

DRAFT

EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE
MINUTES OF THE SEPTEMBER 20, 2006 PENSION BOARD MEETING

1. Call to Order

Vice Chairman John Martin, serving as Acting Chairman, called the meeting to order at 8:45 a.m. in Room 203R of the Milwaukee County Courthouse.

2. Roll Call

Members Present:

Linda Bedford
Donald Cohen
John Martin
Marilyn Mayr
Michael Ostermeyer
John Parish
Dean Roepke
Thomas Weber

Members Excused:

None

Others Present:

Charles McDowell, Director of Human Resources
Mark Grady, Principal Assistant Corporation Counsel
Jack Hohrein, ERS Manager and Pension Board Secretary
Gordon Mueller, ERS Fiscal Officer
Vivian Aikin, ERS Administrative Specialist
Veronica Britt, ERS Coordinator
Donald Campbell, ERS Project Manager
James Storino, Corporation Counsel Law Clerk
Steven Huff, Reinhart Boerner Van Deuren s.c.
Leigh Riley, Foley & Lardner LLP
Brad Blalock, Mercer Investment Consulting (by telephone)
Kristin Finney-Cooke, Mercer Investment Consulting
Barrett Rodriguez, Vitech Systems
Wayne Shiu, Vitech Systems
Cliff VanBeek, Retiree
Ken Loeffel, Retiree
Virginia Schumann, Retiree

3. Report of Retirement Systems Manager

(a) Ratification of Retirements Granted

Mr. Hohrein presented the schedule of Retirements Granted for the prior month's retirements and asked the Board to review them. Mr. Hohrein stated that the Retirement Office is rechecking whether the Internal Revenue Code ("Code") section 415 limits would apply to Todd Ashworth's benefits. In response to a question from Ms. Mayr, Mr. Hohrein noted that Mr. Ashworth would receive a notification of a potential reduction in his benefits to comply with the Code section 415 limits.

Mr. Huff explained that Mercer Human Resource Consulting had provided ERS with tables indicating the points at which the Code section 415 limits might apply to younger retirees because the maximum amount allowable under the Code is reduced proportionately for each year that an employee retires before normal retirement age. Mr. Huff indicated that Buck Consultants ("Buck") is revising the tables to include ERS's 2% COLA in the maximum amount allowable under the Code. He noted that the Retirement Office uses these tables to flag potential reductions to ERS pension benefits necessary to comply with the Code section 415 limits. Once a potential reduction is flagged, Buck will run a specific calculation of the benefit.

Ms. Mayr inquired as to whether the change in the tables to account for the COLA would affect other retirees. Mr. Hohrein stated that the Retirement Office would check to determine whether other retirees' benefits would be affected by the changes.

The Board unanimously approved all the Retirements Granted, except Todd Ashworth. Motion by Mr. Weber, seconded by Mr. Parish.

(b) Report on Waivers

Mr. Hohrein reported that no new waivers had been submitted to the Retirement Office.

(c) Report on ADR Earnings and Recalculations

Mr. Hohrein explained that all retirees who have not filed their earned income reports for 2004 and 2005 were sent notifications for reexamination. He noted that 12 members were sent notifications for both years. Out of the 12 members who were sent notifications, the Retirement

Office calculated that four members were overpaid for 2004 and/or 2005. Mr. Hohrein stated that these members were notified of the overpayments and that the Retirement Office is trying to determine a repayment program with the members. He indicated that two of these members had earnings greater than they would have earned at the County, so the Retirement Office reduced their benefits accordingly. He stated that the other two members would receive partial reductions. At this time, those members' benefits would be reduced each month for the next 12 months by 1/12 of the amount of the overpayment.

Ms. Mayr inquired as to whether ERS was being reimbursed for all of the overpayments, indicating that legal action may be necessary to recover the overpayments. Mr. Hohrein responded that he will work with Mr. Grady to resolve these issues by the October Board meeting and that he will take action if necessary.

Next, Mr. Hohrein reported that two ERS members had their pensions recalculated to service pensions at age 62. One of those members received an overpayment. Mr. Hohrein noted that the member has not responded to several proposals offered by ERS to reduce her pension for the overpayment. He indicated that he will refer this issue to Mr. Grady if ERS and the participant do not reach an agreement. Mr. Grady explained that recalculation at age 62 was not completed in the past.

