the upside of the market. More importantly for a volatile asset class, when the market is retreating, the portfolio only captures 74% of the downside for that market.

In response to a question from Ms. Van Kampen, Mr. McCarthy stated that when compared to other investment managers, a key differential in OFI's success is the long-term, strategic investment strategy employed by Justin Leverenz and the rest of OFI's experienced emerging markets team. The team's goal is to hold stocks within a range of three to five years, often moving towards the longer end of that range. OFI also targets exceptional companies that have above-average growth, pricing power and a dependable market share. The total equity universe is comprised of approximately 55,000 stocks, but OFI selectively targets only 300 to 400 of those stocks. OFI strategically avoids investments in sectors such as state-owned enterprises and utilities, because these investments tend to be highly leveraged and cyclical, making them unhealthy towards the bottom end of the investment cycle.

Mr. McCarthy next discussed sector weighting. OFI's investment philosophy is based on fairly low turnover, but some recent sector moves have been made. OFI has recently begun trimming its consumer staples

sector, which is the portfolio's largest sector. While still the largest overweight in the portfolio at 18.01 versus the MSCI Index of 8.25, OFI believes that trading in this sector has become somewhat crowded and overpriced. As a result, the investment team has been reviewing the current investments in this sector on a stock-by-stock basis, trimming where appropriate, and reinvesting those funds in alternative areas such as consumer discretionary. The team is authorized by its prospectus to place up to 20% of equities outside of emerging markets within the portfolio. For these "outside" investments, OFI targets companies that are deriving the majority of their growth from the emerging markets. OFI sees some very attractive opportunities in European luxury good makers such as LVMH, the Italian luxury handbag maker, and Richemont, the owner of Cartier. The economic slowdown in China, in addition to the ongoing situation in continental Europe, has made these stocks very attractive from a pricing standpoint.

Under the materials sector, OFI has recently invested in four cement companies based in India and Indonesia for approximately 1.5% of the portfolio. While OFI typically does not like the materials sector, there is a great deal of building and growth occurring within these countries, which allows for pricing power and favorable growth projections.

The portfolio's largest underweight is in the financials sector. OFI systematically underweights this sector because the largest portion of the emerging markets financials index is comprised of Chinese banks, which are state-owned enterprises. The balance sheets of Chinese banks tend to be marginal at best. However, when viewed on a stock-by-stock selection basis, financials was one of OFI's best performing sectors. The outperformance was mainly derived from two Indian banks, ATF Bank and ICICI Bank. ATF Bank is the largest mortgage lender in India and ICICI Bank is India's largest investment bank. Both banks have very strong balance sheets and are competitive companies with strong growth rates.

In response to a question from Mr. Smith regarding the current effect of the Russian economy on the portfolio, Mr. McCarthy stated that while general year-to-date performance in Russia is poor, there are some exceptions. OFI owns stock in three Russian companies that they are confident will continue to perform well. Magnit, which is a large group sales retailer similar to Walmart, has been growing at a very fast rate in the portfolio since 2007. Yandex, the equivalent of Google in Russia, is another favorable performer in the portfolio. Neither Magnit nor Yandex have been affected by recent sanctions against Russia. The third Russian company in the portfolio is Novatech, which is a natural gas company. While the second largest

investor in Novatech is on the sanctions list, Novatech still has an extremely strong balance sheet and OFI maintains confidence in their performance. OFI is aware of the geopolitical risk, but believes that all three of these companies maintain very attractive valuations. OFI will continue to closely monitor the situation in Russia to further assess any potential risks.

In response to a question from Ms. Mayr regarding the impact on the portfolio of recent civil unrest in Brazil, Mr. McCarthy stated that there has recently been a great deal of civil unrest around the globe that has negatively impacted emerging markets as a whole, specifically in Brazil, Mexico and India. However, OFI believes that deceleration in the emerging markets is slowing and substantial growth will begin to appear within the next 6 to 12 months.

In response to a follow-up question from Ms. Mayr regarding Hong Kong and China, Mr. McCarthy stated that even though the benchmark breaks them out into separate entities, OFI considers them to be one.

(b) Marquette Associates Report

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

Mr. Christenson noted that August was a strong month for performance in the U.S. equity markets and a good recovery from July's underperformance. Most of the indices in the U.S. equity markets were up over 3% to 4% in August. Returns in fixed income were stable and the international equity markets were relatively flat.

Mr. Caprio then discussed the August 2014 flash report. Total Fund assets were at \$1.85 billion as of August 31, 2014. At 20.2%, the fixed income portfolio is just slightly under the policy target of 22%. At 25.7% of the portfolio, the U.S. equity composite is also very close to the 25% policy target. The international equity composite is on target with the policy at 20%. Hedged equities are currently at 10.7% versus the policy target of 10%. Both the real estate and infrastructure composites have performed very well recently. Real estate is slightly overweight at 9.3%, and infrastructure is also overweight at 8.7%, versus the policy target of 8.5% for each composite. Marquette is comfortable with the overweights in each of these sectors due to the favorable returns at this time.

In response to a question from Ms. Mayr regarding the recent elimination of hedge fund investments by the California Public Employees Retirement

System ("CalPERS"), Mr. Christenson stated that the performance of other pension funds should not be impacted by CalPERS' withdrawal. CalPERS' withdrawal from hedge funds was mainly due to disappointing performance. While Marquette does agree with that analysis, ERS's hedged equity portfolio is structured differently than CalPERS, because ERS is only invested in long-short equity. Hedged equity was primarily added to ERS to reduce risk in the overall portfolio. Marquette will continue to closely monitor and address the topic of hedged equity investments on a monthly basis with the Investment Committee.

In response to a follow-up question from Mr. Smith regarding the possibility of increased performance in hedge funds due to CalPERS exit, Mr. Christenson stated that such a scenario is unlikely because the market is so large at this point. In addition, because ERS's hedge managers are only invested in stocks, any potential disruption from the CalPERS liquidation would not be affecting the public markets.

In response to a comment from the Chairman, Mr. Christenson confirmed that the portfolio is very close to the policy targets in all areas, with the exception of private equity. Marquette can also rebalance the portfolio allocations on a monthly basis through withdrawals for benefit payments.

Mr. Caprio continued with a discussion of the Fund composite. As previously noted, the private equity composite is currently underweight at 3.2%, versus the policy target of 6%. Both Marquette and the Board have been addressing the underweight in private equity over the last year. ERS currently has two outstanding private equity commitments, one to Adams Street's 2014 direct fund and the other to the Mesirow Financial's fund-of-funds strategy. Because of the slower nature of private equity investments, ERS should get closer to its policy target over time as a result of recent additional private equity investments.

In response to a question from the Chairman, Mr. Christenson confirmed that Geneva Capital has recently been placed on alert under the U.S. equity composite.

In response to follow-up questions from the Board regarding the current status of Geneva, Mr. Christenson stated that Marquette has been in contact with Geneva on a regular basis and will be asking Geneva to present at the upcoming October Pension Board meeting.

Mr. Caprio next discussed Fund performance. For the month of August, the Fund was up 1.6%, net of fees, versus the policy benchmark at 1.5%. Over the three-month period, the Fund was up 2.2%, net of fees, versus the

benchmark at 1.6%. Year-to-date, the Fund is currently up 5.1% net of fees, versus the benchmark at 4.9%. Real estate, infrastructure and private equity are not yet fully reported for the second quarter. Until those managers have fully reported, the year-to-date return is not yet final, but should increase due to favorable returns in both real estate and infrastructure.

