

**EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE**  
**MINUTES OF THE JULY 16, 2008 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

Roy Felber

Mickey Maier

Marilyn Mayr

John Parish

Dr. Sarah Peck

Dr. Dean Roepke (Chairman)

Members Excused:

Jeffrey Mawicke

Others Present:

David Arena, Director of Employee Benefits, Department of Administrative Services

William Domina, Corporation Counsel

Gerald J. Schroeder, ERS Manager

Vivian Aikin, ERS Administrative Specialist

Sushil Pillai, V3 Project Manager

Gordon Mueller, Fiscal Officer

Dale Yerkes, Assistant to the Fiscal Officer

Bess Frank, Ad Hoc Oversight Committee

Steven Huff, Reinhart Boerner Van Deuren s.c.

Leigh Riley, Foley & Lardner LLP

Kristin Finney-Cooke, Mercer Investment Consulting

Terry Dennison, Mercer Investment Consulting

Kenneth Weinberg, ING Clarion Real Estate Securities

Mark Babiec, ING Clarion Real Estate Securities

Ken Loeffel, Retiree

Louis Metz, Retiree

Nancy Beck-Metz, Retiree

Daniel Peterson, Reinhart Boerner Van Deuren s.c.

Alicia Mohn, Reinhart Boerner Van Deuren s.c.

Jacob Curtis, Reinhart Boerner Van Deuren s.c., Intern

Lauren Storey, Reinhart Boerner Van Deuren s.c., Intern  
Matthew Hofmeister, Reinhart Boerner Van Deuren s.c., Intern

3. Chairman's Report

The Chairman reminded the Pension Board members that they must file their quarterly economic interest statements.

4. Minutes

(a) Minutes of the May 28, 2008 Pension Board Meeting

The Pension Board reviewed the minutes of the May 28, 2008 Pension Board meeting.

**The Pension Board unanimously approved the minutes of the May 28, 2008 Pension Board meeting. Motion by Mr. Cohen, seconded by Ms. Bedford.**

(b) Minutes of the June 18, 2008 Pension Board Meeting

The Pension Board reviewed the minutes of the June 18, 2008 Pension Board meeting.

**The Pension Board voted 7-0-1, with Dr. Peck abstaining due to her absence from that meeting, to approve the minutes of the June 18, 2008 Pension Board meeting. Motion by Mr. Cohen, seconded by Ms. Bedford.**

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

(a) Selection of ERS Manager

Mr. Arena stated that it was his pleasure to announce that Mr. Schroeder has been appointed permanent ERS Manager effective June 30, 2008. Mr. Arena noted that Mr. Schroeder has a master's degree in management and is a veteran of the armed forces. Mr. Arena indicated that Mr. Schroeder previously worked for Milwaukee County and the City of Milwaukee Employees' Retirement System. Mr. Arena stated that he has been extremely impressed working with Mr. Schroeder in his capacity as Interim ERS Manager.

The Chairman congratulated Mr. Schroeder on his position. Ms. Mayr stated that she is pleased and proud to have Mr. Schroeder as the permanent ERS Manager. In response to a question from Ms. Mayr, Mr. Arena stated that he received three other applications for the ERS Manager position as a result of the nationwide search. He commented that he was disappointed with the small number of

applicants, which he attributed to the salary. He stated that ERS is fortunate that Mr. Schroeder, a highly qualified candidate, is available for the position .

(b) Retirements Granted

Mr. Schroeder presented the Retirements Granted Report for June 2008. He reported that 26 retirements were granted in May, noting that 6 retirees elected back DROPs in amounts totaling \$1,065,845.

(c) ERS Monthly Activities Report

Mr. Schroeder reviewed the 2008 ERS Monthly Activities Report. He reported that ERS has paid out \$58,935,181 in benefits in 2008, which is in line with the amount of benefits paid through June in 2007.