The Board discussed the issues of recalculation and overpayments. In response to a question from Mr. Cohen, Mr. Hohrein stated that \$57,000 in overpayments, without interest, was at stake. Mr. Grady and Mr. Hohrein indicated that the following interest rates could possibly be used to recalculate an overpayment: the buy-in rate, the prejudgment rate under State law, the backDROP rate or the 10-year rate of return.

Mr. Huff commented that in one prior ERS case, a widow had continued to accept payments to a member after the member's death. Mr. Hohrein indicated that it would be possible for a widow to accept payments if the member received direct deposit because no endorsement of checks would be necessary.

Mr. Weber asked whether tax return proceeds could be attached by ERS to recover overpayments. Mr. Grady stated that he would check, but expressed doubt that proceeds could be attached.

Finally, Ms. Mayr explained that the City has experience collecting overpayments and she believes the District Attorney should be involved in collecting overpayments if these retirees engaged in illegal actions.

(d) Report on Internet Retirement Calculator

Mr. Hohrein reported that Milwaukee County IMSD is finalizing the County's new website (www.milwaukee.gov). He stated that, in conjunction with the new website, IMSD asked ERS whether it would like the ERS Pension Calculator to be placed on the new website. Currently, the Pension Calculator is on the County's intranet site, which can only be accessed on County computers by County employees. Both City and State websites allow anyone to enter data and obtain an estimate. However, Mr. Hohrein explained that under the County's Pension Calculator, a member enters identifying information to connect to his or her actual file, where information is accessed for each calculation, as opposed to the generic information that the State and City estimators require.

Because the County Pension Calculator uses actual member data, Mr. Hohrein indicated that ERS has two options: (1) continue the intranet site for County employees only, or (2) place the Pension Calculator on the internet with built-in controls and a password log-in.

Mr. Hohrein commented that it would not be a good idea to put the information on the internet without a sophisticated password control. He also suggested that ERS may wish to wait for Vitech to add the controls to the internet, rather than revising the Genesis System to add the controls. Mr. Martin noted that waiting for Vitech should only take approximately one year and the Vitech System should have the capabilities needed to install password protection controls.

The Board discussed what option would be best for ERS. In response to Ms. Mayr's question, Mr. Hohrein and Mr. Grady indicated that dates of birth and Social Security numbers were not available through an open records request. Dr. Roepke noted that there is a need to restrict access to preserve confidential data. Mr. Hohrein explained that the only people not served by the current system are the approximately 25 members who were transferred from ERS to the State system and deferred vested members. He stated that deferred vested members receive a letter with a calculation of their benefits at the time they leave County employment.

Mr. Ostermeyer suggested putting a flow chart on the internet that would allow someone signing in to easily enter their data. He explained that

public record would reflect the salaries of the employees and the employees could be instructed on how to calculate their final average salary.

Mr. Ostermeyer indicated that even with password protection, he was concerned about identity theft if the Pension Calculator, in its current form, were put on the internet. He stated that identity theft was a remote, but extreme, risk. Mr. Hohrein agreed to look into Mr. Ostermeyer's suggestion.

To help eliminate some concern regarding identity theft, Mr. Martin commented that Vitech should create a system that is not dependent on Social Security numbers. Dr. Roepke reminded the Board that the group that needs the information the most, active county employees, can check the intranet. Mr. Martin also reiterated that deferred vested pensioners receive a letter with the amount of their pension upon their separation from service with the County.

The Board unanimously agreed to leave the Pension Calculator on the intranet and not to add it to the County's new website at this time. Motion by Dr. Roepke, seconded by Mr. Cohen.

The Board agreed to reexamine this issue with Vitech in the future to explore security issues with posting the Pension Calculator on the internet. Mr. Martin directed Mr. Hohrein to inform Vitech of the Board's security concerns.

(e) Report on Temporary Manpower Services

Mr. Hohrein explained that, in prior years, ERS has used the County's contract with Manpower, Inc. ("Manpower") to arrange for temporary help. He reported to the Board that when the County recently signed new temporary service agreements, Manpower was not included as a service provider. Currently, ERS has two Manpower employees who have worked full-time for ERS since April 2006. One is leaving shortly. Although the County no longer has a contract with Manpower, ERS would like to retain the remaining Manpower employee because of her extensive training on ERS duties, specifically with respect to ADR calculations. Mr. Hohrein indicated that if ERS were to replace this individual, it would cause a hardship to ERS. Accordingly, he suggested that the Board enter into its own contract with Manpower.