In response to a question from Mr. Smith regarding the year-to-date underperformance in U.S. equity of 6% versus the 9.3% benchmark, Mr. Christenson stated that if Geneva were removed from the U.S. equity composite, it would only affect the total return by a positive 80 basis points. In addition to Geneva, both Boston Partners and Artisan Partners, two of ERS's most consistent managers, are also struggling year-to-date. It is currently a very difficult market for U.S. equity managers in general. These managers typically focus on valuations that buy low and sell high and that type of strategy is not currently paying off in the short run. While the overall underperformance in U.S. equity is disconcerting, Marquette does anticipate a turnaround, given the quality base of managers in ERS's U.S. equity portfolio. Geneva, however, is in a unique circumstance because Geneva's largest investor just approved the sale of the firm and the sale should be final within a week. Marquette will further analyze and discuss Geneva's underperformance issues during their October presentation to the Board. Mr. Christenson stated that he will also ask Artisan Partners to present at the October Board meeting to help lend another perspective on the current situation in the U.S. equity market.

In response to a question from Ms. Braun regarding the review status of the newly approved private equity manager contracts, Mr. Christenson stated that Mesirow does have an upcoming close deadline and a capital call scheduled for the end of September 2014. Reinhart has reviewed the Mesirow contract and has returned comments to Marquette. If ERS cannot get into this month's fund with Mesirow, it should be able to participate in the next round. The Investment Committee liked Mesirow because of their experienced team, their long-term favorable performance of their funds, and the fact that this particular fund will be drawing capital fairly quickly. Review of the Adams Street contract will be completed once the Mesirow contract is finalized.

In response to a follow-up question from Ms. Braun, Mr. Christenson stated that the next capital call for Mesirow is expected to occur within the next two months.

Mr. Christenson concluded by noting that the final summary of the cash overlay manager request for proposal ("RFP") was included in Marquette's

August 2014 monthly report. Marquette feels that all three of the RFP respondents are very strong and the main difference merely came down to fees.

5. Investment Committee Report

Ms. Van Kampen reported on the September 8, 2014 Investment Committee meeting. The Investment Committee adjourned into closed session for the duration of the meeting to discuss the cash overlay manager RFP responses.

Ms. Van Kampen then summarized for the Board the progression of the cash overlay manager RFP. The Bank of New York Mellon was providing cash overlay services for ERS, but announced that they would be exiting that line of business effective April 30, 2014. Since that time, ERS has used State Street as the temporary cash overlay manager until the RFP process can be completed. There were three respondents to the cash overlay RFP; Clifton, State Street and Northern Trust. In closed session, the Investment Committee discussed the merits of the three managers. Cash overlay is the primary focus of Clifton, while both State Street and Northern Trust perform other investment services in addition to cash overlay. The Investment Committee agreed that all three candidates were very high-quality managers and a change to any of the three candidates would be easily facilitated.

After analyzing the merits of all three managers, the Investment Committee determined that a decision would come down to an analysis of fees. Clifton quoted the highest fees at \$94,000, and a minimum annual fee of \$75,000. State Street quoted the second highest fees at \$65,000 annually. Northern Trust quoted the lowest with fees at \$33,000, and a minimum annual fee of \$30,000.

Ms. Van Kampen then stated to the Board that the Investment Committee recommends selecting Northern Trust as ERS's new cash overlay manager.

The Pension Board unanimously approved the selection of Northern Trust as ERS's permanent cash overlay manager. Motion by Mr. Smith, seconded by Ms. Van Kampen.

6. Audit Committee Report

Ms. Westphal reported on the September 4, 2014 Audit Committee meeting. In open session, some of those present at the Audit Committee first responded to questions from several members of the public present

regarding the topic of buy-ins and buy-backs. Questions were raised regarding the status of the proposed buy-in and buy-back Ordinance amendments recommended for County Board approval by the Pension Board in May 2014, and the estimated timing for the final presentation of those Ordinances to the County Board. Some of those present at the Audit Committee stated that the proposed Ordinance amendments have not yet been finalized for review by the County Board.

The Audit Committee then adjourned into closed session to further discuss the topics of buy-ins and buy-backs, backDROP payments for deceased members and member overpayments. Ms. Westphal recused herself from the discussion of buy-ins and buy-backs.

After returning to open session, the Audit Committee next discussed possible Ordinance amendments to eliminate purchase of service credits in ERS. Mr. Huff presented possible Ordinance amendments that would clarify that purchase of service credits are no longer allowed in ERS. After further discussion, the Audit Committee determined that this topic should be placed on the September 17, 2014 Pension Board meeting agenda for further discussion and possible action.

The Audit Committee deferred the discussion of the disability process to a future Audit Committee meeting.

The Audit Committee concluded with a discussion of the Audit Committee meeting schedule. Ms. Ninneman distributed an updated Audit Committee meeting schedule. The meeting schedule has been revised to reflect a change from meeting on the first Wednesday of the month to the first Thursday of each month.

7. Disability Matters

(a) Gary Grivetz

In open session, for benefit of those present, the Chairman explained that the Pension Board utilizes the decision of the Medical Board, which is comprised of three physicians, in evaluating disability applications. The Medical Board reviews the applicant's medical records to the extent that the applicant has signed a release form for those records. After their review of all pertinent records available, the Medical Board makes a recommendation to approve or deny the application. There are additional procedures in place to appeal the Medical Board's determination. ERS staff and the Board try to ensure to the fullest extent possible that all relevant

information is provided to the Medical Board for review prior to making their recommendation.

In response to a question from Ms. Mayr, the Chairman confirmed that during the disability appeal process, any previously undisclosed relevant information may be referred to the Medical Board for additional review. ERS strives to ensure that all relevant information has been reviewed by the Medical Board during its review of disability applications.

Continuing in open session, the Chairman stated that Mr. Grivetz's application was received by the Medical Board and recommended for approval. The Chairman stated that he reviewed the application and did not have any further questions. In response to a question from the Chairman, no other member had any further questions that would require entering into closed session.

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

8. Appeals

In open session, for the benefit of those present, the Chairman summarized the non-disability appeal procedures utilized by ERS and the Pension Board. The general procedure for appeals is to hear the member's (or the member's representative's) comments on the appeal in open session and to allow the Board members the opportunity to ask the member (or the member's representative) any questions regarding the appeal. The Pension Board will then routinely adjourn into closed session to discuss the appeal, and come back into open session to vote on the appeal. If during the closed session, the Pension Board has questions for ERS staff members regarding the appeal, the Pension Board will return to open session to discuss those questions with ERS staff. If an appellant would like to be present for any subsequent open sessions, they may remain in the building and the Board will notify appellants when they return to open session. Finally, if an appeal includes medical information or other personal information that is of a confidential nature, appellants should inform the Board during their presentation to the Board, and the Board may then adjourn into closed session to hear that portion of an appellant's presentation.

In response to a question from the Chairman, Mr. Grady stated that with regard to the appeals on today's agenda, there should be no need for the Board to enter into closed session to hear the appellants' statements.

Following the open session discussions of appeals for Mr. Grossmeyer and Mses. Mitchell and Walker and the open session discussion of possible Ordinance amendments, Mr. Smith moved that the Pension Board adjourn into closed session under the provisions of Wisconsin Statutes section 19.85(1)(g), with regard to agenda items 8 and 9 for the purpose of the Board receiving oral or written advice from legal counsel concerning strategy to be adopted with respect to pending or possible litigation. At the conclusion of the closed session, the Board may reconvene in open session to take whatever actions it may deem necessary concerning these matters.

The Pension Board voted by roll call vote 8-0 to enter into closed session to discuss agenda items 8 and 9. Motion by Mr. Smith, seconded by Ms. Van Kampen.

(a) Thomas Grossmeyer

In open session, Mr. Grossmeyer thanked the Board for the opportunity to present his statements. Mr. Grossmeyer then read from a prepared statement dated April 21, 2014.

