

**EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE  
MINUTES OF THE APRIL 27, 2016 PENSION BOARD MEETING**

1. Call to Order

Vice Chair Laurie Braun, serving as Acting Chair, called the meeting to order at 8:00 a.m. in the Ballroom of the Italian Community Center, 631 East Chicago Street, Milwaukee, WI 53202.

2. Roll Call

Members Present

Laurie Braun (Acting Chair)  
Aimee Funck  
Norb Gedemer  
Michael Harper  
D.A. Leonard  
Patricia Van Kampen  
Vera Westphal

Members Excused

Linda Bedford  
Dr. Brian Daugherty (Chair)

Others Present

Marian Ninneman, Director-Retirement Plan Services  
James Carroll, Assistant Corporation Counsel  
Vivian Aikin, Sr. Pension Analyst  
Brett Christenson, Marquette Associates, Inc.  
Steven Huff, Reinhart Boerner Van Deuren s.c.  
Mark Grady, Retiree

3. Minutes—March 16, 2016 Pension Board Meetings

The Pension Board reviewed the minutes of the March 16, 2016 Pension Board meeting.

**The Pension Board unanimously approved the minutes of the March 16, 2016 Pension Board meeting. Motion by Ms. Van Kampen, seconded by Ms. Funck.**

4. Investment Committee Report

Ms. Braun reported on the April 4, 2016 Investment Committee meeting. Mr. Christenson of Marquette Associates provided an informative and in-depth discussion of the international small cap manager request for proposal ("RFP") responses. Mr. Christenson reviewed and discussed the various factors Marquette utilized to select the 12 RFP semi-finalist candidates from over 30 respondents. Specific factors Marquette considered during its analysis included annualized and calendar year performance, number of years in the industry, total assets under management, fees and upside/downside market capture ratio. Mr. Christenson also explained the difference between quantitative and fundamental investment managers. Quantitative investment managers employ mathematical formulas and modeling to pick stocks, while fundamental investment managers construct portfolios with a smaller number of favored stocks based on analyst research. Mr. Christenson suggested it may be beneficial for the Investment Committee to include a blend of quantitative and fundamental managers in the final candidates. After further review of the 12 RFP semi-finalist candidates, the Investment Committee agreed to select four final candidates to interview at its May 2016 meeting. The final four candidates are Numeric, Segall Bryant, Victory and Strategic.

In response to a question from Ms. Van Kampen, Mr. Carroll stated that he believes the four international small cap manager finalists include three quantitative managers and one fundamental manager.

Ms. Braun encouraged all Board members to attend the May 2, 2016 Investment Committee meeting to actively participate in the international small cap manager candidate interviews.

5. Audit Committee Report

Ms. Westphal reported on the April 7, 2016 Audit Committee meeting. The Audit Committee began by continuing its March 2016 discussion of the disability retirement process. The Audit Committee previously asked counsel to review all Ordinances and Rules relative to disability retirement and Mr. Carroll subsequently presented several additional issues for the Audit Committee to consider. After a lengthy discussion, the Audit Committee directed counsel to prepare possible Ordinance and Rule changes regarding the disability retirement process. The possible Ordinance and Rule changes will be reviewed at the June 2016 Audit Committee meeting for possible consideration at the June 2016 Pension Board meeting.

The Audit Committee continued with a discussion of optional member contributions. At the May 2016 Audit Committee meeting, Ms. Ninneman discussed optional membership contributions previously made by seasonal employees which allowed them to gain membership in ERS after contributing 6% of their earnings. Some seasonal employees who previously made such contributions never became vested, yet still had ERS membership accounts containing their optional membership contributions, plus interest. Ms. Ninneman requested guidance from the Audit Committee relative to the proper handling of such accounts. Mr. Huff then presented an analysis to the Audit Committee which cited ERS Rule 1054. Rule 1054 specifically states that a non-vested member's optional contributions shall remain in a member's account until a refund is requested. Rule 1054 also states that a vested member's optional contributions shall remain in their membership account until either a pension benefit commences, or a refund is requested. The Audit Committee will discuss how to properly handle the membership contribution accounts of non-vested members with two separate periods of employment at a future Committee meeting.