Mr. Grady advised that it would be acceptable for the Board to enter into its own contract with Manpower because the Board has the right to do so and, in fact, may have a fiduciary obligation to retain the Manpower employee

because not retaining her may cause a hardship to ERS. Mr. Martin expressed his concern that County employment rules might not allow Mr. Hohrein to keep this person as temporary help. Mr. Grady stated that keeping this person in a different way might require the County to create a new position. Ms. Mayr indicated that the County could hire an emergency person or could make a placement for an emergency position. In response to a question from Mr. Cohen, Mr. Hohrein reported that he would need the Manpower employee through the V3 project completion and perhaps longer for file imaging.

Mr. Loeffel inquired whether the Board would be establishing new precedent by contracting with Manpower. He suggested that because the County has clear procedures for bidding and contracting with service providers, contracting with Manpower may be circumventing the County's process. Mr. Grady noted that no bid would be required to retain the temporary worker through 2007 because she is not providing a professional service that would require bids.

Dr. Roepke stated that, although he appreciated Mr. Hohrein communicating the value of the temporary employee, he is concerned about a direct contract with Manpower. He believes that it requires a closer look and greater study before coming to a conclusion. Mr. Cohen indicated that he is concerned with ERS wasting six months of training with a new employee. He believes that the Board needs to fix this short-term problem and help avoid further delays with Vitech by retaining the Manpower temporary employee over a short-term period. Similarly, Mr. Grady stated that he does not see this as different from the Board hiring a Vitech project manager because it was necessary to go outside the County for that position. Mr. Grady explained that in the current situation, the agreement would be a contract with one entity for a fully trained person, similar to the contract with Mr. Campbell's employer for Mr. Campbell's services.

Ms. Bedford also expressed concerns regarding the arrangement. She noted that if Manpower was a contractual provider and it refused to bid with the County, it may not have the ability and willingness to continue representing the County. Mr. Hohrein indicated that Manpower was on the bid list when he hired the temporary employees, therefore, he followed the County's process. His main concern is in losing the experience that the temporary employee has if she leaves. In response to a question from Dr. Roepke, Mr. Hohrein stated that he had not asked Manpower if it would continue contracting with the County. Mr. Martin noted that a temporary employee can be terminated at any time and that the temporary employee could leave at any time, and, therefore, Manpower is not locked into a contract with the

County. Mr. Grady explained that there would be specific terms in a Manpower contract and Mr. Hohrein would have the ability to reject any people that Manpower sent as workers if Mr. Hohrein did not want to use those particular people. Mr. VanBeek expressed his belief that the Board should fill any unfilled positions with permanent employees to the extent possible. Dr. Roepke echoed Mr. VanBeek's concern about temporary employees rather than permanent employees.

Ms. Mayr stated that she believes the Department of Human Resources ("DHR") could use processes in place to resolve this issue rather than asking the Board to resolve it. She indicated that Mr. Hohrein, an employee of DHR, could utilize those processes.

Mr. Cohen moved to approve the contract with Manpower through 2007 to employ the current trained person at a rate set forth in the current contract. He stated that this should free up other employees of ERS to work with Vitech. The motion, seconded by Mr. Weber, failed 4-4, with Mr. Weber, Mr. Cohen, Mr. Ostermeyer and Mr. Martin voting to approve and Mr. Parish, Ms. Mayr, Dr. Roepke and Ms. Bedford dissenting.

Dr. Roepke moved to continue with the Manpower contract until Manpower ceases services. This motion was not seconded and, therefore, did not go to a vote.

4. Approval of Minutes of August 16, 2006 Meeting

The Board members discussed the changes to section 5(b) of the August 16, 2006 meeting minutes. Ms. Mayr requested that the term "if used" be removed from the second paragraph of section 5(b). The Board agreed. In response to a question from Ms. Mayr, Mr. Mueller explained that Virchow, Krause & Company, LLP had no issue with the changes requested by the Board with regard to the annual report.

The Board reviewed and approved the minutes of the August 16, 2006 Pension Board meeting, as amended, 7-0-1. Motion by Dr. Roepke, seconded by Ms. Bedford. Mr. Ostermeyer abstained because he did not attend the meeting.