"On October 22, 2012, I applied for my application for retirement with ERS. In the application process, I selected Option 6. At the time, I was not aware of any specific requirements from my divorce decree of April 25, 1996. The decree stated I was required to select Option 3. I take full responsibility for that error. I received a letter dated January 9, 2013 from the ERS. The letter stated that my application could not be processed at that time. According to the letter, I was to have selected Option 3 and provide the ERS with a separate domestic relations order ("DRO") satisfying the requirements of Rule 1017 for a separate payment of \$316 to my ex-spouse. On February 2, 2013, I consulted my lawyer to inquire who was responsible for starting this process for the DRO paperwork. His response, according to the divorce decree, was that it was the petitioner's responsibility. I relayed that information to my ex-spouse. On March 10, 2013, I received communication from my ex-spouse that she was working with Divorce Financial Solutions LLC (Alex Bialk) and that he would take care of the DRO paperwork. I received correspondence from Divorce Financial Solutions requesting I complete a "Retirement Account Authorization" form and send that back to them. On approximately April 15, 2013, after consultation with my lawyer, I forwarded the requested information back to Divorce Financial Solutions. On May 3, 2013, I received correspondence from my ex-spouse that she was unable to reach Mr. Bialk from Divorce Financial Solutions after multiple attempts. No DRO paperwork was completed by Mr. Bialk. On

August 26, 2013, I received correspondence from my ex-spouse that she had contacted another lawyer from Ruder Ware LLC. It was my expectation that at this point, this lawyer would complete the DRO paperwork in a timely fashion. Ruder Ware LLC obviously was also not successful. On October 29, 2013, I sent my ex-spouse a contact name I had at ERS along with the requirements which needed to be met to satisfy the requirements of 1017. Subsequent communications with my ex-spouse were unsuccessful in finding a resolution, so I decided to take matters in my own hands to get this completed. On November 18, 2013, I contacted my former attorney Michael McClone for assistance. He said he would take care of it and contacted Delphi Consulting Group to complete the paperwork. As of February 20, 2014, the paperwork for the DRO is still pending but getting closer. Frustrated with the delays, I decided on February 28, 2014 to reapply and complete a second application for retirement. I met with Becky Paszkowski from ERS and changed to Option 3. I was under the assumption at that time I could change to Option 3 once the DRO paperwork was finally submitted."

[end of quote]

Mr. Grossmeyer then added that on April 23, 2014, ERS sent a letter to Attorney Susan Lorenz and Attorney Michael McClone stating that there was another delay in processing his application until the proposed agreement for dividing benefits was completed. A proposal prepared by Attorney McClone and sent to Mr. Grossmeyer's ex-spouse in December 2013 (the "Agreement") was intended to supersede the divorce decree and allow Mr. Grossmeyer to make direct payments to his ex-spouse. Mr. Grossmeyer stated that his ex-spouse did not return an executed copy of the Agreement until June 5, 2014. Judge Saafir approved and signed the Agreement on June 20, 2014 and forwarded it to ERS for processing. The Agreement finally went into effect on August 1, 2014.

Mr. Grossmeyer stated that he never anticipated the extent of the delays that would be involved in the process necessary to fulfill his divorce agreement. Mr. Grossmeyer concluded by stating that he believes he should not be denied payments he has earned as a Milwaukee County employee, and he is requesting retroactive payments to his original pension application date.

In response to a question from Mr. Smith, Mr. Grossmeyer stated that he completed the necessary paperwork to change to Option 3 on February 28, 2014.

In response to a question from Ms. Funck, Mr. Grossmeyer stated that he is requesting payments retroactive to October 22, 2012.

The Chairman then thanked Mr. Grossmeyer for presenting his statements, noting that his chronology is very consistent with the supporting materials already provided to the Board.

The Board discussed the matter in closed session.

After returning to open session, the Pension Board voted 7-0-1, with Mr. Smith abstaining, to deny Mr. Grossmeyer's appeal, consistent with the discretion assigned to the Pension Board by Ordinance section 201.24(8.17) to interpret the Ordinances and Rules of the Employees' Retirement System of the County of Milwaukee ("ERS"), based on the following facts and rationale:

1. On April 25, 1996, ERS received a copy of the Findings of Fact, Conclusions of Law and Judgment of Divorce ("Judgment") dissolving Thomas Grossmeyer's marriage to Lynette Grossmeyer (n/k/a Chumbley). The Judgment requires Mr. Grossmeyer to elect an Option 3 form of benefit with Ms. Chumbley as the beneficiary. The Judgment also orders that Ms. Chumbley's attorney will draft a separate order ("Order") to be provided to ERS requiring ERS to pay \$316.52 per month directly to Ms. Chumbley.
2. Mr. Grossmeyer submitted an Application for Retirement dated October 22, 2012 ("2012 Application") applying for retirement effective November 1, 2012. Mr. Grossmeyer turned 60 on October 26, 2012. He was not in active service at the time he submitted his 2012 Application.
3. On the 2012 Application, Mr. Grossmeyer elected an Option 6 form of benefit, with 100% of his benefit going to his beneficiary, Donna Grossmeyer (his current wife). The application listed Carrie Boldt (his daughter) as his contingent beneficiary.
4. On January 9, 2013, the Retirement Office sent Mr. Grossmeyer a letter informing him that his 2012 Application could not be processed because the Judgment required Mr. Grossmeyer to select an Option 3 form of benefit with Ms. Chumbley as his beneficiary.
5. The January 9th letter further informed Mr. Grossmeyer that to comply with the Judgment and pay a portion of his benefit directly to Ms. Chumbley, ERS would need to receive a domestic relations order ("DRO") that complied with Rule 1017.
6. Mr. Grossmeyer asserted in a letter dated April 21, 2014 (the "Letter") that on February 2, 2013, he contacted his attorney to determine

whether he or Ms. Chumbley was responsible for drafting the DRO requested in the January 9th letter. Mr. Grossmeyer asserted that his attorney advised that the petitioner (Ms. Chumbley) was responsible for drafting the DRO.

7. Mr. Grossmeyer also asserted in the Letter that on March 10, 2013, he was notified that Ms. Chumbley was working with Divorce Financial Solutions to draft the DRO. Mr. Grossmeyer subsequently completed an authorization form provided by Divorce Financial Solutions to facilitate completion of the DRO.

8. According to the Letter, on May 3, 2013, Mr. Grossmeyer received correspondence from Ms. Chumbley advising that she had been unable to contact the attorney from Divorce Financial Solutions and that no DRO had been completed.

9. On August 26, 2013, Mr. Grossmeyer asserts that he received correspondence from Ms. Chumbley that she had contacted another attorney from Rudder-Ware LLC to draft the DRO, but that too was unsuccessful.

10. On October 29, 2013, Mr. Grossmeyer asserts that he provided Ms. Chumbley with information he received from ERS regarding the requirements for a DRO, along with contact information for ERS.

11. On November 18, 2013, Mr. Grossmeyer asserts he contacted his attorney, who agreed to see that the DRO was completed because subsequent communications with Ms. Chumbley were unsuccessful.

12. Mr. Grossmeyer indicated in the Letter that he was frustrated by the delays and decided to submit a new Application for Retirement dated February 28, 2014 ("2014 Application"). The 2014 Application elected an Option 3 form of benefit (as required by the Judgment) and named Lynette Chumbley as the beneficiary. The 2014 Application included a retirement effective date of March 1, 2014.

13. On March 28, 2014, ERS received a draft Agreement for Dividing Benefits Payable Under the Employees' Retirement System of the County of Milwaukee ("Agreement") from Ms. Chumbley's attorney.

14. The Agreement did not comply with the terms of the Judgment. Instead of requiring ERS to directly pay Ms. Chumbley \$316.52 per month, as required by the Judgment, the Agreement contemplated that ERS would pay Mr. Grossmeyer his entire monthly benefit and that Mr. Grossmeyer

would forward Ms. Chumbley her portion of the monthly benefit within five days thereafter.