Mr. Schroeder stated that there was a 22% increase in the number of direct deposits in June. He pointed out that the direct deposit information for 300-400 additional individuals will be entered into the benefit payment system in July, which will raise the direct deposit utilization rate to between 94-95%. Mr. Loeffel commended Mr. Schroeder for strongly encouraging the use of direct deposit. Mr. Loeffel inquired what will happen when direct deposit utilization rate reaches 95%. Mr. Schroeder stated that the direct deposit issue is on the next Audit Committee meeting agenda. The Chairman stated that the Pension Board is concerned that the 5% of retirees not using direct deposit might not receive their checks on time.

He indicated that a toll free customer service phone number was set up on July 3, especially for out-of-state retirees: 877-MLCOERS (652-6377).

Mr. Schroeder stated that the V3 System training will be intensive and is a very high priority of the Retirement Office. He noted that the plan is for every Retirement Office employee to receive a total of 80 hours of V3 System training in August and September.

Mr. Schroeder explained which of the prior Pension Board meeting minutes have been imaged.

(d) Waivers

The Pension Board reviewed four benefits waivers executed and presented by Gerald Schroeder. Mr. Huff stated that Corporation Counsel had asked his office to review the waivers. Mr. Huff indicated that Mr. Domina wanted to avoid any appearance of a conflict of interest by having Mr. Huff's office review the waivers because Corporation Counsel had signed benefit waivers as well. Mr. Huff

reported that the four waivers signed by Mr. Schroeder are the four standard benefit waivers used by ERS.

**The Pension Board unanimously agreed to accept the waivers presented by Mr. Schroeder. Motion by Ms. Bedford, seconded by Mr. Cohen.**

(e) Cash Flow Report

Mr. Mueller introduced Dale Yerkes, CPA and stated that Mr. Yerkes has been assigned to temporarily assist him with his duties. Mr. Mueller stated that ERS will need cash flow of \$10 million per month for benefit payments until the end of the year and noted that he will come back to the Pension Board if anything changes. He indicated that ERS currently is a little below its standard two-month benefit payment reserves, but that he does not expect any large back DROPs, which would require using the reserves.

**The Pension Board unanimously approved Mr. Mueller's cash flow request for \$10 million per month for benefit payments from August through December 2008 with the source of the funds to be recommended by Mercer. Motion by Ms. Mayr, seconded by Mr. Cohen.**

(f) Annual Report

The Pension Board reviewed the content of the 2007 ERS annual report. Mr. Arena stated that there are possible cost savings by not printing a copy of the annual report for employees. He indicated that ERS would save on paper and shipping costs by posting the annual report online. He noted that ERS would still print and distribute the annual report by mail to the retirees. Ms. Mayr supported Mr. Arena's proposal. Mr. Loeffel pointed out that deferred vesteds do not receive a copy of the annual report. He suggested that ERS could notify retirees on either checks or direct deposit slips that the next annual report will be posted online in 2009 and will not be mailed unless the retiree requests a printed copy of the annual report.

Ms. Mayr stated that the cost savings of posting the annual report online should be determined prior to discontinuing the mailing of the annual report. Mr. Mueller estimated the cost savings to be over \$2 for each copy not mailed. Ms. Mayr noted that it might be contrary to open records law not to mail the annual report. Mr. Felber asked whether ERS is required to print and distribute the annual report. Mr. Huff indicated that he believes that the open records law does not require ERS to print and distribute the annual report to retirees.

Mr. Loeffel stated that the posting of materials on the internet is increasingly being accepted as complying with open records requests. He suggested that ERS post

the materials online and make a printed copy available to those who request a copy. Mr. Felber suggested that the Pension Board ask Mr. Huff to determine the legal requirements for distributing an annual report. Mr. Huff stated that he will research the requirements for distributing ERS's annual report and consult with Corporation Counsel.

