

EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE
MINUTES OF THE SEPTEMBER 16, 2009 PENSION BOARD MEETING

1. Call to Order

Chairman Dr. Dean Roepke called the meeting to order at 8:30 a.m. in the Green Room of the Marcus Center, 127 East State Street, Milwaukee, Wisconsin 53202.

2. Roll Call

Members Present:

Linda Bedford (Vice Chair)
Donald Cohen
Keith Garland
Jeffrey Mawicke
Dr. Dean Roepke (Chairman)
Dr. Sarah Peck
Guy Stuller

Members Excused:

Mickey Maier
Marilyn Mayr

Others Present:

David Arena, Director of Employee Benefits, Department of Administrative Services
William Domina, Corporation Counsel
Mark Grady, Principal Assistant Corporation Counsel
Gerald Schroeder, ERS Manager
Dale Yerkes, Assistant to the Fiscal Officer
Vivian Aikin, ERS Administrative Specialist
Monique Taylor, ERS Clerical Specialist
Bess Frank Ad Hoc Oversight Committee
Steven Huff, Reinhart Boerner Van Deuren s.c.
Leigh Riley, Foley & Lardner LLP
Chris Trebatoski, Weiss Berzowski Brady LLP
John Busch, Michael Best & Friedrich LLP
Brett Christenson, Marquette Associates, Inc.
Ray Caprio, Marquette Associates, Inc.
John Breedis, GMO
Carolyn Van Putten, GMO
Mr. Kneuppel, Husband of Appellant
Paul Weston, Retiree
Ken Loeffel, Retiree
Yvonne Mahoney, Retiree

Steve Schultze, Reporter, *Milwaukee Journal Sentinel*

3. Chairman's Report

The Chairman noted that he did not have anything new to report.

4. Minutes of the July 15, 2009 Pension Board Meeting

The Pension Board reviewed the minutes of the July 15, 2009 Pension Board meeting.

The Pension Board unanimously approved the minutes of the July 15, 2009 Pension Board meeting. Motion by Ms. Bedford, seconded by Mr. Cohen.

5. Reports of Employee Benefits Director, ERS Manager and Fiscal Officer

(a) Retirements Granted, July and August

Mr. Schroeder presented the Retirements Granted Reports for July and August 2009. He reported that 28 retirements were granted in July, noting that 11 retirees elected back DROPS, in amounts totaling \$890,653. He stated that 21 retirements were granted in August, pointing out that 5 retirees elected back DROPS, in amounts totaling \$274,793.

(b) ERS Monthly Activities Report, July and August

Mr. Schroeder indicated that there were 7,374 and 7,435 retirees at the end of July and August, respectively and that ERS paid out \$11,240,751 in benefit payments in July and \$10,837,123 in August. He stated that ERS is on pace to pay out \$1 million less in benefit payments in 2009 than in 2008.

Mr. Schroeder reviewed the status of the records maintenance projects. He stated that the project involves culling files for over 4,000 cases, cleansing data for 6,000 cases and scanning documents for approximately 5,000 cases.

Mr. Schroeder provided the Board with an updated Board member directory with corrected information and contact information for all of ERS's service providers.

Mr. Schroeder stated that the ERS Retirement Office is fully staffed. The Chairman applauded Messrs. Arena and Schroeder for their efforts and progress in staffing ERS. Mr. Schroeder pointed out that Mr. Mueller is retiring in about a month and the Fiscal Officer position will be temporarily vacant.

Mr. Arena discussed several brief informational items. He stated that the mezzanine records facility at the courthouse holds pension records dating back to 1938. He indicated that the Retirement Office is cleaning up this area and bringing it up to best practices standards by taking actions such as installing sprinklers. He also stated that there is a modern records facility on the second floor of the courthouse. He commented that ERS is keeping 25 years of records in hard copy, which is more than required by the County's record retention policy. He noted that these projects should be completed in a month. He indicated that ERS keeps certain records offsite in modern, safe facilities because it is more economical. He pointed out that ERS is electronically imaging all new records.

Mr. Arena stated that ERS is keeping retirees informed in a cost-effective manner through the ERS Communicator, which is included on the back of the retirees' direct deposit advice. He indicated that 38 of the 150 people who are still receiving manual checks have converted to direct deposit.

(c) Waivers – Dan Goeden, Director of Fleet Management

Mr. Schroder reported that four benefit waivers were submitted to the Retirement Office by Mr. Goeden, Director of Fleet Management.