15. Because the Agreement did not comply with the Judgment, on April 23, 2014, ERS sent a letter to Mr. Grossmeyer's and Ms. Chumbley's attorneys requesting that the Agreement be revised to provide that the Agreement superseded any contrary provisions of the Judgment.

16. Before ERS received a finalized copy of the Agreement, Mr. Grossmeyer requested that, upon approval of his application, he be given a retroactive retirement effective date of October 22, 2012 (the date requested on the 2012 Application).

17. By letter dated May 16, 2014, ERS denied Mr. Grossmeyer's request for a retroactive benefit start date. The denial letter informed Mr. Grossmeyer that pursuant to the Ordinances, "you must submit all necessary paperwork prior to the commencement of benefits." The letter also provided that, pursuant to Rule 1016, Mr. Grossmeyer could appeal ERS's decision to deny his request for a retroactive benefit.

18. On July 8, 2014, ERS received an executed copy of the Agreement, signed by the Court on June 20, 2014. Because the Court had approved the Agreement, ERS determined that it would accept the Agreement as superseding the Judgment.

19. By letter dated July 21, 2014, Mr. Grossmeyer appealed ERS's denial of his request for retroactive pension benefits.

20. On July 29, 2014, ERS sent Mr. Grossmeyer and Ms. Chumbley a letter informing them that ERS viewed the Agreement as modifying the Judgment and that ERS would be under no obligation to ensure that Ms. Chumbley received any portion of Mr. Grossmeyer's monthly benefit. The letter informed the parties that if they disagreed with ERS's interpretation, they should notify ERS prior to August 12, 2014, at which time ERS would process Mr. Grossmeyer's benefit effective August 1, 2014.

21. Neither Mr. Grossmeyer nor Ms. Chumbley objected to ERS's interpretation of the Agreement, and ERS processed Mr. Grossmeyer's 2014 application with an August 1, 2014 retirement effective date.

22. The Pension Board finds that Mr. Grossmeyer was not in active service at the time he submitted his 2012 Application. Accordingly, he is eligible for a deferred vested pension under Ordinance section 201.24(4.5).

Ordinance section 201.24(4.5) provides that ERS may commence a deferred vested benefit as of the member's normal retirement age. Mr. Grossmeyer's normal retirement age is 60 pursuant to Ordinance section 201.24(2.18). Therefore, once Mr. Grossmeyer attained age 60, he was eligible to commence his deferred vested pension.

23. Rule 1049 provides that a deferred vested pension cannot commence until ERS receives all required paperwork. Rule 1049 also allows the Retirement Office to postpone a member's proposed retirement effective date until the Retirement Office has received all required paperwork.

24. Rule 1017 provides that ERS will comply with a DRO that meets the requirements of Rule 1017. In Mr. Grossmeyer's case, the Judgment provided ERS with notice that there was a potential DRO with which ERS would be required to comply, but the Judgment did not satisfy the requirements of Rule 1017 and could not be treated as a DRO.

25. The Judgment required Mr. Grossmeyer to elect an Option 3 form of benefit with Ms. Chumbley as beneficiary. However, Mr. Grossmeyer's 2012 Application requested an Option 6 form of benefit with his current spouse as beneficiary. Additionally, ERS had not received the separate order required by the Judgment directing ERS to pay Ms. Chumbley her awarded portion of Mr. Grossmeyer's monthly benefit. Therefore, at the time Mr. Grossmeyer submitted his 2012 Application, the Pension Board finds that ERS had not received all paperwork required to process his application.

26. ERS sent Mr. Grossmeyer a letter on January 9, 2013 informing him that his 2012 Application was insufficient and that the Application could not be processed until he addressed the issues related to compliance with the Judgment.

27. On February 28, 2014, Mr. Grossmeyer submitted the 2014 Application and elected an Option 3 form of benefit. However, ERS still had not received the order required by the Judgment directing ERS to pay Ms. Chumbley her awarded portion of Mr. Grossmeyer's benefit. Accordingly, the Pension Board finds that ERS had not yet received all paperwork required to process Mr. Grossmeyer's application and commence his benefits.

28. On March 28, 2014, ERS received a copy of the Agreement, but it had not been entered with the Court. The Agreement did not order ERS to pay Ms. Chumbley directly but provided that ERS would pay Mr. Grossmeyer his entire monthly benefit and he would forward

Ms. Chumbley's portion to her. Accordingly, the Agreement did not comply with the Judgment.

29. Because ERS had the Judgment that had been entered with the court and an Agreement that had not been entered by the Court with competing clauses, the Pension Board finds that ERS still did not have the paperwork required to process Mr. Grossmeyer's benefit as of March 28, 2014.

30. On April 23, 2014, ERS, by letter to the parties' attorneys, informed Mr. Grossmeyer and Ms. Chumbley that ERS could not comply with the Agreement unless and until the Court validated the indirect payment method provided by the Agreement.

31. On July 8, 2014, ERS received a final copy of the Agreement signed by both parties and the Court. The Pension Board finds that this is the first date ERS had received all required paperwork.

32. Following the expiration of the time ERS gave the parties to object to its interpretation of the Agreement, ERS processed Mr. Grossmeyer's 2014 Application and his retirement became effective August 1, 2014 (the first day of the month following the day that ERS had received all required paperwork).

33. Ordinance section 201.24(4.5)(4) provides that "in no event" will a deferred vested pension begin until the filing of a timely application for retirement. Additionally, Rule 1049 postpones a deferred vested member's retirement effective date, regardless of the date a member becomes eligible to apply, until the Retirement Office has received "all required paperwork."

34. ERS was unable to process Mr. Grossmeyer's application until it received all of the information ERS needed to pay out his benefit. In this case, "all required paperwork" included properly authorized documentation of the correct form of benefit and direction with regard to whether to pay any portion of his benefit directly to Ms. Chumbley. Accordingly, Rule 1049 requires ERS to defer Mr. Grossmeyer's retirement effective date to the first day of the month after the date ERS received all required paperwork.

35. Based on the foregoing, the Pension Board finds that pursuant to Ordinance section 201.24(4.5) and Rule 1049, a deferred vested member must complete an application for a benefit and submit all required paperwork prior to receiving a pension benefit. Accordingly, the Pension Board finds that Mr. Grossmeyer did not complete his application for a deferred vested benefit and submit all required paperwork (including the

fully executed Agreement) until July 8, 2014. Therefore, Mr. Grossmeyer's retirement effective date (August 1, 2014) is proper.

Motion by Ms. Van Kampen, seconded by Mr. Gedemer.

Continuing in open session, the Pension Board voted 8-0 to grant authority to the Chair and/or Vice Chair to review and approve the full written facts and rationale for the denial of Mr. Grossmeyer's appeal. Motion by Ms. Van Kampen, seconded by Mr. Smith.

In open session, the Pension Board voted 8-0, as a standing instruction going forward, for the Chair, Vice Chair or Secretary to sign the Board's appeal transmittal letters. Motion by Mr. Smith, seconded by Ms. Braun.

(b) Joan Mitchell

In open session, Ms. Mitchell first provided a copy of a prepared statement to the Board.

Ms. Mitchell stated that she is appealing a decision by ERS, as stated in a letter she received from ERS dated June 20, 2014, regarding modifications to her retirement benefit. Ms. Mitchell stated that ERS has provided her with no supporting documentation, nor has ERS demonstrated any authority to make the modifications to her retirement benefit, as outlined in their June 20, 2014 letter. Ms. Mitchell further stated that she was required by ERS to take action and pay all arrears that the County stated she owed within ten days of that letter. Ms. Mitchell received a second letter dated July 3, 2014, which she stated was an apology letter, notifying her that the first letter she received on June 20, 2014 was incomplete. The second letter requested that Ms. Mitchell take further action within 9 days of that letter. Ms. Mitchell subsequently met with Ms. Ninneman on September 9, 2014 to discuss the matter.