**The Pension Board unanimously agreed that so long as it is legally permitted under applicable open records laws and all other applicable Ordinances and statutes:**

**1. The ERS annual report for the year ended December 31, 2007 will be posted online and current Milwaukee County employees and vested deferred members shall not receive a printed copy of the 2007 annual report.**

**2. Milwaukee County employees will receive a communication indicating that the 2007 annual report is available to them online and that a printed copy will be made available to them, if they would like one.**

**3. A printed copy of the 2007 annual report will be sent to retirees receiving benefits from ERS.**

**4. Retirees will receive a notice from the Retirement Office at some point within the next year informing retirees that the annual report for the year ending December 31, 2008 will be available online for retirees, but that retirees will be able to request a printed copy of the annual report. This communication will be sent with the retiree's check or payroll deposit advice.**

**5. The annual report for the year ending December 31, 2008 will be available online for all members and retirees, but all members and retirees will be able to request a printed copy.**

**Motion by Mr. Felber, seconded by Mr. Maier.**

Mr. Mueller stated that the annual report will be sent out in one month. Ms. Mayr suggested that the annual report contain a statement on the status of the Mercer actuarial litigation. Mr. Mueller asked whether there are any other recommendations or issues. A Pension Board member noted that the cover letter letterhead should be updated. Ms. Mayr stated that the financials should indicate when the numbers are in thousands.

**The Pension Board unanimously approved the annual report with appropriate modifications. Motion by Ms. Bedford, seconded by Mr. Cohen.**

6. Investments

(a) Investment Manager Report – ING Clarion

Mr. Babiec and Mr. Weinberg distributed a report on ING Clarion Real Estate Securities' ("ING Clarion") management of ERS's real estate strategy and presented it to the Pension Board on behalf of ING Clarion.

Mr. Babiec stated that ING Clarion invests in real estate securities throughout the world. He reported that there has not been any management changes or litigation against ING Clarion since ING Clarion's last presentation to the Board. He indicated that ING Clarion's stable, deep management team sets ING Clarion apart from its competition. He noted that the team has lost only one senior professional in the last year.

Mr. Maier asked how ING Clarion is impacted if its parent organization needs capital. Mr. Weinberg indicated that ING Clarion Real Estate Securities is a self-contained business and is the largest global Real Estate Investment Trust ("REIT"). In response to a question from Ms. Bedford, Mr. Weinberg stated that the insurance arm is the biggest part of ING.

Mr. Babiec discussed ING Clarion's philosophy for purchasing real estate. He indicated that ING Clarion purchases undervalued real estate securities, manages risk through country and position limits and diversifies globally. He stated that the portfolio is designed with a top-down approach, while securities are selected with a bottom-up approach. He noted that securities selection is based on fundamentals and discipline.

In response to a question from the Chairman, Mr. Weinberg stated that there are better real estate opportunities in Asia than in U.S. and Europe, whose real estate markets are going through corrections. Mr. Weinberg opined that all markets are related, so there will be some pain in Asia as well. He noted, however, that there are some unique real estate risks in Asia.

Mr. Babiec indicated that part of the securities selection process is to meet with the managers. He stated that the investment team gives each security a relative value analysis ranking. He pointed out that the team is looking for companies with low leverage and a strong management team.

Ms. Bedford asked the representatives to explain the structure of a REIT. Mr. Weinberg stated that REITs started in the United States in the 1960's. He indicated that REITs are income-oriented vehicles involving pooled investments in commercial real estate. He noted that REITs pay out 100% of their income as dividends. He pointed out that over 20 countries worldwide offer REITs.

Mr. Babiec stated that ING Clarion also utilizes a disciplined process in deciding when to sell an investment. He explained how the ING Clarion portfolio management team meets daily to make changes to the portfolio. He also discussed how the team sells and investment when the investment reaches its target price, there is a fundamental change in the investment's management team or the ING Clarion portfolio management team recognizes a better investment opportunity. In response to a question from Mr. Maier regarding portfolio turnover, Mr. Weinberg stated that the real estate securities are held for approximately two years.