5. Election of Chairman

The Board unanimously agreed to present former Chairman, Walter Lanier, with a plaque and a letter of thanks prepared by Mr. Grady, Mr. Huff and Mr. Hohrein. Motion by Ms. Mayr, seconded by Dr. Roepke.

Dr. Roepke suggested approaching the County Board for a proclamation. Mr. Martin indicated that he would consult with Mr. Grady and then approach the County Board.

Dr. Roepke asked Mr. Grady whether an elected Board member could serve as Chairman. Mr. Grady stated that an elected member could serve as Chairman. Dr. Roepke announced his candidacy for Board Chairman.

Ms. Bedford nominated Dr. Roepke for Chairman. Ms. Mayr seconded the nomination. Dr. Roepke accepted the nomination.

Mr. Weber nominated Mr. Martin for Chairman. Mr. Ostermeyer seconded the nomination. Mr. Martin accepted the nomination.

Upon a roll call vote, Dr. Roepke was elected Chairman. Mr. Parish, Ms. Mayr, Mr. Cohen, Dr. Roepke and Ms. Bedford voted for Dr. Roepke. Mr. Weber voted for Mr. Martin. Mr. Ostermeyer first passed, but then voted for Dr. Roepke, who had received five votes. Mr. Martin abstained from voting.

Congratulations were offered to Dr. Roepke and he accepted the Chairman position. Dr. Roepke requested that Mr. Martin continue to serve as Vice Chairman and to continue to serve as Chairman for the remainder of the meeting.

6. Report of the Retirement System Fiscal Officer – Pension Board Annual Report

Mr. Mueller reported that based on the rate of return determined by Buck, the following language would be added to the annual report:

The rate of return on total assets of the pension fund, net of investment expenses, was 8.3% and 12.9% for the years ended December 31, 2005 and 2004, respectively.

He indicated that the following language would be deleted from the annual report:

For the year ended December 31, 2004, the rate of return on the investment assets was 14.3% compared to 25.1% for the year ended December 31, 2003.

In response to a question from Ms. Mayr, Mr. Mueller explained that he did not include the reference to a 9.5% rate of return in the annual report because that rate of return was calculated from only a portion of the investment assets.

7. Investments

(a) Mercer Report

(i) Flash Report

Ms. Finney-Cooke presented the flash report for August 2006. Mr. Blalock was available by phone. Ms. Finney-Cooke stated that ERS's assets were valued at \$1.6 billion at the end of August, representing a 2.2% gain in assets.

Ms. Finney-Cooke reviewed market performance for the month. She noted that growth outperformed value in the large cap arena while value slightly outperformed growth in the small cap arena. She also stated that the international developing market investments gained 2.8% and the international emerging market investments gained 2.6% in August.

Ms. Finney-Cooke also addressed manager performance in her flash report presentation. She indicated that Hotchkis and Wiley Capital Management, Artisan Partners LLC, and Reinhart & Mahoney were ahead of their benchmarks. She also reported that EARNEST Partners LLC was about 100 basis points behind its benchmark. Ms. Mayr inquired as to when the high yield fixed income and core fixed income would be brought in balance with ERS's policy. Mr. Blalock agreed that there is a slight imbalance when compared to the policy. Ms. Finney-Cooke noted that Mercer explained to Loomis, Sayles & Company, L.P., which manages both pieces, what needed to be accomplished, but did not set a deadline for doing so. Mr. Blalock explained the advantages of allowing the manager to decide between the investment strategies. In response to a question from Ms. Mayr, Mr. Blalock stated that a deadline could be set and that he would direct Loomis, Sayles & Company, L.P. to bring the portfolios in line with the investment policy.

Ms. Finney-Cooke noted that the Ariel portfolio was liquidated on September 5, 2006 and all assets were invested in the small cap Russell 2000 Value iShares. Dr. Roepke requested that Ariel continue to be listed in the flash report for a period of time. Ms. Mayr opined that the Board does not need to continue to list rejected managers. Mr. Ostermeyer suggested that listing rejected managers was an opportunity for Board education.

