EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE
MINUTES OF THE MAY 18, 2016 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	Members Excused
Linda Bedford	
Laurie Braun (Vice Chair)	
Aimee Funck	
Norb Gedemer	
Michael Harper	
D.A. Leonard	
Patricia Van Kampen	
Vera Westphal	
Dr. Brian Daugherty (Chairman)	

Others Present
Marian Ninneman, Director-Retirement Plan Services
James Carroll, Assistant Corporation Counsel
Paul Bargren, Corporation Counsel
Scott Manske, Milwaukee County Comptroller
Jerry Heer, Director of Audits at Milwaukee County
Steven Kreklow, Milwaukee County Budget Director
Vivian Aikin, Sr. Pension Analyst
Tina Lausier, Fiscal Officer
Brett Christenson, Marquette Associates, Inc.
Christopher Caparelli, Marquette Associates, Inc.
Larry Langer, Buck Consultants
Troy Jaros, Buck Consultants
Steven Huff, Reinhart Boerner Van Deuren s.c.
Sean E. Lees, MacGillis Wiemer, LLC
Michael Tromp, Milwaukee County Employee
Andrew Wendt, Former Milwaukee County Employee
Mark Grady, Retiree

3. Minutes—April 27, 2016 Pension Board Meetings

The Pension Board reviewed the minutes of the April 27, 2016 Pension Board meeting and the April 27, 2016 annual Pension Board meeting.

The Pension Board unanimously approved the minutes of the April 27, 2016 Pension Board meeting. Motion by Mr. Leonard, seconded by Mr. Gedemer.

The Pension Board unanimously approved the minutes of the April 27, 2016 annual Pension Board meeting. Motion by Ms. Bedford, seconded by Ms. Funck.

4. Investments - Marquette Associates Report

Brett Christenson and Christopher Caparelli of Marquette Associates distributed the April 2016 monthly report.

Mr. Caparelli began with a high-level overview of the 2016 market environment. January was a difficult month in the markets as events related to China, commodities and central banks drove an earnings letdown. The markets rallied in mid-February once the price of oil bottomed out at $26 per barrel. The relatively strong rally continued through the end of the first quarter. Throughout April and the first half of May, the markets have been fairly volatile with little direction. Performance of the S&P 500 peaked in May 2015 and returns in the equity markets have remained fairly flat since that time. The U.S. and international equities markets are up approximately 1% to 2% as of April 2016. Emerging markets are leading among all asset classes in 2016, with modestly positive returns following an extremely difficult run in 2015.

Mr. Caparelli then discussed the April 2016 flash report. Artisan Partners and Geneva Capital remain on alert status for performance issues. Marquette will likely recommend removing Artisan and Geneva from alert in the near term. Fiduciary Management was placed on alert for organizational issues due to a scheduled acquisition by Mesirow. Mesirow recently closed on its acquisition and Fiduciary is now fully owned by Mesirow. Marquette recommends maintaining the alert status for a period of time while monitoring Fiduciary's absorption into Mesirow. GMO remains on alert for performance issues. Recommendations to replace GMO were discussed at the last Investment Committee meeting and those results will be reviewed later in today's meeting.

As of April 30, 2016, the Fund's total market value was $1,676,195,455. The Fund's Investment Policy was recently updated to reflect Board-approved changes to the asset allocation targets. The primary changes involved reducing the Fund's fixed income target to 18% and increasing the private equity target to 10%. Additional changes to the Fund's target allocations in hedged equity and real estate may be forthcoming, pending further review of Ordinance language which provides that the Fund's investments in "common stock" shall be limited to 75% of total assets. The Fund's fixed income composite is slightly under the 18% target with an allocation of 16.5%. Due to some recent organizational changes under J.P. Morgan fixed income, Marquette will discuss a recommendation to reallocate some of the Fund's fixed income assets from J.P. Morgan to the Mellon Capital index fund later in the meeting. The Fund's U.S. equity and international equity composites are relatively in line with the policy targets, at 24.8% and 19% respectively. In March 2016, Vontobel was terminated as one of the Fund's international equity managers due to the departure of its lead portfolio manager ("PM"). The assets from Vontobel have been transferred to the NTGI ACWI Ex-U.S. Index Fund. At 10.6%, the Fund's hedged equity composite is relatively in line with the 10% target. The Fund's real estate composite remains overweight at 11% versus the policy target of 8.5%. During the first quarter of 2016, the Board approved reallocating $35 million from Morgan Stanley real estate and redemption of an additional $40 million from real estate is scheduled for the end of the 2016 second quarter. Marquette may recommend reallocating the $40 million from real estate to private equity and some of the Fund's other underweight asset classes. However, any final recommendations will be subject to market activity over the next two months. The Fund's infrastructure composite is slightly overweight at 9.1% versus the policy target of 8.5%. The Fund's private equity composite is currently underweight at 6% versus the 10% target. During the last quarter, approximately $5 million was added to increase the Fund's private equity allocations.

Mr. Caparelli concluded with a discussion of net-of-fees performance as of April 30, 2016. The total Fund composite was up at 1.0% for the month of April, bringing the Fund's year-to-date return to 1.7%. The Fund's annualized returns over the three- to ten-year periods currently range from 5.2% to 9.5%. The Fund's annualized returns over the one- to two-year periods have been tepid, at 1.2% and 3.9% respectively. Returns for each of the Fund's income managers, J.P. Morgan and Mellon Capital, have remained fairly steady. J.P. Morgan is the Fund's active fixed income manager and has added approximately 10 basis points of modest value over the last ten years. Mr. Caparelli noted, however, that the Fund would not be sacrificing a great deal of value if more assets were reallocated to the index manager, Mellon Capital. The Fund's U.S. equity composite is up 90 basis points year-to-date. Recent performance under U.S. equity has been very strong, with a three-month return of 8.2% versus the benchmark at 7.7%. Year-to-date performance among the U.S. equity managers has been relatively in line with their respective benchmarks except for Artisan Partners. Artisan is down -4.2% year-to-date versus the Russell MidCap Growth Index at 0.5%. Marquette recently had a conference call with Artisan and Artisan reported that its recent underperformance was mainly attributed to certain health care stocks in its portfolio. Artisan's portfolio was overweight to health care and some of those companies have struggled recently. Artisan views this as a short-term problem and a positive opportunity to re-seed its portfolio. The international equity composite has outperformed slightly and is up at 2.4% year-to-date versus the MSCI ACWI ex USA Index at 2.2%. The performance of GMO, the Fund's international small cap manager, has improved in 2016. However, GMO is still underperforming over the five-year period at 4.3% versus the benchmark at 5%. OFI is underperforming year-to-date, but did protect capital well throughout 2015 in what was a very challenging year for emerging markets. Year-to-date returns under the Fund's hedged equity composite have been fairly disappointing primarily due to the violent swings in the market in January and February of 2016. ABS is down -6.5% year-to-date versus the HFRX Equity Hedge Index at -2.9%. Parametric is a non-traditional hedged equity manager with much lower fees and has performed favorably for the Fund since it was added in 2015 to replaced K2. Parametric has a positive year-to-date return of 1.2% versus the HFRX Equity Hedge Index at -2.9%. First quarter returns under real estate were favorable and the real estate composite is up at 2% for the three-month period. Approximately 1% of the three-month real estate return was income and the other 1% was from price appreciation. Marquette estimates real estate price appreciation will be in the 3% to 5% range in 2016. Under the infrastructure composite, IFM has reported first quarter returns and is up at 3.3% year-to-date. J.P. Morgan infrastructure has not yet reported its first quarter returns.