The Pension Board voted 6-1, with Mr. Stuller dissenting, to accept the waivers presented by Mr. Goeden. Motion by Dr. Peck, seconded by Mr. Cohen.

(d) Cash Flow Report

Mr. Yerkes reported that according to Marquette's report, 12 of ERS's investment managers charge below average fees, one manager charges the average and 2 managers charge above average fees. In response to a question from Mr. Garland, Mr. Yerkes stated that he will review how the managers' performance compares to their fees. He compared Marquette's fees to Mercer's fees, noting that Marquette's fees were \$32,500 higher than the fees Mercer charged last year, but noted that Marquette's fees are \$25,000 lower than what Mercer would have charged so far this year based on Mercer's RFP response.

Mr. Yerkes forecasted that ERS will have \$4 million less cash outflow than predicted due to \$2 million less than projected for benefit payments and \$2 million more than projected for income and dividends. Mr. Yerkes stated that ERS will need \$10 million per month for benefit payments for October, November and December for benefit payments.

The Pension Board unanimously approved the Fiscal Officer's request of \$10 million per month for October, November and December benefit payments from a source to be determined by Marquette. Motion by Mr. Cohen, seconded by Mr. Stuller.

The Chairman stated that Mr. Mueller will be retiring at the end of October and the Pension Board will be invited to a send off. Mr. Schroeder indicated that there will be an after-work gathering for Mr. Mueller on October 22 and a luncheon on October 28.

(e) V3 Self-Service Handout

Mr. Schroeder stated that Mr. Pillai will provide a V3 status update at the October Pension Board meeting. Mr. Schroeder indicated that the V3 System has been very successful with providing timely and accurate benefit payments. He noted that there are some minor problems that need to be corrected, such as ensuring that military service is being picked up.

Mr. Schroeder stated that V3 self-service will go live on October 5. He noted that hour-long training sessions will be held on September 23 and 24 from 8 a.m. to 4 p.m. at the Zoofari Center. He commented that there may be more training sessions and there will be e-mails and communications regarding the V3 self-service features. He explained that during Phase I of service-service, users can download forms, review demographic information and provide updates to basic information. He also stated that the V3 benefit estimator calculator is being tested.

6. Investments

(a) GMO

Mr. Breedis and Ms. Van Putten distributed a report and presented on GMO's management of ERS's international large cap and international small cap strategies. In response to a question from the Chairman, Ms. Van Putten stated that GMO has been managing money for ERS since 1995. She stated that GMO is independent and privately held, and has recently added staff.

Ms. Van Putten reported that since inception, the international large cap strategy has beat the EAFE value benchmark by 87 basis points, net of fees, and the EAFE index by 266 basis points. She stated that the international intrinsic value strategy is GMO's flagship product. Ms. Van Putten pointed out that ERS hired GMO to manage the international small cap strategy, which GMO has managed since 1987, in June of this year. She noted that

the international small cap strategy's benchmark was down 48% in 2008, while GMO was only down 42%.

Mr. Breedis stated that GMO employs four key concepts in its investment philosophy and approach. He reviewed the four factors, which include: fundamental value, quality is worth a premium, short-term momentum complements long-term value and quantitative analysis.

Mr. Breedis reviewed the construction of the portfolios. He stated that the international intrinsic value strategy involves bottom-up stock selection, and he explained that process. In response to a question from Dr. Peck, Mr. Breedis indicated that GMO looks at P/E ratios or intrinsic value to forecast future earnings. He stated that high quality companies have high and stable profits and low amounts of debt. He noted that barriers to entry are also an indicator of high quality companies.

He commented that banks are not currently considered high quality companies by GMO because they do not have stable profits. He stated that momentum is one of the best predictors of earnings growth. In response to questions from Dr. Peck and Ms. Bedford, Mr. Breedis stated that GMO often holds other financial services companies, but not at the present time. In response to a question from the Chairman, Mr. Breedis stated that GMO is watching how the medical care legislation pending in Congress impacts the pharmaceutical companies. Mr. Breedis noted that health care is currently GMO's most overweight sector.