In addition, Mr. Ostermeyer requested that the flash report be constructed so that it only reflects the relevant benchmark for each manager. Specifically, he explained that when a benchmark is activated after five years and the manager has been managing assets for five years, then that benchmark should be listed. He noted that benchmarks should not be listed before this time and that old benchmarks should not be listed. Ms. Finney-Cooke and Mr. Blalock agreed to adjust the flash report accordingly.

(ii) Commission Recapture Report

Ms. Finney-Cooke indicated that the commission recapture report will be discussed at the next Investment Committee meeting.

Dr. Roepke asked for an explanation of the report. Mr. Blalock explained that the commission recapture line refers to using one of the three recapture brokers hired by ERS. He stated that ERS's goal could be accomplished with net commissions rather than using recapture brokers because commission rates have fallen with electronic network trading.

(b) Committee Report

Ms. Riley reported that the Investment Committee met and renegotiated with AQR Capital Management ("AQR") to manage a separate account as an investment manager. She stated that the contract between AQR and ERS is now complete. AQR requested an exemption from Exhibit D to the investment policy so that all trades could go through an electronic network because AQR does not use regular brokers. AQR also asked that the investment policy limits on derivatives and futures be waived so that the derivatives and futures may be used to satisfy the cash needs of the Board more quickly. Mr. Blalock indicated that waiving limits on derivatives and futures is part of the "equalization of cash," which was discussed at the Investment Committee meeting.

The Board unanimously agreed to enter into a contract with AQR with the following conditions: (1) AQR is exempt from investment policy Exhibit D, (2) AQR is allowed to use Russell 2000 futures and derivatives to satisfy ERS's cash needs more quickly and (3) Mr. Martin is authorized to execute to contract. Motion by Dr. Roepke, seconded by Ms. Bedford.

8. Implementation of New Technology Software – Vitech Systems

Mr. Campbell, the ERS project manager for the V3 project, and Mr. Rodriguez, of Vitech, made a presentation regarding the status of the V3 project. Mr. Hohrein introduced Mr. Campbell and explained that he started with ERS on August 14, 2006 to assist with the V3 project. Mr. Hohrein noted that Mr. Campbell has over 20 years experience as a project manager. Mr. Campbell will create a structured and disciplined plan for the project implementation. His goals include communication, accountability, collaboration and positive feedback.

Mr. Campbell identified the following significant issues related to the V3 project, along with his proposals for correcting them:

(a) ERS Resource Availability

Mr. Campbell noted that there are fewer people available at ERS to act as subject matter experts than are needed. He proposed to retain help from outside of ERS to do the jobs of subject matter experts to the extent possible, thus freeing up subject matter experts for the V3 project.

(b) ERS Resource Expectations

Mr. Campbell stated that there are issues of expectations on both the part of the County and Vitech. He indicated that in order to solve these issues, he is determining the needs of each party and will then work with each party on meeting the others' expectations.

(c) Scope of Project

Mr. Campbell explained that the scope of the V3 project is currently shifting. He noted that he is managing the scope of the project by placing expectations on each party and anything different from his explicit expectations will involve change orders.

(d) Data Integrity Issues Within the County Data System

Mr. Campbell expressed concerns regarding data integration in the County data system. He explained that ERS must clean up data before it enters it into the system. He indicated that it could take up to six months to clean up the over 120,000 records with data problems. In addition, he stated that ERS is continuing to use the system live, which exacerbates the issue of cleaning the data.

(e) Records Room Preparation for Document Imaging

Mr. Campbell noted that ERS needs to scan between 800,000 and 1,000,000 documents through document imaging. He stated that ERS is not ready to do so at this time. He also mentioned that it will take approximately 12 months to scan all of these documents once the scanning begins. Mr. Campbell proposed that the County finalize a list of documents to be scanned and also finalize records room readiness by November 1, 2006 so the scanning project may begin.

(f) Life/Medical Module

Mr. Campbell explained that the interface between ERS and the County life and health information system is not presently operative. He discussed with the Board that determining whether the information comes from Ceridian or from Vitech may impact the work plan for the V3 project. Mr. Campbell suggested that this discussion should continue and the Board may ultimately need to determine whether Ceridian or Vitech will resolve the interface.

(g) Project Work Plan

Mr. Campbell stated that Vitech is managing its plan without any ERS resources. He proposed that ERS and Vitech should work together to prepare a project work plan which should include all remaining project activities with realistic target dates for completion and also including milestones.