Mr. Christenson continued with a discussion of recent memoranda received from ERS's infrastructure managers, IFM and J.P. Morgan Asset Management. IFM's April 18, 2016 memorandum explains that it is now offering a new share class to investors in its global infrastructure portfolio. Approximately half of the assets in IFM's global portfolio are non-U.S. assets and the strong U.S. dollar has negatively affected investor returns. As a result, IFM has decided to launch a new share class that will hedge currency. IFM's memorandum also outlines a revised fee structure for investors participating in its new currency hedging share class. ERS's existing fee schedule with IFM is 97 basis points plus a 20% performance on everything IFM earns over 8%. Under the new fee structure, IFM is lowering its management fee by 20 basis points and lowering its performance fee to 10%, while adding a new "catch-up" rate provision. Under the catch-up rate provision, IFM will assess a 10% performance fee which will be retroactive to 0% in any year IFM exceeds the 8% earnings hurdle rate. Under the existing fee schedule, IFM earns no performance fee on the initial 8% earnings. Marquette created models for IFM's existing and new fee structures to compare fees assessed under various earnings scenarios ranging from 5% to 20%. Following its analysis, Marquette concluded that IFM's new fee structure is less expensive from 0% to 8% earnings, but is 10 to 20 basis points more expensive from 8% to 12%. However, with earnings over 12%, IFM's new fee structure would be much less expensive than the existing fee structure. Marquette's final determination is that IFM's fees essentially balance out between the existing and new fee structures. Mr. Christenson explained that currency hedging is the primary component to consider relative to IFM's new fee structure. However, Mr. Christenson noted that ERS's "accumulated threshold return deficit" with IFM is an important factor the Board should consider before deciding to move the new share class. Due to adverse currency movements, ERS has accumulated a threshold return deficit with IFM of approximately $7.8 million, or -10.62% of ERS's New Asset Value ("NAV"), since capital was drawn on March 31, 2016. If ERS would move to IFM's new share class now, it would lose the 10.62% because the threshold return deficit would not carry over to IFM's new fee structure. In addition, IFM could charge its new performance fee once it reaches the 8% earnings hurdle rate. Under the current fee structure, if IFM earns approximately 10% in 2016, it must also earn back the -10.62%, plus an additional 8%, before it can charge ERS any performance fee. Therefore, Marquette recommends the Board wait several quarters to see if ERS can recover the -10.62% before changing to the new share class. Marquette recommends that ERS move to a currency hedging share class at some point in the future so ERS may receive the pure income produced by the assets in the fund. The Pension Board can elect to move to IFM's new share class in any quarter and Marquette will hold follow-up discussions on this matter at future Investment Committee meetings.

In response to a question from Ms. Van Kampen, Mr. Christenson confirmed that the cost of currency hedging is negligible.

In response to questions from Ms. Braun, Mr. Christenson explained that IFM's fees are non-negotiable and once investors elect to move to IFM's hedged share class, they cannot revert to the unhedged share class.

Mr. Christenson then discussed a memorandum from J.P. Morgan Asset Management dated May 9, 2016. In its memorandum, J.P. Morgan explains that it is lowering the management fee on its Infrastructure Investments Fund for new and existing investors. For assets under $100 million, J.P. Morgan is lowering its management fee on its 4-year lock fund from 1.25% to a flat fee of 100 basis points. J.P. Morgan is also lowering its fee to 90 basis points for assets between $100 and $300 million. ERS currently has $78 million in assets with J.P. Morgan. Mr. Christenson noted, however, that J.P. Morgan has not yet decided to offer a share class that would hedge currency.

Mr. Christenson next discussed Marquette's May 16, 2016 memorandum assessing recent organizational changes within J.P. Morgan's U.S. Investment Grade Value Driven Team ("Bond Team"). J.P. Morgan's Bond Team actively manages approximately $224 million in ERS's fixed income portfolio. ERS also has approximately $52 million in fixed income assets invested with Mellon Capital. Mellon Capital manages a straight index fund designed to match the performance of the Barclays U.S. Aggregate Bond Index. Mellon Capital's annual management fee is only 4 basis points. Mr. Christenson explained that J.P. Morgan's Bond team has recently experienced several abrupt departures of significant members. Marquette conducted an on-site due diligence visit following the Bond Team's most recent departures and returned with some concerns. Marquette is concerned that the Bond Team has not been able to articulate a plan to date in terms of who will take over the vacant PM roles. Marquette is also concerned that the Bond Team is extremely top heavy, yet remains uncertain as to how it will reorganize. Finally, Marquette is concerned that the three most recent departures of Messrs. Swanson, Jackson and Song occurred so abruptly and close in proximity.

In response to questions from Ms. Van Kampen, Mr. Christenson explained the Bond Team announced in September 2015 that its lead portfolio manager, Doug Swanson, was taking a leave of absence due to family responsibilities. However, it now appears this was likely not a leave of absence and Marquette believes Mr. Swanson resigned from the firm in September 2015. In March 2016, the Bond Team announced the departure of two portfolio managers, Mark Jackson and Henry Song. Marquette has no indications which suggest Messrs. Swanson, Jackson or Song left J.P. Morgan to start their own investment firm.

Mr. Christenson noted that J.P. Morgan performed very well throughout the 2008/2009 financial crisis and Marquette has been pleased with its performance. Many other bond managers significantly underperformed during the financial crisis as they tried to take advantage of lower quality bonds to earn yield. However, Marquette is concerned that the recent departures suggest there may be deeper issues within the Bond Team that could result in additional disruptions to team composition. Marquette believes that any additional departures from the Bond Team would be serious and recommends the Pension Board place J.P. Morgan on notice today.