Mr. Breedis discussed GMO's three stock selection approaches. He indicated that GMO looks at quality adjusted value, intrinsic value and momentum. He explained how GMO's process of blending value 80% and momentum 20% reduces the tracking error. He presented a chart showing how the three stock selection disciplines have fared since January 2008. He commented that GMO would purchase a low quality stock if the price were cheap enough. He stated that the international small companies strategy follows the same process as the large cap strategy, but uses a universe of the lowest 15% of capitalized companies and also uses a 70/30 split for value and momentum.

Mr. Breedis reviewed GMO's portfolio holdings. He indicated that GMO was overweight in health care and underweight in financials, and is now bringing its holdings back to the benchmark levels.

In response to a question from Dr. Peck, Mr. Breedis stated that the average holding period for a stock selected based on momentum is 8 months and 18 months for a stock selected based on value. In response to a follow-up

question from Dr. Peck, Mr. Breedis stated that GMO will sell a stock unless it has a relatively large dividend or is still considered cheap.

Mr. Breedis discussed GMO's country allocation. He commented that Japanese stocks are considered cheap and there is nice rebound potential in Japan. He stated that GMO is underweight in Japan.

(b) Marquette Associates, Inc. Report

Mr. Christenson reviewed the ERS performance report for the second quarter. He reviewed the market values and allocations, with the pension obligation bonds cash overlay amounts included, as of June 30, 2009. He reported that ERS's fixed income allocation was 43.3% as of June 30, which was 11% overweight. He indicated that ERS was allocated 26% to domestic equities, which was 3% overweight. He pointed out ERS was .2% overweight in international equities. He commented that the main reason that ERS was overweight in these classes is that ERS does not have any assets in some of the new asset classes yet. Mr. Christenson stated that the original \$397 million from the pension obligation bonds and the \$29 million received from the Mercer settlement was fully invested by the end of August.

Mr. Christenson reviewed ERS's year to date performance as of June 30, 2009. He indicated that ERS was up 37% as of June 30, 2009, which ranked in the 52nd percentile for total public plans and the 48th percentile for plans with more than \$1 billion in assets. He noted that ERS was up 8.2% in the second quarter, which was below the median for both benchmarks. He explained that the reason ERS's performance has lagged is its relatively low allocation to domestic equities, 26%, compared to the median public fund, which has 40% of its assets allocated to domestic equities. He stated that ERS's asset allocation is more conservative compared to its peers.

Mr. Christenson reviewed the quarterly performance of the asset classes compared to ERS's peers. He stated that there has been a strong rebound in the markets since March 9, 2009. He indicated that ERS is very efficient in the fees it pays its managers.

Mr. Christenson indicated that ERS had approximately \$1.7 billion in assets and was up 8.8% for the year at the end of July. He stated that July was a good month in the markets, which resulted in a \$100 million increase in assets for ERS. He reviewed ERS's asset allocation, noting that ERS was in compliance with its guidelines.

Mr. Christenson reviewed the performance for each asset class in July. He stated that the stock and bond markets were up slightly for August and the U.S. stock market hit its yearly high on September 15. He indicated that most managers are in line with or beat their benchmarks. He pointed out that AQR was up 12.2% and had a nice rebound. He noted that ERS was up 14.62% through July on the pension obligation bond funds that were invested through the cash overlay program. In response to a question from Mr. Grady, Mr. Christenson stated that ERS has been earning 25 basis points on uninvested cash, which needs to be added to the cash overlay figures to calculate the complete return.

Mr. Christenson indicated that Marquette will update the action list and resend it to the Board. He noted that three out of the four transition managers have completed contracts with ERS. He stated that Marquette will obtain quotes from the three transition managers for transferring \$38 million to small cap value managers and \$46 million to emerging markets managers. Mr. Grady suggested the Board should approve the transfers before the October Pension Board meeting.

Mr. Christenson stated that the schedule for issuing RFPs has changed and Marquette will issue the infrastructure RFP before the long/short RFP. He explained the reasoning behind doing so. He indicated that the long/short manager RFP will be issued in November and the real estate RFP will be issued in 2010.

The Pension Board unanimously agreed to approve Marquette's recommendation that ERS transfer \$38 million to the small cap value manager and \$46 million to the emerging markets manager from the pension obligation bond funds. Motion by Dr. Peck, seconded by Ms. Bedford.

(c) Investment Committee Report

Dr. Peck stated that there have been two Investment Committee meetings since the last Pension Board meeting. She indicated that Wells Fargo presented the Investment Committee with a proposal which Mr. Mueller suggested rejecting because it would provide ERS with no additional earnings. Dr. Peck stated that the Investment Committee reviewed an asset allocation update provided by Marquette.