Mr. Campbell proposed completing Vitech's work based upon assumptions about ERS data. He stated that ERS's resources were far more limited than anticipated by Vitech. He also noted that there is a great need to leverage subject matter experts and allow the subject matter experts to balance their current jobs. Accordingly, Mr. Campbell is managing two milestones and he is adding all other functions to the project work plan. He explained that the project is a minimum of 3 months behind schedule and that he expects completion in early 2008. He noted that the project chart indicates that the project is behind in many areas. He reiterated that he is not pointing fingers and he believes ERS and Vitech did an incredibly good job on this project without a project manager. Lastly, he stated that Vitech cannot retain all of the costs it will incur based on the changes in the project. In regard to these costs, he indicated that he will get a cost estimate for Vitech for project overruns. He suggested that overruns should be at least partially offset by what Mr. Campbell believes are excessive changes in the Vitech contract.

Mr. Martin inquired as to whether the 120,000 records with data problems could have been identified earlier. Mr. Campbell explained that a technology professional would have spotted the data problems, but that a non-technical staff member would not be expected to catch the data problems. He noted that Vitech assumes that the data is clean when it receives the data. He also stated that Vitech may be able to clear some data on a mass basis. However, Mr. Campbell indicated that the problems were created over several years when ERS staff used an insufficient system to add the data. Dr. Roepke asked what type of resources are needed for data cleansing. Mr. Campbell responded that two people are needed to enter the data and one is needed to test the data.

Mr. McDowell joined the meeting. He thanked the Board members for their patience. He noted that the data errors have been going on for years and that this correction process needs to be done accurately. He also explained that there must be a connection with the health system in correcting these problems. He indicated that he is going to the County Board committees next week to seek additional funding and that the new payroll system will not be available until 2007. Ms. Bedford expressed concern in renegotiating a contract with Vitech. She inquired as to when the appropriate time to discuss this contract negotiation would be and also inquired as to the current status of the contract negotiation. Mr. Campbell stated that the hourly rates that the Board agreed to are higher than he would have accepted, but the Vitech contract going forward will be negotiated so that the higher rates are taken into account when assessing the additional requirements of what ERS will need from Vitech. Mr. Campbell explained that he will come back with more reasonable rates from Vitech.

Dr. Roepke asked Mr. McDowell how the needs of ERS will be filled. Mr. McDowell indicated that he will proceed to fill permanent positions. He noted that he is creating positions and funding them through the County Board for the permanent needs of ERS. Mr. McDowell explained that he knows ERS's goal is to free up knowledgeable employees to assist on this project. He also reminded the Board that the training of new employees takes time.

The Board discussed the issue of hiring permanent versus temporary employees. Mr. McDowell indicated that he would like to focus on permanent positions rather than hiring temporary employees. Dr. Roepke asked that the needs of ERS be brought to the attention of the Board in advance of the next meeting so that the Board could evaluate such needs at the next meeting. Mr. McDowell stated that he would report back to the Board on two new permanent positions for ERS.

9. Approval of Lump Sum Requests Under Rule 1021

Mr. Martin suggested that the requirements for lump sum distribution be discussed in general terms in anticipation of likely lump sum distribution requests next month. Mr. Martin recalled only one lump sum distribution in his tenure on the Board. Mr. Grady noted that lump sum distributions are different than backDROP distributions. He explained that the proposed reconsideration of future lump sums would be taken up by the Audit Committee.

Dr. Roepke asked if an ERS member would still receive retiree medical benefits after the member takes a lump sum distribution. Mr. Grady indicated that there is a legal opinion from former Corporation Counsel, Robert Ott, stating that an ERS member who receives a lump sum distribution is still an ERS member for retiree medical purposes. Dr. Roepke then inquired regarding the availability of life insurance to an ERS member who receives a lump sum distribution. Mr. Grady stated that there is no rule currently in place on that issue.

Next, Mr. Grady and Mr. Huff explained that the Board adopted Rule 1021 to address and balance the concerns regarding the duties of the Board to ERS, an individual ERS member and the beneficiaries of an individual ERS member. Ms. Mayr asked whether ERS should eliminate Option 7, which allows for lump sum distributions. Mr. Ostermeyer noted that with non-governmental pension plans, the plan generally either has or does not have a lump sum distribution, but that the Board does not have discretion as to whether such benefit should be available.