Mr. Christenson also noted that J.P. Morgan's bond portfolio is composed of many different bonds with smaller allocations and it would be difficult to transition if ERS terminated. Therefore, Marquette also recommends that the Board begin rebalancing its fixed income assets to obtain a more balanced weighting between J.P. Morgan and Mellon Capital. Marquette recommends the Board approve an initial rebalance today of $25 million from J.P. Morgan to Mellon Capital. Additional rebalancing could be approved over the next several Board meetings.

In response to a question from Ms. Van Kampen, Mr. Christenson stated the process to search for a comparable replacement active fixed income manager would be very long and difficult. There are not many active bond managers with such high-quality portfolios that can earn, on average, 15 basis points net-of-fees over the long-term. Many other bond managers are taking on various types of risk to beat the index. ERS's portfolio is constructed to reduce risk as much as possible in fixed income while taking advantage of returns elsewhere in the market. If the Bond Team deteriorates further, ERS could transfer any of its remaining assets with J.P. Morgan to the Mellon index fund while it conducts a search for a possible replacement.

In response to a question from Mr. Leonard, Mr. Christenson confirmed that Marquette is recommending a singular transfer of $25 million from J.P. Morgan to Mellon today. Additional transfers can be reviewed at future Pension Board meetings.

The Chairman called for additional questions and there were none.

The Pension Board unanimously approved placing J.P. Morgan Core Fixed Income on notice for organizational issues as recommended by Marquette Associates. Motion by Ms. Van Kampen, seconded by Ms. Bedford.

The Pension Board unanimously approved transferring $25 million from J.P. Morgan Core Fixed Income to Mellon Capital Core Fixed Income as recommended by Marquette Associates. Motion by Mr. Harper, seconded by Ms. Braun.

Mr. Christenson concluded his comments by noting the final exhibit in Marquette's booklet provides a summary of the international small cap manager finalist candidates interviewed at the last Investment Committee meeting.

Ms. Braun then moved that the Pension Board adjourn into closed session under the provisions of Wisconsin Statutes section 19.85(1)(e) with regard to item 5 for the purpose of deliberating or negotiating the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session. 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 9-0 to enter into closed session to discuss agenda item 5. Motion by Ms. Braun, seconded by Ms. Bedford.

5. Investment Committee Report

At the May 2, 2016 Investment Committee meeting, the Committee interviewed the four international small cap investment manager finalist candidates. The four candidates were Victory (Trivalent Investments), Numeric International Small Cap Strategy, Segall Bryant & Hamill and Strategic Global Advisors. Ms. Van Kampen explained that the four managers had comparably favorable performance records and all had recently lowered their fees. However, the Investment Committee eliminated Victory from consideration because the firm could not clearly articulate its investment philosophy and process. The Investment Committee also eliminated Numeric due to high turnover within the firm. After a lengthy discussion, the Investment Committee determined that Segall Bryant would be the best fit for ERS, primarily because the firm targets the smallest cap companies. The other candidates appeared to focus on small to mid-cap companies.

The Pension Board discussed the international small cap investment manager finalist candidates in closed session.

In open session, the Pension Board voted unanimously to replace GMO with Segall Bryant. Motion by Ms. Bedford, seconded by Mr. Harper.

6. Audit Committee Report

Ms. Westphal reported on the May 5, 2016 Audit Committee meeting. The Audit Committee began with a continuation of its April 2016 discussion regarding optional member contributions. The Committee discussed how to properly handle refunds of membership contribution accounts for non-vested members with two separate periods of employment. Mr. Huff presented a summary analysis to the Committee which identified three possible options. The Audit Committee recommended that a presentation on the issue be given at a future Pension Board meeting together with a proposed Rule amendment.

The Audit Committee next discussed normal retirement age 64 early retirement calculations. Mr. Huff explained to the Committee when the Ordinances were amended in 2010 to change ERS's normal retirement age to 64, adjustments to ERS's early retirement age were not addressed. The Audit Committee unanimously recommended the Pension Board consider recommending an Ordinance amendment to change ERS's early retirement age from 55 to 59 for members with a normal retirement age of 64. Mr. Huff will draft a proposed Ordinance amendment for review at a future Pension Board meeting.

The Audit Committee continued with a discussion of the member self-service retirement benefit calculator. Ms. Westphal then asked Ms. Ninneman to summarize the issues associated with the retirement calculator to the Pension Board.

Ms. Ninneman explained to the Board that many of the issues associated with the retirement calculator relate to the County's Internet browser. The County switched its Internet browser from Internet Explorer 10 ("IE10") to Internet Explorer 11 ("IE11") and IE11 is currently incompatible with the V-3 system. However, members who have IE10 on their home computers can successfully access the system. The co-development team has been working with Vitech to correct these issues. It is hoped that the V-3 system will be working with IE11 sometime in early June 2016. The V-3 system must also be reprogrammed to incorporate the change to normal retirement age 64, and the change to the backDROP benefit formula which went into effect April 1, 2013.

The Audit Committee concluded with a discussion of administrative errors. Ms. Ninneman requested that the topic now be referred to as "administrative corrections" and stated that she had nothing further to report at this time. Ms. Ninneman explained that she would present additional information on the topic at the June 2016 Audit Committee meeting.

7. Assumed Rate of Investment Return

The Chairman first summarized the Pension Board's March 16, 2016 action relative to the Fund's assumed rate of investment return. After careful deliberation and analysis with Marquette Associates and Buck Consultants, the Pension Board voted to approve reducing the Fund's assumed rate of investment return from 8% to 7.5% for implementation on January 1, 2017. The Chairman explained that subsequent to the Board's March 2016 action, requests for further review and discussion of the Pension Board's decision have surfaced.

The Chairman offered officials present the opportunity to comment on the matter further.

Steven Kreklow introduced himself as Milwaukee County's Budget Director and thanked the Pension Board for the opportunity to discuss this important topic. Mr. Kreklow explained that as the Budget Director, his role is to plan for and prepare the County-wide budget for approval by the County Board. Mr. Kreklow stated he previously served as the County's Budget Director from 2008-2010 and was reappointed to the role by County Executive Abele approximately one year ago. Mr. Kreklow stated he learned of the recent change to the Fund's assumed rate of investment return subsequent to the last Pension Board meeting and has since held conversations with the County Executive, Chairman Daugherty and others regarding the change. Mr. Kreklow said that he and the County Executive are supportive of the Pension Board's change to reflect a more conservative assumption rate. However, Mr. Kreklow requested that the Pension Board consider delaying its recent assumption rate change to a future year or phasing in the change gradually over several years to ease budgetary concerns.