Dr. Peck noted that the Investment Committee listened to a presentation by IFM on investing in infrastructure. She reported that the Investment Committee discussed IFM's presentation. Dr. Peck reported that she and Dr. Roepke had questions on IFM's valuation and corporate governance.

Dr. Peck indicated that the Investment Committee will continue its education on the long/short investment strategy. She stated that a panel consisting of Mr. Maier, Dr. Roepke, Ms. Bedford and she will listen to the infrastructure manager finalists in November.

(d) RFP for Small Cap Value Manager(s)

Ms. Bedford moved that the Pension Board adjourn into closed session under the provisions of Wisconsin Statutes section 19.85(1)(s) with regard to items 6(d) and 6(e) to deliberate the investing of public funds due to competitive or bargaining reasons. At the conclusion of the closed session, the Board may reconvene in open session to take whatever actions it may deem necessary concerning these matters.

The Pension Board voted by roll call vote 7-0 to enter into closed session to discuss agenda items 6(d) and 6(e). Motion by Ms. Bedford, seconded by Mr. Cohen.

The Pension Board discussed the small cap value investment manager RFP finalists in closed session.

Upon returning to open session, the Pension Board voted 6-1 by roll call vote, with Mr. Stuller dissenting, to select Fiduciary Management Associates as one of ERS's small cap value equity managers subject to successful contract negotiations. Motion by Dr. Peck, seconded by Ms. Bedford.

(e) RFP for Emerging Markets Manager(s)

The Pension Board discussed the emerging markets investment manager RFP finalists in closed session.

Upon returning to open session, the Pension Board unanimously agreed to select Baring Asset Management as ERS's emerging markets investment manager subject to successful contract negotiations. Motion by Dr. Peck, seconded by Ms. Bedford.

7. Audit Committee Report

Mr. Stuller stated that the Audit Committee met twice since the last Pension Board meeting. He indicated that the Audit Committee only has one action item for the Pension Board. Mr. Grady stated that the Rule 1013 needs to be amended to clean up the numbering of the benefit options because of the V3 System conversion. He indicated that the proposed amendment changes the designation of benefit options 4 and 5 to match up with the actual operation of the V3 System.

The Pension Board unanimously agreed to adopt the proposed amendment to Rule 1013 attached to these minutes as Exhibit A. Motion by Mr. Stuller, seconded by Mr. Garland

8. Annual Meeting Planning

Mr. Schroeder stated that the annual meeting is tentatively scheduled to be held on the second Wednesday in February. He recommended that the Pension Board provide breakfast but no lunch at the annual meeting. He also stated that the Pension Board must decide whether to hold the meeting at the Zoofari Center, the Marcus Center or elsewhere. Mr. Loeffel agreed that there should not be a lunch and stated that many retirees prefer meeting at the Zoofari Center.

In response to a question from Mr. Stuller, Mr. Arena stated that ERS could notify employees of the meeting through the ERS Communicator and could also explore other options. In response to a question from Mr. Garland, the Chairman stated that the purpose of the annual meeting is to provide an update on the state of the pension system. The Chairman indicated that retirees are invited to attend, while traditionally employees have not been specifically invited to attend. In response to a question from Mr. Stuller, the Chairman stated that ERS has not taken a head count of attendees in the past.

The Pension Board unanimously agreed to hold the annual meeting at the Zoofari Center on the second Wednesday of February and to provide a continental breakfast to the attendees. Motion by Mr. Cohen, seconded by Ms. Bedford.

9. 2010 Employee and Retiree Elections – Votenet Contract

Mr. Schroeder discussed the need to decide how to hold the Pension Board elections in 2010. He indicated that an employee member term begins on March 1, 2009 and the retiree member term begins November 1, 2009. He noted that the Retirement Office must provide the candidacy materials to the candidates for the employee member election in December.

Mr. Schroeder stated that Vote Net will simply extend the current contract with ERS and presented ERS with three fee quotes. The first quote was to hold the employee election online for a cost of \$3,495. The second quote would hold the employee election online and hold the retiree election by phone for a cost of \$8,995. The last quote was for \$9,995 for the employee election to be held online and over the phone and for the retiree election to be held by phone. Mr. Schroeder stated that holding the vote by mail would be much more expensive. Mr. Grady stated that Ms. Mayr authorized him to say that she favors voting by phone for the retiree election.