Ms. Mitchell then stated her reasons for appeal. First, no explanation of the alleged error was provided in the letter dated June 20, 2014. Furthermore, the second letter dated July 3, 2014, stated that Ms. Mitchell was incorrectly credited with 0.75 service credits during 2009, but no documentation was ever provided to explain the credit variance or to illustrate how the amount of her benefit adjustment was calculated. The only information Ms. Mitchell did receive, was documentation showing the adjustment to her future benefit and the amount of back pay she allegedly owed, plus interest. The June 20, 2014 letter indicated that any further questions should be directed to Mr. Dan Gopalan. Ms. Mitchell stated that

she was later advised by ERS that Mr. Gopalan was no longer employed with ERS, and that there were no further details available regarding her benefit adjustment calculation. Second, Ms. Mitchell stated that during her September 9, 2014 meeting with Ms. Ninneman, Ms. Ninneman advised Ms. Mitchell and her personal representative, that there was no way Ms. Mitchell could have known about or prevented the error to her pension account. When further asked who was at fault for the error, Ms. Ninneman advised Ms. Mitchell that it was not Ms. Mitchell's fault and that someone from the County made an error. Third, Ms. Mitchell alleged that Ms. Ninneman denied her access to information regarding her pension calculation at their September 9, 2014 meeting. Ms. Mitchell stated that when she asked to see the worksheets with her benefit calculations from 2010, Ms. Ninneman told her that the information was removed from her file because it was considered proprietary in nature. Ms. Mitchell further stated that Ms. Ninneman indicated she would not understand those calculations and such information would only cause confusion. Ms. Mitchell stated that she does not believe it is appropriate for the Board to make a decision regarding her appeal if the only information regarding the error is deemed to be proprietary and incomprehensible. Ms. Mitchell stated that she has submitted a written request prior to today's meeting to the State Attorney General's office regarding her open records request. Ms. Mitchell stated that at this time, it would be appropriate to delay her appeal until she receives and reviews her complete records. Fourth, Ms. Mitchell stated that she was not informed of the fact that that she would have to pay 5% interest on the arrears dating back to April 2010, until the letter dated July 20, 2014. The 5% interest will continue to accrue until the full amount of arrears is paid. Ms. Mitchell stated that since the error was already confirmed to be the fault of the County, she believes she should not have to pay any interest on the arrears. Ms. Mitchell further stated that due to the present state of the economy and the fact that she has already spent the payments on daily living expenses, it is excessive and improper to assume that she would have earned 5% interest on that money.

Ms. Mitchell concluded her statements by summarizing her current requests. Ms. Mitchell would like to see documentation of her original pension calculation, illustrating how the number of service credits were calculated for each year. Ms. Mitchell would also like to see documentation illustrating the original benefit calculations and the amount of benefits that were to be distributed each year. Ms. Mitchell would like to see documentation illustrating her revised pension calculation, detailing the impact the change in the .75 service credits would have on her retirement amounts. Ms. Mitchell would like to see all records relating to or discussing the credit discrepancy. Finally, Ms. Mitchell stated that she

would like to request a waiver of the 5% interest charge since there was no way she could have ever known about the error. Ms. Mitchell stated that she will continue to pursue all options for appeal, including the liability carrier for Milwaukee County, as she believes this to be a violation of a contracted benefit guaranteed upon her retirement.

The Chairman then thanked Ms. Mitchell for her statements and called for additional questions from the Board.

In response to a question from Ms. Braun regarding Ms. Mitchell's September 9, 2014 meeting with Ms. Ninneman, Ms. Mitchell confirmed that a third-party witness was present at that meeting.

In response to a follow-up question from Ms. Braun regarding an open records request, Ms. Mitchell affirmed that she made a verbal open records request during the September 9, 2014 meeting with Ms. Ninneman. Ms. Mitchell added that she followed up with subsequent requests via e-mail and certified mail several days ago.

In response to a question from Mr. Smith regarding ERS's standard policy for providing supporting documentation to appellants, Ms. Ninneman stated that Ms. Mitchell's file was available for review at the September 9, 2014 meeting. During the meeting, Ms. Mitchell had the opportunity to review her file and request copies of any documents, with the exception of a printed spreadsheet. ERS will provide Ms. Mitchell with a copy of the printed spreadsheet, however, the spreadsheet is a printed version of an electronic worksheet that contains built-in formulas and macros designed to pull data from multiple sources. ERS utilizes the spreadsheet to compare the revised calculations with a final monthly pension amount in the V3 system. Because there is no step-by-step build up to the numbers visible on the printed version of the electronic spreadsheet, it would not be fully clear to anyone viewing it as to exactly how the final data was calculated.

In response to a follow-up question from Ms. Braun, Ms. Ninneman stated that while two separate printed spreadsheets in Ms. Mitchell's file show variances in the two different benefit calculations, it would not be clear on the printed spreadsheets as to where the variances occurred. There was one year when Ms. Mitchell was credited with 1.75 service credits, while 1.0 is the maximum service credits a member can earn per year. Ms. Mitchell was part of the DC 48 furlough settlement and the improper additional service credits were discovered while ERS was performing the pension recalculations awarded as a result of that settlement.

In response to a question from Ms. Van Kampen, Ms. Ninneman stated that she was uncertain whether Ms. Mitchell was shown a detailed annual listing of her service credits.

Ms. Mitchell then stated that she has not yet seen a breakdown of her service credits and precisely how they were calculated. Ms. Mitchell stated that due to multiple changes during her term of employment with the County, she was in and out of employment, resulting in certain years of fragmented service. Therefore, her calculations would not be as easy to understand for example, as a member who may have had 15 straight years at 1.0 service credits.

Ms. Mitchell added that she also has never seen any calculations that would illustrate how her original pension amount was calculated.

In response to a question from Ms. Braun regarding the receipt of annual benefit statements from the County showing Ms. Mitchell's accumulated service credits, Ms. Mitchell stated that she does recall receiving such statements in the past, but she also assumed that information would be reviewed with her by ERS when she retired.

In response to a question from Ms. Braun, Ms. Mitchell stated that at the time she retired, she had no information about how her pension was calculated and could not rely on the fact that they were properly calculated.

In response to a question from Ms. Braun, Ms. Ninneman stated that a DC 48 furlough settlement adjustment has been made in Ms. Mitchell's record, but there would not be an increase to the amount of Ms. Mitchell's final pension amount as a result of that adjustment.

In response to a question from Mr. Smith regarding differing amounts of service credits listed for Ms. Mitchell during 2009 in two separate file exhibits, Mr. Grady stated that the correct amount should read .75 and not .075.

In response to questions from the Chairman regarding the open records requests, Ms. Mitchell confirmed that those requests were sent very recently via e-mail and certified mail on September 14 and 15, 2014. Ms. Mitchell confirmed that she is requesting a delay in her appeal pending her ability to review the additional information requested.

In response to a question from Mr. Huff regarding the dates of her appeal letters, Ms. Mitchell stated that she submitted appeal letters on June 26, 2014, July 10, 2014 and September 11, 2014.

In response to a question from Ms. Westphal, Ms. Ninneman stated that it is possible that ERS did not issue annual statements during 2009 due to a system conversion that year.

The Chairman then thanked Ms. Mitchell for providing her statements.

The Board discussed the matter further in closed session.

After returning to open session, the Pension Board voted unanimously to hold over their decision on Ms. Mitchell's appeal, pending Ms. Mitchell's open records request for additional information. Motion by Ms. Braun, seconded by Mr. Smith.

Continuing in open session, the Board unanimously approved authorizing meetings between corporation counsel and ERS staff to review the availability of records for employees and retirees, to determine what information should be considered proprietary in nature. Motion by Ms. Mayr, seconded by Ms. Braun.