Mr. Kreklow then summarized the reasons for his request to delay the assumption change. First, the element of surprise can be problematic in terms of budgeting. The County was able to absorb a $23 million unexpected increase to its budget in 2015 resulting from the funding policy changes implemented by the Pension Board and the actuarial error related to cost-of-living adjustments. Mr. Kreklow said he believes all parties would agree that the 2015 funding policy changes were healthy and conservative changes designed to increase the long-term financial health of the Fund. In addition to absorbing the $23 million increase to the annual pension contribution last year, the County was able to phase-in an additional unrequested contribution amount to the Fund. The additional funds resulted from savings the County accumulated related to employee health care costs. Mr. Kreklow noted that he was aware of the Pension Board's 2015 discussions to review the Fund's assumption rate. However, Mr. Kreklow believed the Board's discussions at that time suggested the assumption rate would not be lowered until the next quinquennial experience review. Mr. Kreklow stated the County may have taken some different approaches to phasing-in additional unrequested contributions had it known an assumption change would be implemented as early as 2017. The second reason for concern relates to the impact the assumption rate change will have on state-mandated member contribution rates. Milwaukee County is statutorily required to pass on a portion of any pension contribution increases to its employees. With the unanticipated contribution increases, active employees also experienced increases to their 2016 member contribution rates, further reducing their take-home pay. Mr. Kreklow stated the County plans to implement pay increases in the next several weeks which will help offset the 2016 member contribution rate increases. However, additional member contribution rate increases will magnify the budgetary impact to employees. This is an area of concern because the County needs to offer competitive compensation packages to attract and retain quality employees. Last, the County Executive and County Board have agreed to work cooperatively in recent years to fully fund the Pension Board's annual contribution requests. Mr. Kreklow noted that approximately ten years ago, there was a period when the County did not fully fund the Pension Board's annual contribution requests. With the issuance of the pension obligation bonds ("POB") in 2009, the County is statutorily required to only fund pension contribution amounts equal to the Fund's normal costs. Mr. Kreklow expressed concern that if additional increases to contributions occur too quickly, it will be more difficult to gain approval from the County's elected leaders to fully fund the Board's annual requests. It would be unfortunate to start such a practice, as the long-term impact of not fully funding the annual contribution requests could be detrimental to the financial well-being of the Fund. Based upon these concerns, Mr. Kreklow respectfully requested, on behalf of County Executive Abele, that the Pension Board reconsider its decision to change the Fund's assumed rate of return to 7.5% for implementation with the January 1, 2017 actuarial valuation. Mr. Kreklow added the County would prefer either a delayed or phased-in approach, which would provide the County with additional time to prepare for any resulting contribution increases.

In response to a question from Ms. Funck, Mr. Kreklow answered that a large number of employees suddenly retiring due to additional member contribution increases would likely not result in further increases to County or member contributions. However, high employee turnover could create additional administrative burdens and affect the County's ability to attract quality employees.

Mr. Langer added that a sudden increase in unanticipated retirements would be a concern relative to the actuarial valuation. A sudden increase in unanticipated retirements would increase the liability in the Fund, which would result in an increased need for additional contributions. However, Mr. Langer noted that if such additional increases occurred, member contribution rates may stay the same or even decrease somewhat. As individuals with more liability begin to retire, the majority of any such contribution increase would transfer to the County's funding responsibility.

Mses. Braun and Westphal asked Mr. Kreklow to discuss the County's preferred phase-in approach should the Pension Board maintain the current 7.5% assumption rate. Mr. Kreklow stated that he reviewed the data from Buck Consultants relative to a five- and two-year phase-in approach and explained that either of those options would be preferable to the one-year implementation recently adopted by the Board. A third option presented by Buck suggests delaying any changes to the Fund's assumption rate until the next scheduled experience review. Mr. Kreklow explained that such delay would grant the County additional time to complete its phase-in of the 2015 contribution increases and plan for the additional increases related to the assumption rate change. Mr. Kreklow requested that in terms of annual funding, the Pension Board, County Executive and County Board work in concert and consider consistency between requested and budgeted amounts as a primary goal. Mr. Kreklow again expressed concern that the County may not be able to fully fund the 2016 pension contribution request if the Board maintains its March 2016 assumption rate decision. This will create additional concerns because any unfunded amounts would be amortized over five years at the current assumption rate. Mr. Kreklow said he would appreciate a phased-in approach but did not have any specific recommendations to the Board for a specific timeframe.

In response to a question from Ms. Van Kampen, Mr. Kreklow replied that whether the Pension Board decides to defer or phase-in the 7.5% assumption rate change, the primary consideration should be that the Pension Board and County Board work together to ensure the County can continue its current practice of fully funding the annual pension contribution request.

Mr. Leonard observed that ERS's funded ratio has recently decreased below 80% and the number of current retirees now exceeds active employees by approximately 8,000 to 4,000. Mr. Leonard expressed concern that delaying the assumption rate change may further accentuate the downward funding level. Mr. Leonard also questioned whether the County's support of the new sports arena might have been different had the Pension Board reduced the Fund's assumption rate in 2015 instead of 2016.

Mr. Kreklow replied to Mr. Leonard by first noting the he, the County Executive and County Board, share Mr. Leonard's concerns about ERS's declining funding level. Mr. Kreklow indicated that he supports reducing the assumption rate to 7.5% as a valid and conservative approach to address ERS's ongoing funding issues. However, Mr. Kreklow asked the Pension Board to consider that the most important factor under the County's control is whether it fully contributes the annual pension contribution request. The County's Administration has demonstrated a willingness to contribute the full annual pension contribution requests. Mr. Kreklow asked the Pension Board to assist County leadership by helping them to better plan for future increases while it works to absorb the full impact of the $23 million increase from 2015. Mr. Kreklow noted that support of the new sports arena was primarily driven by the state of Wisconsin, but explained that County administration also supported the new sports facility because it will continue to provide a significant stream of tax revenue from the state of Wisconsin to Milwaukee County.

Mr. Manske introduced himself as the Milwaukee County Comptroller and addressed the Board.