Mr. Weinberg stated that ING Clarion is utilizing a defensive allocation in the current market, which involves underweighting hotels and office space and overweighting healthcare due to the long-term care demographic. He noted that ING Clarion is focused on investing in the highest quality pieces of real estate during this downturn. He indicated that the investment team is avoiding new development and companies with balance sheet issues due to the difficulty in refinancing properties. He indicated that the market is not seeing an oversupply of commercial real estate as it saw in the early 1980's.

Mr. Weinberg stated that 90% of what the REITs ING invests in do is collect rents on 5-10 year leases, which results in ING's earnings stream being fairly stable. He noted that leases provide support for the overall dividend stream.

The Pension Board excused Mr. Weinberg and Mr. Babiec from the meeting.

(b) Mercer Report

Mr. Dennison provided a brief overview of the status of the economy. He stated that the nation's Gross Domestic Product is still positive, primarily as a result of exports due to the depressed value of the U.S. dollar. He noted that the dollar recently has begun to show signs of strengthening relative to other currencies. He indicated that the current unemployment rate of 6.5% is high, but not as high as the 2001-2002 recession. He commented that consumer confidence has been shaken by high gas prices and the housing crisis. He stated that oil prices have risen due to speculation caused by leveraged positions. He pointed out that a major housing price index continues to indicate that house prices are falling, but are declining at a slower rate.

Mr. Dennison discussed the inflationary effects of the market on food and energy. He stated that the economy is not entering an inflationary spiral, but rather is seeing price surges in commodities. He noted that wholesale food prices are starting to decline and that credit crises are inherently deflationary. He opined that we are not seeing real inflation, and that the current inflation is not as dangerous to the economy as was the case with inflation in the late 1970's and early 1980's.

He explained how the market is in a difficult period and commented that the fixed income area particularly is facing significant stress. He stated that housing-related investments are difficult to price and that there is approximately \$1 trillion invested in these types of investments. He indicated that U.S. companies are more forthright in disclosing these investments than their European counterparts, partially as a result of Financial Accounting Standard 157, which requires assets to be listed on the balance sheet at fair value. He stated that the uncertainty surrounding the status of the economy is causing anxiety among investors.

Mr. Dennison stated that Fannie Mae and Freddie Mac are the two principal domestic entities that guarantee mortgages. He indicated that Fannie Mae and Freddie Mac are quasi-governmental entities that securitize mortgage loans. He noted that their bonds are traded as if there is a federal government guarantee without there actually being any such guarantee, as opposed to Ginnie Mae, whose debts are guaranteed by the Federal government. He stated that Fannie Mae and Freddie Mac guarantee approximately \$5 trillion in debt. He noted that Fannie Mae and Freddie Mac are chartered by Congress but owned by individual shareholders. He opined that the equity of Fannie Mae and Freddie Mac is not guaranteed and will decline in value, but he believes that their bonds will maintain their value.

Mr. Dennison stated that Fannie Mae and Freddie Mac are components of the S&P 500 and Russell 1000 indices, however, their relative weightings in the indices have decreased substantially. He indicated that Mercer reviewed the holdings of several managers' portfolios and noted that Fannie Mae and Freddie Mac consisted of up to 5% to 6% of some portfolios. He commented that most active managers underweighted Fannie Mae and Freddie Mac, which demonstrates one of the benefits of active management over passive management.

In response to a question from Ms. Mayr, Mr. Dennison stated that the government's intervention has helped strengthen the debt market because bond market investors interpreted the government's action to mean that the government will not let the bond market fail.

In response to a question from Ms. Bedford regarding recent housing developments, Mr. Dennison stated that there would be no housing activity without a functioning mortgage securitization market. He noted that housing prices are lower but financing is more difficult to obtain. He indicated that both political parties understand and appreciate that they need to keep Fannie Mae and Freddie Mac functioning in order to allow people to obtain mortgages and have housing transactions continue.

Mr. Dennison stated that the government has been very creative in protecting the economic system. He opined that the system is strong and intact. He noted that the government has several precedents saving troubled organizations.