(c) Glorius Walker

In open session, Ms. Walker stated that she came before the Board today to seek clarification regarding her refund status. Ms. Walker stated that after she received a letter from ERS notifying her of the option to request a refund of her membership account, she did not fully understand the meaning of that letter and called the Retirement Office for further clarification. Ms. Walker stated that during her initial telephone call, a Retirement Office staff member stated that if she ever planned on returning to employment with the County, Ms. Walker could leave the money in her membership account. Ms. Walker stated that she advised the ERS staff member during the telephone call that because she was uncertain of her future plans at that time, she would opt to leave the money in her membership account in case she should decide to resume County employment in the future.

In response to a question from the Chairman, Ms. Walker stated that she left her paperwork at home and did not have the name of the ERS staff member she spoke with on that initial telephone call.

Ms. Walker continued by stating that the ERS staff member never mentioned to her that she had a limited time period to request a refund of her membership account and that she would now have to "fight" to get her money back. Ms. Walker then asked the Board if it is customary for ERS

to hold employee money, and inquired what she needs to do now in order to receive a refund of her membership account.

In response to Ms. Walker's questions, the Chairman stated that ERS's membership contributions are related to the passage of Act 10 in 2011. The Chairman advised Ms. Walker that under County Ordinances in effect at the time of Ms. Walker's termination, there was a 60-day period for a terminated employee to request a refund of their membership account. There have been other situations involving terminated members who allowed their refund request period to lapse and have been denied refunds of their membership accounts. Because the tax-exempt status of ERS is dependent on full compliance with ERS's Rules and Ordinances, the Pension Board must and does take all compliance matters very seriously.

Mr. Grady then added that when Ms. Walker terminated employment with the County, the Ordinance in effect at that time required that a membership account refund request must be made within 60 days of termination. Mr. Grady noted that the 60-day refund request period was stated in the initial letter Ms. Walker received. The membership account refund request period under the pertinent Ordinance has since been amended to 180 days. However, even if the 180-day period were in effect at the time Ms. Walker terminated, she still would have not made her refund request in sufficient time. ERS relied upon Ms. Walker's decision when she called the Retirement Office and stated that she wanted to leave her money in her membership account.

Ms. Walker then stated that during her telephone conversation, the ERS staff member never mentioned a 60-day window to request a refund.

In response to Ms. Walker, Mr. Grady again stated that the letter Ms. Walker received did indicate she had 60 days from her date of termination to request a refund of her membership account.

Ms. Walker then reiterated that the reason she called the Retirement Office was because she did not understand what the letter was stating. Ms. Walker stated that she has previously worked for both General Motors and Potawatomi and has never had any prior experience with such matters.

In response to Ms. Walker, the Chairman commented that there is an important distinction to be made between Ms. Walker's former employers and the County, because neither General Motors nor Potawatomi would be subject to Act 10, which applies only to public sector employees. The Pension Board must ensure that the Ordinances are followed to remain in

compliance with the Internal Revenue Code and preserve ERS's tax-exempt status.

In response to a question from Ms. Van Kampen, Ms. Walker stated that she was employed by the County for approximately two years.

Ms. Walker then stated that at the time she left her job with the County, she just assumed that a refund check would be mailed to her and she did not think that she would have to request a refund.

Ms. Braun then stated that she had a copy of a letter dated June 17, 2013 that was mailed to Ms. Walker, indicating that she had 60 days from her date of termination to request a refund of her membership account. Ms. Braun stated that the letter is very brief and the first paragraph states the amount in Ms. Walker's membership account as of her date of termination. The second paragraph reads: "you may elect to either receive a refund of these contributions within 60 days of your termination or continue to maintain your membership account with ERS." Ms. Braun added that the phrase, "within 60 days of your termination," is typed in bold and asked Ms. Walker to clarify for the Board what portion of the letter she did not understand.

In response to a request from Ms. Walker, Ms. Braun handed the letter dated June 17, 2013 to Ms. Walker for review. Ms. Walker then stated that this is not the same letter she received. Ms. Walker stated that the letter she received had different sections that required her to mark selections.

In response to follow-up questions from Ms. Braun, Ms. Walker admitted recalling that there were additional forms enclosed with the cover letter and it was, in fact, the forms that she did not understand. Ms. Walker affirmed to Ms. Braun that after reviewing the cover letter, she did not understand at that time that she had 60 days from her date of termination to request a refund.

Ms. Walker then added that she received another letter from ERS that stated she retired in June of 2013. Ms. Walker stated that this is incorrect and she believes she retired in June of 2012. Ms. Walker further stated that she received yet another letter from ERS that had someone else's name on it.

In response to a question from Ms. Braun, Ms. Walker stated that she also left copies of those letters at home.

In response to a question from Ms. Braun regarding why Ms. Walker delayed a full year from receiving the membership refund notification letter

in June 2013 until telephoning the Retirement Office in June of 2014, Ms. Walker stated that she did not believe it was a full year.

In response to a question from Ms. Funck, Ms. Walker stated that she believes she first called the Retirement Office approximately six months after deciding she was not going to resume County employment, which would be near the end of 2012.

In response to a question from Ms. Braun regarding the date she left County employment, Ms. Walker stated that she left in June 2012 and that any ERS documentation stating June 2013 is incorrect. Ms. Walker further stated that she called the Retirement Office regarding the June 2013 termination date listed in a letter she received and was advised by ERS that it was a misprint.

In response to a question from the Chairman regarding which records ERS relies upon for employee termination dates, Ms. Ninneman stated that the Retirement Office automatically receives a feed from payroll twice per month with that information. The V3 system is updated via that feed and the Retirement Office produces a weekly report for letters to be generated to terminated employees. Because Milwaukee County pays in arrears, and field HR representatives or payroll clerks are responsible for entering terminations and not ERS, there could be a three-to four-week lag in data transmission.

In response to a question from Ms. Funck regarding the possibility of an error occurring while entering Ms. Walker's termination date, Ms. Ninneman stated that she could not respond to that because entering terminations is not a function handled in her department. That task is performed by the payroll department when they access Ceridian to enter a termination date.

The Chairman then thanked Ms. Walker for her time, patience and the additional information she provided to the Board.

The Board discussed the matter in closed session.

In open session, the Pension Board voted unanimously to deny Ms. Walker's appeal, consistent with the discretion assigned to the Pension Board by Ordinance section 8.17 to interpret the Ordinances and Rules of the Employees' Retirement System of the County of Milwaukee ("ERS"), based on the following facts and rationale:

1. Ms. Walker was an employee of Milwaukee County (the "County") and a member of ERS. ERS records indicate that Ms. Walker terminated County employment on June 3, 2013.
2. In a letter dated June 17, 2013, the Retirement Office provided Ms. Walker with notice of her obligation to request a refund of her membership account within 60 days of termination.
3. 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."
4. At the time Ms. Walker terminated County employment in June 2013, Ordinance section 201.24(3.11)(6)(a) provided 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. For an employe terminating employment with the county, any refund of accumulated contributions must be requested within sixty (60) days after termination."
5. In December 2013, Ordinance section 201.24(3.11)(6)(a) was amended to provide that "[a]ny refund of accumulated contributions must be requested within one hundred eighty (180) days after termination" and to require the Retirement Office to provide notice of the obligation to request a refund within the specified time period. Ordinance section 201.24(3.11)(6)(a) was further amended to provide that "[i]f 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."
6. Upon terminating employment, Ms. Walker was entitled to a refund of her membership account under Ordinance section 201.24(3.5). At the time Ms. Walker terminated County employment, Ordinance section

201.24(3.11) imposed a 60-day time limit for requesting a refund of a membership account.

7. At the Pension Board meeting on September 17, 2014, Ms. Walker suggested that she did not receive the Retirement Office's letter dated June 17, 2013, which provided notice that Ms. Walker had 60 days to request a refund of her membership account. However, Ms. Walker acknowledged receiving correspondence from the Retirement Office regarding her membership account.