Mr. Manske stated that County Administration is asking the Pension Board for additional time to manage the changes already affecting the annual pension contributions before implementing additional changes to the Fund's assumption rate. In the early 2000's, the County fell short in making its full annual pension contributions. The County did not catch up on its pension contributions until it issued the POBs in 2009 and the County is now statutorily required to pay only the normal cost portion of the annual pension funding request. The normal cost portion equals approximately $17 million of the total annual funding request. Mr. Manske explained that Milwaukee County undergoes an annual evaluation for its bond-rating. During the evaluation process, the County has typically received negative marks from the bond rating agencies for its current amount of liabilities. The County has approximately $800 million in current debt. The County has other post-employment benefits liabilities of approximately $900 million, for which it currently has no assets earmarked. According to Buck Consultants, the County's current pension liabilities total approximately $600 million. The County also has deferred maintenance costs which now likely exceed the $250 million reported approximately two years ago. However, Mr. Manske said the negative marks the County receives for its liabilities are offset each year because it manages to balance its budget to zero.

Mr. Manske stated he understands the Pension Board has a fiduciary responsibility to the Fund and the 7.5% rate is likely a reasonable goal based on recent and projected investment returns. However, current reports from Buck indicate that decreasing the Fund's assumption rate from 8% to 7.5% effective January 1, 2017 will result in a $10 million increase to the County's 2017 pension contribution. Mr. Manske explained that all stakeholders in the Fund must work in concert to ensure the County can manage its budget to the bottom line each year. The County has recently taken several more conservative steps on the employee side to manage its pension funding issues. The County recently increased the normal retirement age from 62 to 64 for new members. The County imposes a flat annual cost of living adjustment ("COLA") rate increase of 2%, whereas other plans impose the actual COLA increase, which is closer to 3%. Certain other public funds are taking more extreme measures, such as lengthening the vesting period from five to ten years and capping salaries for pension eligibility. Mr. Manske explained that as Buck performs its next quinquennial experience review in 2017, certain results might offset any changes made to the Fund's assumption rate. Therefore, Mr. Manske suggested it may be better to wait until the next experience review before reducing the Fund's assumption rate to allow a smoother transition. County Administration attempts to plan ahead for the County's annual expenses and is now aware of the Board's intention to reduce the Fund's assumption rate. If the Pension Board decides to maintain its March 2016 decision to change the Fund's assumption rate, the County may not be able to fully fund the 2017 pension contribution request and any unfunded amounts will be amortized over five years. Mr. Manske asked the Pension Board to consider the concerns of all stakeholders in the Fund and review its recent decision to change the Fund's assumption rate.

Ms. Van Kampen remarked that the Pension Board has been discussing changes to the Fund's assumption rate for over one year and Mr. Manske was present for some of those discussions. Ms. Van Kampen also noted that Mr. Manske's comments to the Board over the past year suggested that as fiduciaries, the Pension Board should act in the best interest of the Fund and the County would have to manage funding any resulting contributions as a separate issue. Ms. Van Kampen expressed concern that the Pension Board's recent decision to reduce the Fund's assumption rate came as a surprise to County Administration. Ms. Van Kampen also questioned the assertion that the Pension Board was not already working in concert with County Administration regarding the assumption rate change.

Mr. Manske responded to Ms. Van Kampen by explaining that as the Pension Board was discussing possible changes to the Fund's assumption rate in 2015, Buck also provided additional information for alternative funding policy options. These alternatives included reducing the Fund's amortization period for its unfunded liability to 20 years and reducing the level of expected revenue growth to 1.75%. These factors, and other changes to reflect administrative expenses and actuarial cost method, were adopted by the Pension Board in 2015 and resulted in an increase to 2016 contributions. Mr. Manske said he viewed the Board's 2015 adoption of the funding policy changes as intended alternatives to reducing the Fund's assumption rate until the next scheduled experience review. Mr. Manske noted that he attended the March 2016 Investment Committee meeting where possible changes to the assumption rate were discussed but could not attend the March 2016 Board meeting. Mr. Manske stated the assumption rate data provided at the March 2016 Investment Committee was incomplete and he questioned that data. Therefore, he was surprised the Pension Board adopted changes to the Fund's assumption rate as early as its March 2016 meeting.

Mses. Westphal and Braun reported that at the March 2016 Pension Board meeting, the Board specifically asked the actuary and ERS administration if it could delay its decision on reducing the assumption rate by one month and still meet its statutory annual funding request deadline. Buck could not guarantee that additional analysis of certain rates proposed at the March 2016 Board meeting could be completed in time for presentation to the Board at its April 2016 business meeting. The Retirement Plan Services Director stressed that the established timeline for the 2016 actuarial valuation had to be maintained regardless of when a decision is made to change the assumption rate. The Pension Board determined it could not risk delaying the 2017 budget contribution requests and, if a change to the Fund's assumed rate was not made before the May 2016 Board meeting, it would likely not be completed in time for implementation with the 2017 actuarial contribution calculation. Ms. Braun stressed the Pension Board has been discussing a possible assumption rate change for over one year and said the Board has attempted to work in concert with the other stakeholders in the Fund to avoid any surprises.

Jerry Heer, Director of Audits at Milwaukee County, briefly addressed the Board. Mr. Heer stressed that County Administration believes the Pension Board made a proper decision to reduce the Fund's assumption rate to 7.5%. However, Mr. Heer noted that after monitoring the Pension Board's earlier activities, County Administration was not anticipating that a change to the Fund's assumption rate would be implemented before the next experience review. Mr. Heer stated that because the assumption rate has now been changed, the relevant concern to reconsider is how the assumption change should be implemented. Mr. Heer explained to the Board members that as fiduciaries to the Fund, they should not have to consider other County liabilities in its decisions. However, Mr. Heer added that the Pension Board acts as fiduciaries to a fund that is sponsored by the County. Mr. Heer hoped the Pension Board would continue to work collaboratively with the Fund's sponsor to ensure that that it, and current retirees and active members in the Fund are not adversely affected.

Mr. Harper then asked for a collaborative discussion relative to the challenge of addressing ERS's current unfunded liability over the next ten years. Mr. Harper expressed concerns that the Fund's distribution rates are accelerating at an annual rate of approximately 10% and ERS's current amount of unfunded liability will grow to $200 million in the next several years. These factors are compounded by Marquette's investment return forecast which projects that annual returns will fall short of the 7.5% assumption rate over the next ten years. Mr. Harper stated the Pension Board has a responsibility to ensure benefits are available for current and future retirees. Mr. Harper welcomed a collaborative effort between all stakeholders to chart a course towards ERS becoming a 100% funded plan.