The Audit Committee next discussed options for overpayment collection. Ms. Ninneman requested guidance from the Audit Committee relative to the collection of pension benefit overpayments. The Audit Committee agreed that whenever possible, ERS should offset ongoing benefit payments to recoup such overpayments. Discussion of possible legal action in circumstances where no additional benefits are payable will be included as a future Audit Committee topic.

The Audit Committee then briefly discussed the normal retirement age 64 early retirement calculation and agreed to continue discussion of the topic at its May 2016 meeting.

The Audit Committee concluded with a discussion of administrative errors, and Ms. Ninneman stated there were no administrative errors to report this month.

Mr. Gedemer then moved that the Pension Board adjourn into closed session under the provisions of Wisconsin Statutes section 19.85(1)(g) with regard to items 6 and 7 for the purpose of the Board receiving oral or written advice from legal counsel concerning strategy to be adopted with respect to pending or possible litigation. At the conclusion of the closed session, the Board may reconvene in open session to take whatever actions it may deem necessary concerning these matters.

**The Pension Board unanimously agreed by roll call vote 7-0 to enter into closed session to discuss agenda items 6 and 7. Motion by Mr. Gedemer, seconded by Ms. Funck.**

6. Actuarial Valuation Error

The Pension Board took no action on this item.

7. Report on Compliance Review

The Pension Board took no action on this item.

8. Administrative Matters

In open session, the Pension Board discussed additions and deletions to the Pension Board, Audit Committee and Investment Committee future topic lists.

Mses. Funck and Braun requested that the matter of ERS's non-functioning pension calculator be included as a future discussion topic for the full Pension Board.

In response to a question from Ms. Braun, Ms. Funck confirmed that she has received complaints from numerous members regarding the fact that ERS's pension calculator has been offline since November 2015.

Ms. Funck explained for the benefit of the Board that ERS's pension calculator was previously available to members via the intranet to provide pension benefit estimates.

Ms. Braun remarked that she has also heard from high-level employees asking why the pension calculator is not working and when it will be back online.

Mr. Gedemer noted that prior to the pension calculator going offline, some MDSA employees reported inconsistencies between pension estimates obtained via the online calculator and the pension estimates provided by the Retirement Office.

Mr. Gedemer and Ms. Braun and Funck also reported that they have heard numerous complaints from members who have reported that they have been waiting quite some time to receive their pension estimates from the Retirement Office.

In response to a question from Mr. Leonard, Ms. Ninneman acknowledged the Retirement Office is currently understaffed, but stated any member who has contacted ERS since November 2015 to request a pension estimate would have been placed on the estimate log. Ms. Ninneman reported there is no current backlog relative to pension estimates that she is aware of. Ms. Ninneman then asked the Board members to provide her with the names of any members who have expressed concerns about the timely receipt of a pension estimate so she can research the specific circumstances.

In response to a question from Mr. Harper regarding the specific software associated with the pension calculator, Ms. Ninneman stated the pension calculator is part of the V-3 system. Ms. Ninneman stated she will provide additional information on the V-3 system to Mr. Harper for review prior to the next Board meeting.

In response to questions from Ms. Braun, Mr. Harper and Mr. Leonard, Ms. Ninneman explained that the pension calculator was taken offline due to a recent Ordinance amendment related to the backDROP benefit. ERS is hoping to save the cost to upgrade the pension calculator by including the required backDROP reprogramming in the V-3 system software upgrade. Ms. Ninneman responded to Mr. Leonard that the cost to upgrade the pension calculator would be charged to ERS and not the County. Ms. Ninneman further said that the V-3 system is extremely complex and requested that any deeper discussion be deferred until the topic is formally added to a future meeting agenda.

In response to a follow-up question from Ms. Braun, Ms. Ninneman stated she currently cannot provide an estimated completion date for the V-3 upgrade.

Mr. Gedemer suggested that ERS include an enhanced explanation to the pension calculator site which states the calculator is currently offline due to a required programming change and may be offline for an extended period. The current statement only indicates the site is under construction. Therefore, members keep checking back assuming the site will be up and running in a few days.

Ms. Funck noted it may also be helpful to explain the pension calculator is offline due to a recent Ordinance amendment.