8. Ms. Walker then indicated that, following receipt of correspondence from the Retirement Office regarding her membership account, she had a telephone conversation with an ERS employee, who, according to Ms. Walker, told her not to request a refund if she was considering returning to County employment. Ms. Walker then stated that because she was unsure whether she would return to County employment, she decided not to withdraw her membership contributions. Ms. Walker indicated that she later decided she would not return to County employment, at which time she requested a refund of her membership account. By this time the deadline had passed for Ms. Walker to request a refund.

9. Ms. Walker failed to submit evidence showing that she did not receive the notice of her obligation to request a refund of her membership account sent to her by the Retirement Office on June 17, 2013. Instead, Ms. Walker contacted the Retirement Office to discuss obtaining a refund of her membership account, which suggests that she received notice.

10. The Pension Board must comply with the Ordinances and Rules, which require members to submit requests for refunds of their membership accounts within a certain timeframe.

11. Ms. Walker did not submit a request for a refund of her membership account within the 60-day time period.

12. The extended 180-day deadline for requesting a refund does not apply to Ms. Walker's June 2013 termination of employment because the change was enacted in the December 2013. Even if the 180-day deadline applied to Ms. Walker, her request was not made within 180 days of termination.

13. The Pension Board is required by the Internal Revenue Code to administer ERS in accordance with the Ordinances and Rules.

14. Because Ms. Walker failed to request a refund of her membership account within the time limit required by Ordinance section

201.24(3.11)(6)(a), her request for a refund of her membership account is denied.

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

Continuing in open session, the Pension Board voted 8-0 to grant authority to the Chair and/or Vice Chair to review and approve the full written facts and rationale for the denial of Ms. Walker's appeal. Motion by Ms. Van Kampen, seconded by Mr. Smith.

After voting on the matter, Mr. Smith left the meeting.

Continuing in open session, Ms. Funck asked the Chairman if a separate letter will be mailed to Ms. Walker notifying her whether she would regain access to the funds in her membership account if she decides to return to County employment within the next five years. Ms. Ninneman answered that if the Board desires, such language could be included in Ms. Walker's denial letter.

In response to a follow-up question from the Chairman, Ms. Funck affirmed that she would like such language to be routinely included in membership refund denial letters going forward.

Mr. Huff then advised the Board that discretion should be used with such language, because it may not be applicable in all situations. For example, because some members may already be vested when they terminate, they would not forfeit their membership contributions.

9. Possible Ordinance Amendments to Eliminate Purchase of Service

In open session, Mr. Grady discussed possible Ordinance amendments to eliminate the purchase of service in ERS. The possible Ordinance amendments are tied to the recent issues related to buy-ins and buy-backs. At its May 2014 meeting, the Pension Board recommended to the County Board a separate set of proposed Ordinance amendments related to the correction of past errors with the buy-in and buy-back programs. The proposed Ordinance amendments recommended in May 2014 are still being finalized with the actuary and the Internal Revenue Service, however, it is hoped that they will be ready for submission to the County Board in the near future. The second set of possible Ordinance amendments would now essentially eliminate the possibility of future buy-ins and buy-backs in ERS.

Currently under Ordinance section 11.1, the buy-back program is only available to individuals who made contributions to ERS prior to 1971.

Members who made contributions prior to 1971 and later left service, taking a distribution of their contributions, are allowed under Ordinance section 11.1 to return those contributions to ERS once they resume service. The current proposal is to entirely eliminate the applicable sections of Ordinance section 11.1 for two main reasons. First, the Ordinance has become outdated, because there is almost no one left in ERS who has made contributions prior to 1971. Second, the elimination of the Ordinance would allow for cleaner and simpler administration of ERS and would also eliminate all issues that have arisen over the two-year repurchase requirement.

The second possible Ordinance amendment relates to buy-ins. Buy-ins relate to periods of employment during which an employee had the option to, but did not enroll in ERS. For example, someone who was previously employed by ERS as a seasonal worker, but was not aware of their option to enroll in ERS, was allowed the option to purchase service credit in ERS for time already served. Effective January 1, 2007, the Pension Board ended the purchase of service by amending Rule 207 to sunset the buy in. However, that Rule could be amended by the Pension Board at any time to again allow for the purchase of service. In addition, the original intent of allowing the optional membership in ERS was to grant coverage for seasonal employees, which was later provided through the OBRA pension system in 1990. Also, over time, the practice of allowing the purchase of service has created undue administrative burdens for ERS. In addition, the County created the OBRA pension system in 1990 to specifically cover seasonal employees. Accordingly, the proposed amendment to Ordinance section 8.17 will codify in an Ordinance that the Pension Board will not classify certain groups as optional in the future, which would negate the need for members to purchase service credit. This would greatly simplify the administration of ERS by eliminating difficult interpretive issues, such as who belongs in which plan, as well as reducing appeals and litigation. This would also clarify in the Ordinances what the Pension Board has already accomplished by Rule amendment in 2007.

Mr. Grady then summarized the two proposals. The first proposal would essentially eliminate the pre-1971 repurchase buy-backs. The second proposal would put in an Ordinance what the Pension Board has already passed by Rule, which is eliminating optional membership in ERS. These would also logically tie to the Ordinance amendments the Board has already recommended to the County Board in May 2014 to correct the buy-in and buy-back errors.

In response to a question from the Chairman, Mr. Grady affirmed that the newly proposed Ordinance amendments discussed today, if recommended by the Board, would go to the County Board for approval, together with the proposed Ordinances the Board recommended this past May.

In response to a question from Mr. Smith, Mr. Grady affirmed that there is no guarantee that all of the proposed Ordinances, if recommended together, would be approved by the County Board. The County Board could still pick and choose which Ordinances it approves.

Mr. Smith then added that the proposed Ordinance amendments discussed today are complimentary to the earlier Ordinances recommended to the County Board in May. While the first set of proposed Ordinances are historical and correct past errors, the proposed Ordinances discussed today are prospective in nature and would prevent those same errors from reoccurring.

Mr. Grady stated that while there is no requirement that the County Board pass all the proposed Ordinances together as a package, they do all logically complement each other.

Mr. Grady then explained that the primary reason the first set of proposed Ordinances recommended by the Pension Board in May have not yet been finalized is because counsel would like to ensure that the IRS approves of the language in the Ordinances before submitting them to the County Board. While minor changes in exact wording may occur, the original intent of those Ordinances will not be changed. In addition, the County Board will need an actuarial report completed before they can consider approving the Ordinances. It is hoped that both of these matters can be resolved by October 2014, but at this time it is too preliminary to make any firm predictions.

In response to a question from Ms. Van Kampen, Messrs. Grady and Huff stated that the newly proposed Ordinances discussed today would not require preapproval by the IRS.

In response to a question from Ms. Westphal, Mr. Grady stated that the effective date of the second set of proposed Ordinance amendments would be the date the County Board passes them.

In response to a question from Ms. Braun, Messrs. Grady and Huff stated that they are hopeful the IRS will approve of the wording in the first set of proposed Ordinances relatively soon, so that all of the proposed Ordinances can go to the County Board together for approval.

In response to concerns expressed by Ms. Funck as to why the Pension Board should even be responsible for recommending the new Ordinances to the County Board, Mr. Grady stated that as fiduciaries, the Pension Board is charged with administering ERS. For approximately the last 20 years, the Pension Board has been dealing with problems related to improper administration of buy-ins and buy-backs. The easiest way to deal with administrative problems is to eliminate them.

In response to follow-up concerns expressed by Ms. Braun regarding the potential elimination of employee benefits, Mr. Grady stated that with regard to the buy-backs, effectively no benefits are being taken away from employees because the current Ordinance only applies to individuals who worked for ERS prior to 1971. In effect, the proposed Ordinance is just eliminating an outdated Ordinance. Furthermore, the Board already passed a Rule amendment in 2007 ending the purchase of service, and the Pension Board is merely taking that Rule and making it an Ordinance. The Pension Board is responsible for the operation of ERS's retirement system as a whole and these are methods to control and prevent errors.