Mr. Heer said that some would argue the answer lies in converting the Fund to a defined contribution plan or shifting sponsor responsibility from the County to the state. Mr. Heer suggested these proposals are drastic and unwarranted because many alternative measures could be taken to reduce and phase out certain costs.

Mr. Heer concluded his remarks by noting the Pension Board is highly informed and committed to the Fund. Mr. Heer thanked the Board members for their time and reiterated that County Administration values their service and does not disagree with the Board's recent decision to reduce the Fund's assumption rate over an appropriate time period.

Mr. Heer then left the meeting to attend another meeting.

Ms. Braun suggested it would be helpful for the Pension Board to first hear Buck's 2016 preliminary actuarial valuation presentation and review the related data before further discussing any possible changes to its March 2016 action.

8. <u>January 1, 2016 Preliminary Actuarial Valuation Results- Buck Consultants</u>

Larry Langer and Troy Jaros of Buck Consultants distributed a booklet containing ERS's preliminary January 1, 2016 actuarial valuation results. Due to meeting time constraints, Mr. Langer discussed the key highlights of the preliminary valuation results.

Mr. Langer first discussed the reconciliation of ERS's 2016 contributions. The 2016 budget contribution amount was stated at $59.4 million. The 2016 actual contribution amount includes an increase of $3.6 million, for a total amount of $63 million. The increase between the 2016 budgeted and actual contribution amounts resulted from a combination of unanticipated liability loss and asset loss. These losses were offset by a lower contribution variance of $1 million and $355,000 of lower than assumed reimbursable expenses. The unanticipated liability loss during 2015 was $4.049 million and resulted from three primary factors. The first factor involved a continued focus on census data cleanup with the Retirement Plan Services ("RPS") office and resulted in approximately $1 million of the 2015 unanticipated liability loss. The census data cleanup effort discovered that some individuals continue to reappear within the valuation when they collect benefits. Buck has been working with the RPS office to correct this issue and does not anticipate it will be a problem in the future. A second factor, which resulted in approximately $1.4 million of the 2015 unanticipated liability loss, was also related to the census data clean up. An assumption was being made for the spousal age in records where that data was missing. The actual information has now been obtained and resulted in the increase. The third and more routine factor was related to an adjustment made in 2015 for an additional bi-weekly payroll period. For 2015, the Fund achieved an annual investment return of approximately 2% versus the 8% assumed rate of return. The 2015 asset experience resulted in an additional increase of $944,000.

Mr. Langer next discussed ERS's 2017 budget contributions. ERS's 2017 budget contribution amount is $73 million. Approximately $8.3 million of the $10.4 million increase between the 2016 actual contribution and the 2017 budget contribution results from reducing the Fund's assumed rate of investment return to 7.5% effective January 1, 2017. The normal cost of benefits accruing resulted in an additional increase of $808,000. A phase-in amount of $667,000 for deferred assets losses is also baked-in to the 2017 budget contribution. With the funding policy changes adopted in 2015, reimbursable expenses are now paid immediately and will result in a $22,000 assumed increase in reimbursable expenses. Finally, a shortfall of $269,000 is anticipated in the expected contribution variance for 2016.

Mr. Langer then discussed the five-year projection of ERS's gross actual contributions. As already discussed, gross contributions are projected to increase by approximately $10 million from 2016 to 2017 due to the reduction in the Fund's assumed rate of investment return from 8% to 7.5% effective January 1, 2017. From 2018 to 2021, gross contribution amounts are projected to increase by approximately 2.25% annually. The 2.25%

annual increase results from the combined impact of smoothing in the $50 million in net assets losses realized over the last 3 years and amortizing payments for the unfunded actuarial accrued liability at 1.75%.

Mr. Langer continued with a discussion of ERS's state-mandated member contributions. The 2016 state-mandated member contribution rates were 7.9% for public safety employees and 6.5% for general employees.
Mr. Langer explained that the 2017 state-mandated contributions are based on the 2016 actual amount, which is based on an 8% assumption rate. Therefore, the January 1, 2017 reduction in the assumption rate would not impact member contribution rates in 2017. However, due to more routine changes, the 2017 contribution rate for public safety employees will increase from 7.9% to 8.1%. The primary reason for the increase results from higher than anticipated salaries for the public safety group. The 2017 contribution rate for general employees will remain unchanged at 6.5%. Mr. Langer explained that member contribution rates are projected to increase in 2018 due to the impact of reducing the assumption rate to 7.5% effective January 1, 2017. For 2018 member contributions, rates are projected to increase from 8.1% to 9.5% for public safety employees and 6.5% to 7.2% for general employees. Thereafter, member contribution rates are projected to remain relatively stable for both groups through 2022.

Mr. Langer concluded with a discussion of the five-year projection of gross actual contributions based on a proposed phase-in of the 7.5% assumption rate. Mr. Langer explained that Buck was asked to develop the impact of reducing the Fund's assumed rate of investment return to 7.75% effective January 1, 2017 and 7.5% effective January 1, 2018. The proposed phase-in approach would provide some relief to the 2017 contribution increases and delay the impact of the full change in assumption to 2018. Under the proposed phase- in approach, the actual contribution amounts are projected to increase to $68 million in 2017 and $73 million in 2018. Actual contributions are projected to level out thereafter, with much smaller annual increases of approximately $10,000 from 2019 to 2021. Mr. Langer also explained that the phase-in from 7.75% to 7.5% would result in one additional payment of approximately $4.5 million in 20 years before contributions would reduce to the normal cost level.

In response to a question from the Chairman, Mr. Langer confirmed that the total increase resulting from the proposed two-year phase-in of a 7.75% rate in 2017 and a 7.5% rate in 2018 is essentially split between those two years. One additional $4.5 million payment will also occur in 20 years.

In response to a question from Ms. Van Kampen, Mr. Jaros stated that with interest, the cost to delay the one additional $4.5 million payment would total approximately $6.5 to $7 million in 20 years.

Messrs. Harper and Leonard, and Mses. Ninneman and Van Kampen questioned what affect a phased-in approach of the 7.5% assumption rate might have on increased administrative expenses.