In response to a question from Mr. Stuller, Mr. Arena stated that his staff recommends selecting online voting for the employee election and phone voting for the retiree election at a cost of \$8,995. Mr. Schroeder stated that 13 kiosks will be available at different locations and help will be available to voters if needed. In response to a question from Dr. Roepke, Mr. Schroeder stated that ERS could increase its voting percentage by better publicizing the election and stressing the importance of the Pension Board.

Mr. Arena suggested that the Board consider the option of holding the election on a Friday and Monday to allow more time for people to vote. The Chairman suggested that some of the savings by holding the elections online or by phone should be spent on communicating the purpose and importance of the Board. The Chairman requested Mr. Schroeder to obtain a price quote for phone and online voting for the employee election for further consideration at the October meeting.

10. Administrative Matters

The Chairman stated that the International Foundation of Employee Benefit Plans will be hosting its annual conference in Orlando from November 8 through November 11. He reminded the Board that continuing education is valuable for ERS.

The Pension Board unanimously approved the attendance of any interested member at the International Foundation of Employee Benefit Plans annual conference in Orlando from November 8 through November 11. Motion by Dr. Peck, seconded by Ms. Bedford.

11. Valerie Kneuppel Claim Appeal

Ms. Bedford moved that the Pension Board adjourn into closed session under the provisions of Wisconsin Statutes section 19.85(1)(g), with regard to items 11, 12 and 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 voted by roll call vote 7-0, to enter into closed session to discuss agenda items 11, 12 and 13. Motion by Ms. Bedford, seconded by Mr. Cohen.

The Pension Board discussed Ms. Kneuppel's claim appeal in closed session.

Upon returning to open session, the Pension Board voted 6-1, with Mr. Stuller dissenting, to deny Ms. Knueppel's claim appeal. Motion by Dr. Peck, seconded by Ms. Bedford.

12. Paul Weston Claim Appeal – Denied Purchase of SVC/Buy In

In open session, Mr. Weston presented his appeal regarding ERS's denial of his request to purchase prior service credit. He noted that he retired in October 1990 and discovered in June 2009 that his successor in the position he was in from December 1961-62 received pension service credit. He stated that he was told at that time by the Retirement Office that his unclassified position was not eligible for benefits. He indicated that he is requesting a recalculation of his pension with an additional year of service.

In closed session, the Pension Board discussed Mr. Weston's appeal of ERS's denial of his request to purchase prior service credit.

Upon returning to open session, the Pension Board voted 6-1, with Mr. Stuller dissenting, to deny Mr. Weston's request to purchase service credit because his position was not a position eligible for enrollment in ERS and his request was made after the buy in program sunset. Motion by Mr. Cohen, seconded by Ms. Bedford.

13. Pending Litigation

The Pension Board discussed its pending litigation in closed session.

(a) Mark Ryan, et al. v. Pension Bd.

The Pension Board determined that there is nothing new to report.

(b) Milw. Cnty. et al. v. Mercer Human Resources Consulting

The Pension Board discussed the Mercer litigation in closed session. Upon returning to open session, the Pension Board unanimously agreed to have counsel send Travelers Insurance notice of disallowance of its request for reimbursement and notify its current carrier of potential litigation. Motion by Dr. Peck, seconded by Mr. Cohen.

14. Report on Special Investigation

The Pension Board determined that there is nothing new to report.

15. Report on Compliance Review

The Pension Board determined that there is nothing new to report.

16. Adjournment

The meeting adjourned at 12:10 p.m.

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

EXHIBIT A

1013. Optional Forms of Payment

(1) *Available forms.* In addition to the forms of payment provided by section 201.24(7.1) of the Ordinances, the following forms of payment shall be permitted pursuant to section 201.24(7.2) of the Milwaukee County Code of General Ordinances. Payment shall be made on the last business day of the month:

(a) *Option 4. Twenty-five (25) percent co-pensioner option.* This form of benefit provides a reduced monthly benefit payable to the member for his or her lifetime with monthly payments continuing upon the death of the member for the life of a designated beneficiary in an amount equal to twenty-five (25) percent of the amount that had been paid to the member during his or her lifetime. Benefit payments shall be made as follows:

[1] During the month of the member's death, the beneficiary and the member's estate will each receive a pro rata portion of the member's lifetime benefit payment payable for the month of the member's death.