Mr. Smith then commented that these are essentially benefits that no longer exist today and therefore, the Pension Board is not actually taking away any benefits.

In response to a question from Ms. Van Kampen, Mr. Grady stated that to allow buy-ins again, the Pension Board could amend a Rule to allow purchase of service.

Mr. Huff then suggested that the Board may wish to conduct any further discussion of the matter in closed session.

The Board discussed the matter in closed session.

After returning to open session, the Pension Board voted 6-1, with Ms. Funck objecting, to request that that the County Board adopt the proposed amendments to sections 201.24(8.17) and (11.1) of the Milwaukee County Code of General Ordinances amending the Employees' Retirement System of the County of Milwaukee ("ERS") to eliminate the re-deposit of contributions made prior to 1971 and to eliminate the Pension Board's authority to provide for optional membership in ERS through a purchase of service. The ERS Manager estimates that adoption of the proposed Ordinance amendments would not result in additional administrative or programming costs to the System. Motion by Ms. Van Kampen, seconded by Mr. Gedemer.

After a short break, Ms. Braun moved that the Pension Board adjourn into closed session under the provisions of Wisconsin Statutes section 19.85(1)(g), with regard to items 10 through 12 for the purpose of the Board receiving oral or written advice from legal counsel concerning strategy to be adopted with respect to pending or possible litigation. At the conclusion of the closed session, the Board may reconvene in open session to take whatever actions it may deem necessary concerning these matters.

The Pension Board voted by roll call vote 7-0 to enter into closed session to discuss agenda items 10 through 12. Motion by Ms. Braun, seconded by Ms. Funck.

10. Member Overpayments

The Board discussed the matter in closed session.

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

11. Pending Litigation

(a) Stoker v. ERS

The Pension Board took no action on this item.

(b) AFSCME v. ERS

The Pension Board took no action on this item.

(c) Tietjen v. ERS

The Pension Board took no action on this item.

(d) Brillowski & Trades v. ERS

The Pension Board took no action on this item.

(e) AFSCME v. ERS

The Pension Board took no action on this item.

(f) Weber v. ERS

The Pension Board took no action on this item.

(g) Angeles 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 and Fiscal Consultant

(a) Retirements Granted, July and August 2014

In open session, Ms. Ninneman presented the Retirements Granted Report for July 2014. Nineteen retirements from ERS were approved, with a total monthly payment amount of \$31,613.22. Of those 19 ERS retirements, 13 were normal, 5 were deferred and 1 was an accidental disability retirement. Eleven members retired under the Rule of 75. Eleven retirees chose the maximum option and four retirees chose Option 3. Thirteen of the retirees were District Council 48 members. Twelve retirees elected backDROPs in amounts totaling \$1,766,098.38.

Ms. Ninneman next presented the Retirements Granted Report for August 2014. Twenty-four retirements from ERS were approved, with a total monthly payment amount of \$33,094.60. Of those 24 ERS retirements, 13 were normal and 11 were deferred retirements. Eleven members retired under the Rule of 75. Twelve retirees chose the maximum option and five retirees chose Option 3. Fourteen of the retirees were District Council 48 members. Eight retirees elected backDROPs in amounts totaling \$1,027,799.89.

(b) ERS Monthly Activities Report, July and August 2014

Ms. Ninneman presented the Monthly Activities Report for July 2014. ERS and OBRA combined had 8,095 retirees, with a monthly payout of \$14,335,356. Ms. Ninneman noted that 23 of the 24 members that terminated in July requested a refund of their required member contributions.

Ms. Ninneman next presented the Monthly Activities Report for August 2014. ERS and OBRA combined had 8,076 retirees, with a monthly payout of \$13,544,675. The retirement activity level has been fairly consistent recently with no major spikes or declines in processing.

(c) Preliminary 2015 Budget

Ms. Ninneman discussed the 2015 preliminary budget. At this time, it appears that the 2015 budget will be similar to the 2014 budget. One additional item that will be included for 2015 is \$130,000 for the actuary to move forward with the individual calculations related to the buy-ins and buy-backs. Secondly, \$1.8 million will also be included for the pension system upgrades. A spreadsheet detailing ERS's 2015 preliminary budget will be provided for review at the October 2014 Audit Committee meeting.

(d) Fiscal Consultant

Mr. Yerkes, acting as Fiscal Consultant, first discussed the July 2014 and August 2014 portfolio activity reports. Benefit and expense payments for the month of July were funded with withdrawals of \$7.5 million from U.S. equity and \$7.5 million from international equity. Benefit and expense payments for the month of August were funded with a withdrawal of \$15 million from J.P. Morgan fixed income.

Mr. Yerkes next discussed cash flows for July 2014 and August 2014. Mr. Yerkes noted that at \$2.3 million, the balance in ERS's general cash account had dropped fairly low during the early half of 2014. In the past, levels in ERS's general cash account had typically been kept closer to \$50 million. After further discussions with Ms. Ninneman and Marquette Associates, it was agreed that it would be prudent to maintain an amount equal to three months' worth of expenses in ERS's general cash account. Mr. Yerkes reminded the Board that the funds in the general cash account are part of the cash overlay program and will continue to be invested via that program. The cash overlay program covers all investment types with the exception of real estate, infrastructure and private equity investments.

Mr. Yerkes concluded with a discussion of the fourth quarter funding request. The request to fund the additional \$50 million in the general cash account will be spread out across the next three months, in addition to the standard monthly cash flow requests. Mr. Yerkes estimated that fourth quarter cash flow needs will be approximately \$16 million per month to cover basic benefits and expenses. ERS will also need sufficient funds to cover any additional capital calls which may occur within the next three months resulting from the addition of a new private equity manager. Therefore, a total amount of \$85 million will be requested for fourth quarter funding. Mr. Yerkes stated that the 2014 fourth quarter cash flow needs will be \$30 million for October, \$30 million for November and \$25 million for December.

The Pension Board unanimously approved the liquidation of assets to fund additional cash flow of \$30 million for October 2014, \$30 million for November 2014, and \$25 million for December 2014. The amounts should be withdrawn from investments designated by Marquette. Motion by Ms. Braun, seconded by Ms. Funck.

In response to a question from Ms. Braun regarding the status of recruitment for a new Fiscal Officer, Ms. Ninneman stated that the process is ongoing and will be accelerated following the resolution of other ERS staff recruitment projects already in process.

14. Administrative Matters

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

Ms. Van Kampen noted that since the issue has now been resolved, the topic of the cash overlay program can be deleted under the Investment Committee.

In response to a question from Ms. Braun regarding a proposed date for Baker Tilly's educational presentation to the Board members on Governmental Accounting Standards Board Rules No. 67 and 68, Ms. Ninneman stated that she will follow up with Baker Tilly for scheduling availability. It is anticipated that the session should run approximately two to three hours.

Ms. Westphal noted that the 2015 budget should be added as a topic under the Audit Committee for the October 2014 meeting.

Ms. Mayr requested that a discussion topic be added under the Audit Committee regarding possible ways to increase voter participation for both ERS members and retirees. Ms. Mayr noted that in the recent retiree election, only 288 of 6,700 eligible retirees voted. Earlier retiree elections had voter participation returns exceeding 2,000. Ms. Mayr would like the Audit Committee to discuss and address the possible reasons for this, including potential matters related to electronic voting.

In response to a question from the Chairman regarding the current voting procedures, Ms. Ninneman stated that active employees receive voting information via e-mail. Human resources managers and representatives are

instructed to post this information for employees who may not have e-mail. ERS provides all voting information for retirees in its monthly retiree newsletter.

15. Adjournment

The meeting adjourned at 12:45 p.m.

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