Mr. Langer answered by first stating that as he understands the Ordinances and Rules, the administrative factor tables and backDROP credits are based upon the assumption rate in effect at the time. The administrative factor tables and backDROP credits must be adjusted in the system once a change in assumption rate goes into effect. Mr. Langer noted that regardless of when the assumption change is scheduled to go into effect, the administrative factor tables will require updating in 2018 following the experience review. The interest rate paired with the 2018 experience review updates will be based on the schedule the Board ultimately decides upon for implementing the assumption rate change. The current scheduled assumption rate change to 7.5% effective January 1, 2017 would result in two administrative expenses for updating the system. The first administrative expense would occur in 2017 to update the administrative factor tables and backDROP credit to 7.5%. The second administrative expense would occur in 2018 to update the factor tables for mortality following the experience review. Maintaining the assumption rate at 7.5% for 1/1/2017 and following a phase-in approach would cause more administrative costs, because multiple system changes would be required with each phase-in amount. Mr. Langer observed that for actuarial purposes, his preferred course of action would be to delay any changes to the Fund's assumption rate until the next experience review. Mr. Langer also observed that the administrative work involved in calculating a multi-year phase-in approach would result in increased actuarial consultant costs to the Fund.

Mr. Huff noted that in 2015, Mr. Langer stated it would be a best practice to change the interest rate assumption with the five-year experience review. Mr. Huff asked Mr. Langer to explain to the Pension Board why he recommends this course as a best practice.

Mr. Langer first explained ERS's last experience review was performed in 2012 for implementation with the January 1, 2013 valuation. The next experience review will likely occur in late fall of 2017 for implementation with the January 1, 2018 valuation. Therefore, the changes that result from the next experience review will impact the 2018 actual contribution amount and the 2019 member contribution rates. Mr. Langer next explained that a good repository for public sector plan best practices can be found at the Government Finance Officers Association's ("GFOA") website, GFOA.org. The GFOA has a subcommittee on retirement benefits and administration ("CORBA"). The CORBA subcommittee suggests as a best practice that assumptions be reviewed every five years. Mr. Langer noted that certain assumptions will cause increases, while other assumptions will cause decreases. It is better to collectively absorb the assumption changes to various factors such as salary, mortality and investment return at one time versus unexpected shocks to the system. Mr. Langer suggested it would be a reasonable course of action for the Board to delay changing the Fund's assumed rate of investment return until the next experience review.

In response to questions from the Chairman and Ms. Braun, Mr. Langer confirmed that if the Board took further action today to adjust the assumed rate of return, Buck could rework the valuation data in time for the Pension Board to meet its June 1 statutory funding request deadline.

The Pension Board recessed for a brief break.

After reconvening from break, the Pension Board resumed its discussion of agenda item 7. The Chairman called for additional commentary from the Board members regarding possible changes to its March 16, 2016 action to reduce the Fund's assumed rate of investment return from 8% to 7.5%, effective January 1, 2017.

Mr. Harper indicated that he would not change his decision to approve reducing the Fund's assumption rate to 7.5%, effective January 1, 2017. Mr. Harper said he believes the Board's March 2016 action was in the best long-term interest of ERS's current employees because they are shouldering the burden of the unfunded liability. Mr. Harper remarked that the reality of increased member contributions may not be well-received by employees. However, as unpopular as it may be, systematic savings must occur for employees to retire. Mr. Harper further said that ERS has been underfunded at various periods of time for various reasons. However, the Pension Board is here to act as fiduciaries to the Fund and make responsible decisions to ensure that current employees have a benefit they are able to retire with. The current reality is that more money must be contributed to the Fund today and not pushed off to the future. While these sacrifices will not be easy, they must be made to ensure retirement benefits.

Mr. Leonard indicated he would support a two-year phase-in option to reduce the Fund's assumption rate to 7.75% in 2017 and 7.5% in 2018. Mr. Leonard suggested this approach is a reasonable compromise that would allow the Board to satisfy its fiduciary duty, assist the County with its budgeting issues and alleviate concerns employees may have relative to increased contribution rates.

The Chairman suggested that if a motion is proposed today to change the assumption rate, as a best practice, any specified time frame for implementation should not be stated. The Chairman further suggested any specific phase-in period should be addressed next year once the Board receives more information relative to the Fund's actual investment experience results.

Ms. Van Kampen expressed concern that the County may still not be able to manage its current budgetary concerns under Mr. Leonard's proposed phase-in approach. Ms. Van Kampen agreed that Mr. Leonard's proposal appears reasonable. However, the Board has no assurance the County would be able to fully fund annual contribution amounts that would result under Mr. Leonard's phase-in proposal. The comments presented by officials today suggest the Board should present an annual contribution amount the County can fully fund.

Mr. Kreklow replied to Ms. Van Kampen by stating that before completing the full budgetary process, he could not issue any guarantee today that the County could fully fund a future contribution amount resulting from a specific assumption rate. Mr. Kreklow added that regardless of what the assumption rate is set at, he will approach the budgeting process with the goal of fully funding the requested contribution amount. Mr. Kreklow suggested that phasing in a 7.75% return in 2017, versus the current 7.5%, would result in a higher likelihood that the County could fully fund the contribution request. A 7.75% phase-in rate for 2017 would result in a smaller contribution amount and also illustrate to elected policy makers that the Pension Board is making a good faith effort to assist the County in budgeting the full contribution amount.

Ms. Westphal stressed that the Pension Board takes its fiduciary responsibility to the Fund seriously to ensure the Fund is appropriately and responsibly funded for current and future retirees. Ms. Westphal expressed concern that the County may be pushing its cash flow problems to the future. Ms. Westphal asked Messrs. Kreklow and Manske for assurance that going forward, all stakeholders in the Fund will commit to working more collaboratively to solve ERS's ongoing funding issues.

Mr. Kreklow indicated that he may speak on behalf of the County Executive and stated he and County Executive Abele will make a commitment to work closely with the Pension Board. Mr. Kreklow also committed to attend additional meetings and planning sessions if the Board felt his input would be beneficial.

Ms. Braun thanked Mr. Kreklow for being such a strong advocate for collaboration between all stakeholders in the Fund. Ms. Braun then questioned if employee contributions would increase should the Board maintain its March 2016 decision and the County does not fully fund the annual contribution amount.

Mr. Bargren answered Ms. Braun by stating that employee contributions are set at half of the overall required contribution amount. If the County chooses not to fully fund the required contribution amount, the employee portion of the contribution amount will neither increase nor decrease.

In response to a question from Ms. Westphal, Mr. Langer stated that if the Board would delay implementation of the 7.5% assumption change and maintain the 8% rate for January 1, 2017, member contribution rates for general employees would not change dramatically from the 6.5% stated in 2016 preliminary valuation. Member contribution rates for 2017 are based upon 2016 actual contributions. Regardless of any decision that may be made today, the 2016 actual contributions are based upon an 8% investment return. Member contributions would increase in 2018 for public safety workers and general employees as a result of implementing the 7.5% assumption rate change in 2017.