[2] Benefit payments will commence to the beneficiary as of the first day of the month following the month in which the member dies.

The amount of the benefit shall be computed pursuant to tables supplied by the actuary to the board. This form of benefit is available without approval of the board.

(b) *Option 5. Seventy-five (75) percent co-pensioner option.* This form of benefit provides a reduced monthly benefit payable to the member for his or her lifetime with monthly payments continuing upon the death of the member for the life of a designated beneficiary in an amount equal to seventy-five (75) percent of the amount that had been paid to the member during his or her lifetime. Benefit payments shall be made as follows:

[1] During the month of the member's death, the beneficiary and the member's estate will each receive a pro rata portion of the member's lifetime benefit payment payable for the month of the member's death.

[2] Benefit payments will commence to the beneficiary as of the first day of the month following the month in which the member dies. Benefit payments to the beneficiary shall continue until the beneficiary dies.

The amount of the benefit shall be computed pursuant to tables supplied by the actuary to the board. This form of benefit is available without approval of the board.

(c) *Option 6. Ten-year certain annuity.* This form of benefit provides a reduced monthly benefit payable to the member for his or her lifetime. If a member who is receiving this form of benefit dies before receiving one hundred twenty (120) monthly payments, then monthly payments in the amount payable at the time of the member's death shall continue to the member's designated beneficiary until a total of one hundred twenty (120) payments have been made in the aggregate to the member and his or her designated beneficiary (or, if the member's designated beneficiary has predeceased the member or dies before a total of one hundred twenty (120) payments have been made, then to the member's spouse, or, if none, then to the member's estate). The amount of the benefit shall be computed pursuant to tables supplied by the actuary to the board. This form of benefit is available without approval of the board.

(d) *Option 7. Any other form.* A member may apply to the board to receive his or her benefits in any other form permitted by section 201.24(7.2) of the Milwaukee County Code of General Ordinances. The board will generally deny any such request on the grounds that the standard six (6) optional forms of benefit set forth in section 201.24(7.1) and in Rule 1013(a)(1), (2) and (3) provide sufficient options to members and that any other form of benefit subjects the system to unnecessary administrative expense and burden. Further, pursuant to Rule 1021, the board will not grant any request for a lump sum benefit. However, the board, in its sole discretion, reserves the right to determine whether to approve a member's application for a benefit under this rule 1013(a)(4). The board shall review such requests pursuant to Rule 1035. The board or, where board responsibility has been delegated to others, such delegates shall have complete authority to determine the standard of proof required in any case and to apply and interpret this rule 1013(a)(4). The decision of the board or its delegates shall be binding upon all persons dealing with the system or claiming any benefit hereunder, except to the extent that such decision may be determined to be arbitrary or capricious by a court having jurisdiction over such

matter. A member shall be required to pay all costs incurred by the system to evaluate each form of benefit requested by the member.

(2) *Beneficiary designation.* If a member elects a form of benefit under which benefits may continue to a beneficiary after the member's death, then the member shall be required to designate a beneficiary in writing on forms approved by the board and submitted to the board at the time the member elects such a form of benefit.

(3) *Actuarial equivalent.* The forms of benefit under section 201.24(7.2) of the Milwaukee County Code of General Ordinances and Rule 1013 shall be the actuarial equivalent of a member's pension as calculated pursuant to Rule 1014.

(4) *Lump sum distribution request.* Pursuant to Rule 1021, a request for any form of benefit that constitutes a lump sum benefit will not be granted. 1013(a)(1), (2) and (3) provide sufficient options to members and that any other form of benefit subjects the system to unnecessary administrative expense and burden. Further, pursuant to Rule 1021, the board will not grant any request for a lump sum benefit. However, the board, in its sole discretion, reserves the right to determine whether to approve a member's application for a benefit under this rule 1013(a)(4). The board shall review such requests pursuant to Rule 1035. The board or, where board responsibility has been delegated to others, such delegates shall have complete authority to determine the standard of proof required in any case and to apply and interpret this rule 1013(a)(4). The decision of the board or its delegates shall be binding upon all persons dealing with the system or claiming any benefit hereunder, except to the extent that such decision may be determined to be arbitrary or capricious by a court having jurisdiction over such matter. A member shall be required to pay all costs incurred by the system to evaluate each form of benefit requested by the member.

Amended effective September 16, 2009.