After a lengthy discussion, Ms. Ninneman agreed that ERS will include an enhanced explanation which explains the site will be unavailable for an indefinite period due to required software changes related to recent Ordinance amendments and members should contact the Retirement Office to obtain pension estimates.

In response to questions from Mr. Leonard and Ms. Van Kampen, Ms. Ninneman confirmed that if necessary, the Retirement Office could manage responding to a potential flood of requests for pension estimates in a timely fashion. The Retirement Office can complete a pension estimate in approximately two to four hours, depending on the member's work history and complexity of the calculation.

Mr. Gedemer suggested that it may be better to completely block member access to the pension calculator until it is functioning again.

Ms. Braun stated that she believes it is critically important that the Retirement Office improve communication with its members by adding a message that clearly explains why the pension calculator is offline, while also providing its members with alternative avenues to receive a pension estimate.

The Pension Board next discussed upcoming conference and educational seminars.

Ms. Braun noted a request for approval by Ms. Aikin to attend the Mid-Sized Retirement & Healthcare Plan Management Conference in Chicago, IL on June 14-17, 2016 (the "Retirement & Healthcare Conference"). Ms. Braun then asked ERS staff to explain how the information provided at Retirement & Healthcare Conference would be relative to Ms. Aikin's position.

Ms. Ninneman explained that ERS staff attended the 2015 Retirement & Healthcare Conference and the conference pertains to changes in retirement

plans and the pension industry in general. Ms. Ninneman added that the 2016 Retirement & Healthcare Conference will hold a special workshop focusing on the new Department of Labor ("DOL") fiduciary ruling.

In response to a question from Ms. Braun, Mr. Huff confirmed that ERS is not subject to the Employee Retirement Income Security Act ("ERISA"). Mr. Huff explained there is not a great deal of guidance for government plans relative to fiduciary duties and Federal court cases decided under ERISA are often the only guidance available for government plans.

Mr. Leonard remarked that he attended a February 2016 conference sponsored by the International Foundation of Employee Benefit Plans ("IFEBP") because he believed information provided at the conference would be relative to ERS. However, much of the information provided at the IFEBP conference was not applicable to public pension funds. Mr. Leonard expressed concern that the information provided at the 2016 Retirement & Healthcare Conference may also have little relevance in terms of public funds.

In response to a request from Ms. Van Kampen to see an agenda for the 2016 Retirement & Healthcare Conference, Ms. Ninneman stated she will provide a copy of the conference agenda and a brief description of the relevant topics to the Board members for review.

**The Pension Board unanimously agreed to delay approval of the request by Ms. Aikin to attend the June 14-17, 2016 Retirement & Healthcare Conference pending review of the conference agenda. Motion by Mr. Gedemer, seconded by Mr. Leonard.**

Ms. Braun concluded the discussion by noting a request for approval by Mr. Carroll to attend the National Association of Public Pension Attorneys Annual Conference in New Orleans, LA on June 21-24, 2016 (the "2016 NAPP Annual Conference"). Ms. Braun noted that Mr. Carroll has previously attended the NAPP Annual Conference which specifically focuses on public pension funds.

In response to a question from Ms. Braun, Mr. Carroll explained that NAPP exclusively focuses on attorneys who work with public pension funds. Mr. Carroll noted that he attended the 2014 NAPP Annual Conference and found the information provided to be very relevant and informative. Mr. Carroll also noted that Mr. Huff and his colleagues have historically attended the NAPP conference and it is a very useful training resource.

Mr. Huff confirmed that the NAPPA organization is a very beneficial resource and noted his firm annually sends several attorneys to attend the conference.

In response to a question from Mr. Leonard, Mr. Carroll stated he would attend the NAPPA Annual Conference to enhance his knowledge both as Corporation Counsel and as the attorney for the Pension Board. The cost for attending the NAPPA Annual Conference would be cross-charged to ERS.

**The Pension Board unanimously agreed to approve the request by Mr. Carroll to attend the 2016 NAPPA Annual Conference. Motion by Mr. Leonard, seconded by Ms. Van Kampen.**

9. Adjournment

The meeting adjourned at 9:00 a.m.

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