Ms. Funck indicated that she would prefer to maintain the 8% assumption rate and delay any changes until the next experience review to avoid additional administrative costs that would be incurred to update the system twice.

Ms. Funck proposed a motion to change the Fund's assumed rate of investment return from 7.5% to 8% effective January 1, 2017. The motion failed for lack of a second.

The Chairman called for alternative motions.

Mr. Gedemer expressed concern that any additional increases to member contribution rates so soon would be especially burdensome for employees and may result in a large number of employees retiring earlier than anticipated. This would further accentuate the County's annual funding problem because responsibility for the unfunded liability for non-contributors falls to the County. County Administration has expressed that it prefers to continue its practice of fully funding the annual pension contribution. A sudden assumption rate change would jeopardize the

County's ability to continue such practice. Mr. Gedemer suggested that future unfunded contribution amounts could continue and create a downward funding spiral that may be difficult to recover from. Too much action too quickly would create instability within the Fund. Mr. Gedemer indicated that he believes it would be reasonable to maintain the 7.5% assumption rate. However, Mr. Gedemer suggested a phased-in approach to the 7.5% rate change would be an acceptable compromise that would be easier for the County and employees to manage. Mr. Gedemer clarified that it is not his intention to propose a reversal of the Board's March 16, 2016 action, but to delay the implementation of such action. Mr. Gedemer proposed a motion to delay the 7.5% assumption rate change and maintain the 8% rate for January 1, 2017. Mr. Gedemer also proposed a phased-in approach to the 7.5% change, with an initial reduction to 7.75% occurring January 1, 2018, and a second reduction to 7.5% occurring January 1, 2020.

In response to a question from Ms. Braun regarding administrative costs under Mr. Gedemer's proposed motion, Mr. Langer stated there would be one additional administrative expense related to the 2020 rate change. Regardless of any 2018 assumption rate change, there would already be an administrative cost in 2018 due to the change in mortality rates from the next experience review. Mr. Langer added that if the Board prefers a phase-in approach, from an actuarial standpoint, he would recommend the Board reduce the assumption rate only once and phase-in the contribution amounts thereafter.

Mr. Leonard proposed an alternative to Mr. Gedemer's motion to defer the 7.5% assumption change to January 1, 2018 with no phase-in.

Mr. Gedemer expressed concern that with its limited revenue options, any move to change the assumption rate in one step limits the County's ability to mitigate any budgetary increase.

The Pension Board voted 5-4, with Mses. Braun and Van Kampen, and Messrs. Harper and Leonard opposed, to delay the January 1, 2017 implementation of the 7.5% assumption rate change, with a .25% reduction from 8% to 7.75% occurring on January 1, 2018, and an additional .25% reduction from 7.75% to 7.5% occurring on January 1, 2020. Motion by Mr. Gedemer, seconded by Ms. Funck. The motion passed with the necessary five votes as required by Ordinance section 201.24 (8.5).

In response to a follow-up question from the Chairman, Mr. Langer confirmed that he covered the important highlights of the 2016 preliminary valuation results. Mr. Langer added that Buck will prepare its final 2016 actuarial valuation report and prepare a draft of the 2017 budget contribution request letter to the County Executive for presentation to the Pension Board at its June 2016 meeting.

In response to a follow-up question from the Chairman, Messrs. Langer and Jaros stated the preliminary revised 2017 budget contribution amount at the 8% assumption rate would be approximately $65 million.

Mr. Langer concluded his remarks by suggesting it may be reasonable for the Pension Board to provide advance notice in a separate letter to County Administration of its decision to delay implementation of the assumption rate change. Mr. Langer explained the letter could provide projected results of the 7.75% and 7.5% future rate reductions and advise that other changes may occur in 2018 resulting from the quinquennial experience review.

The Chairman called for additional questions relative to Buck's 2016 preliminary valuation report and there were none.

Ms. Braun then moved that the Pension Board adjourn into closed session under the provisions of Wisconsin Statutes section 19.85(1)(f) with regard to item 9 for considering the financial, medical, social or personal histories of 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 9 through 13 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 agreed by roll call vote 9-0 to enter into closed session to discuss agenda items 9 through 13. Motion by Ms. Braun, seconded by Ms. Bedford.

9. Disability Retirement Applications

(a) Michael Tromp

The Pension Board discussed the matter in closed session.

After returning to open session, the Pension Board unanimously approved granting the ordinary disability pension application based on the Medical Board's determination. Motion by Ms. Van Kampen, seconded by Ms. Funck.

(b) Michele Radke

The Pension Board discussed the matter in closed session.

After returning to open session, the Pension Board unanimously voted to lay over its decision on Ms. Radke's appeal to a future Pension Board meeting. Motion by Mr. Gedemer, seconded by Mr. Leonard.

10. Appeals

(a) Andrew Wendt

At the request of Mr. Wendt, discussion of agenda item 10 was laid over to a future Pension Board meeting.

11. Pending Litigation

(a) *Tietjen v. ERS*

The Pension Board took no action on this item.

(b) *Trapp, et al v. Pension Board*

The Pension Board took no action on this item.

(c) *Mecouch v. ERS*

The Pension Board took no action on this item.

(d) *Walker v. ERS*

The Pension Board took no action on this item.

(e) *Baldwin v. ERS*

The Pension Board took no action on this item.

12. Actuarial Valuation Error

The Pension Board took no action on this item.

13. Report on Compliance Review

The Pension Board took no action on this item.

14. Reports of Director-Retirement Plan Services & Fiscal Officer

Due to meeting time constraints, the Pension Board agreed to defer discussion of agenda item 14 to its June 2016 meeting.

15. Administrative Matters

The Pension Board discussed additions and deletions to the Pension Board, Audit Committee and Investment Committee future topic lists and no changes were requested.

The Pension Board concluded with a discussion of upcoming conference attendance.

The Pension Board unanimously agreed to approve the request by Ms. Aikin to attend the 2016 Mid-Sized Retirement & Healthcare Plan Management Conference. Motion by Mr. Gedemer, seconded by Ms. Braun.

The Pension Board unanimously agreed to approve the request by Mr. Harper for payment of the conference fee to the 2016 Institutional Limited Partners Association Conference, with Mr. Harper covering his own transportation and lodging costs. Motion by Mr. Leonard, seconded by Ms. Funck.

16. Adjournment

The meeting adjourned at 1:55 p.m.

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