The Board also discussed the expense of applying for a lump sum distribution. Mr. Martin noted that the Board pays for an ERS member's credit report, medical board evaluation and actuarial calculation (minus a \$50 recovery). Mr. Ostermeyer commented that the Board may wish to address the possibility of increasing the expense of applying for a lump sum distribution. Mr. Grady suggested that this issue be taken up at an Audit Committee meeting. Mr. Martin added that any lump sum distribution should be tested for compliance with Code section 415 limits.

10. Legal Update

Mr. Grady provided the following report on pending cases affecting ERS:

(a) *Zieger et al v. Milwaukee County et al*

Mr. Grady explained that the Court of Appeals affirmed that the lawsuit is over. However, the union will argue that the issue must be arbitrated.

(b) *Bilda et al v. Milwaukee County et al*

Mr. Grady stated that Reinhart Boerner Van Deuren s.c. responded to the plaintiffs' motion to the Wisconsin Supreme Court and that the petition is still pending.

(c) *Milwaukee County et al v. Mercer Human Resource Consulting*

Mr. Grady reported that there has been no ruling by the judge in the federal court case against Mercer.

11. Closed Session

The Vice Chairman stated that the Board could enter closed session for considering financial, medical, social or personal information, of which the Board has actual knowledge and which, if discussed in public, would be likely to have a substantial adverse effect upon the reputation of the person mentioned. For example, the Board may elect to enter closed session to discuss an individual's disability retirement application, which may entail discussions of, among other things, medical records of the applicant.

The Board unanimously agreed by roll call vote to enter closed session to consider Item 12.

12. Disability Application – Curtisthene Montgomery (Accidental)

Upon returning to open session, the Board took the following action:

Consistent with the recommendation of the Medical Board, the Board unanimously agreed to deny the accidental disability application of Curtisthene Montgomery. Motion by Dr. Roepke, seconded by Mr. Weber.

13. Administrative Matters

Dr. Roepke announced that the most recent publication of the International Foundation of Employee Benefit Plans indicated that trustees have a fiduciary duty to encourage younger members to invest for their retirement. Accordingly, he stated that he is beginning Investment Club for Milwaukee County Zoo employees to help the members to better maximize on retirement investment returns. Dr. Roepke noted that he will be distributing some of the materials he has received from the Wharton School to the Investment Club.

Dr. Roepke thanked the Board for electing him to serve as Chairman. He stated that he will need meetings with many people to begin his tenure. Mr. Martin

indicated that he learned in his brief time in the role of Chairman that Mr. Lanier handled a great number of matters. He explained that he has talked extensively with Mr. Hohrein, Mr. Grady and Mr. Huff. Mr. Martin further commented that Mr. Lanier helped in ensuring that the committee structure ran properly.

Dr. Roepke stated that he is sincere in saying that Mr. Lanier's shoes would be difficult to fill. He asked for ERS to pay for a gathering of the Board to present a plaque to Mr. Lanier for his service to the Board and to ERS. Dr. Roepke indicated that the vendors would pay for themselves. He stated that the room expenses would be prorated and he would ask to use the Milwaukee Club, as has been the recent tradition. In response to a request from Ms. Mayr, Mr. Grady agreed to submit the matter to the Ethics Board for review. Mr. Ostermeyer noted that he believes that fiduciaries should also pay for their own expenses for the meal.

The Board voted 7-1, with Mr. Ostermeyer dissenting because he believes that the fiduciaries should pay their own expenses, to have ERS host a lunch or dinner in Mr. Lanier's honor, with vendors paying for themselves (but not for others). Motion by Dr. Roepke, seconded by Ms. Mayr.

In response to a question from Ms. Bedford, Mr. Grady indicated that the County Executive had not yet appointed a ninth Board member.

The Board stated that the next retirement planning session for members considering retirement is on October 11, 2006. Mr. Hohrein distributed a notice regarding that meeting.

Mr. Hohrein explained that he will attend a Retired Employees of Milwaukee County ("REMCO") meeting in October to address some good questions that the REMCO members have asked in advance.

The Board noted that the Wharton School attendance had been preapproved for Dr. Roepke and Ms. Bedford, as well as anyone else who would like to attend within the Board rules.

14. Adjournment

The meeting adjourned at 1:15 p.m.

Submitted by Steven D. Huff,
Assistant Secretary to the Pension Board