Ms. Finney-Cooke presented Mercer's Flash Report for June 2008. She stated that ERS had a market value of just over \$1.49 billion at the end of June and that ERS's market value decreased by 4.4% during June, which outperformed the reference index by 50 basis points.

Ms. Finney-Cooke reported that the large cap domestic equity market fell 8.3% during June, while the small cap equity market declined 7.7%. She noted that growth outpaced value in the large and small cap spaces. She reviewed the performance of the international equity market, noting that the MSCI EAFE Index of developed markets decreased by 8.2%. She pointed out that emerging markets fell 10.0% in May. She stated that the investment grade fixed income market declined 0.1% during June and high yield issues underperformed the broad market, losing 2.7%.

Ms. Finney-Cooke reported that Artisan Partners was selected as ERS's new mid cap value manager, replacing Hotchkis & Wiley. She indicated that the transition of assets from the BGI iShares to Artisan Partners occurred on June 26, 2008.

Ms. Finney-Cooke stated that the performance of the ERS portfolio is ahead of the Composite Market Index, especially over the 3, 5, 7 and 10 year periods. She noted that the portfolio's absolute performance is down because the overall market is down, but the portfolio's relative performance is positive. She stated that ERS's asset allocation is conservative, which means the portfolio will generally perform better in down markets.

Ms. Finney-Cooke indicated that value managers will have a rough time in the current market because value managers generally hold financial stocks, which are not performing well. She opined that the international markets are valued fairly, so there is a good outlook for future gains in these markets.

Ms. Finney-Cooke reviewed the performance of ERS's investment managers. She stated that Boston Partners was ahead of its benchmark for June and for the longer time periods. She noted that Artisan Partners and Reinhart Partners, Inc. lagged behind their benchmarks, but both are ahead of their benchmarks over the longer term. She indicated that EARNEST Partners and Westfield Capital Management were both ahead of their benchmarks. She pointed out that AQR has been behind its benchmark since its inception as an ERS manager, but noted that AQR has been an investment manager for ERS for approximately one year, which is too short of a time period to properly evaluate the performance of a manager. She commented that the current market is hard for quantitative managers like AQR, who tend to

invest with a value strategy, and indicated that Mercer is monitoring AQR. She reported that ERS's international managers were slightly ahead of their benchmarks, while the fixed income managers were generally in line with their benchmarks.

In response to a question from the Chairman regarding the management changes at Boston Partners, Ms. Finney-Cooke stated that Mercer is comfortable with the management changes.

She indicated that ERS is within its acceptable ranges for its asset allocation policy.

(c) Investment Committee Report

(i) July 7, 2008 Meeting.

Dr. Peck stated that Generation Growth Capital made a second presentation to the Investment Committee at its July 7, 2008 meeting. She indicated that Generation Growth Capital is a private equity fund that invests primarily in small Southeast Wisconsin companies. She pointed out that Generation Growth Capital represents a unique opportunity to obtain exposure to a different asset class that can provide private equity type returns. Dr. Peck noted that such an investment is difficult to compare because of its uniqueness. She stated that Generation Growth Capital is a new private equity fund, so it has no track record and the Investment Committee cannot follow its normal due diligence process. She indicated that Mr. Mawicke and Mr. Maier volunteered to conduct the due diligence on Generation Growth Capital by placing phone calls.

Dr. Peck stated that she attended the Wharton investments courses conducted by the International Foundation of Employee Benefit Plans. She indicated that the courses she attended on real estate and international investments were very helpful, especially in light of the upcoming asset allocation review.

Dr. Peck reported that she received a notice that Mercer will be hosting an Americas Investment Forum in Montreal on October 2 and 3, 2008, which will cover major investment trends.

(ii) Private Equity.

Ms. Finney-Cooke presented Mercer's private equity review presentation. She indicated that ERS's old and new portfolios with Adams Street Partners were almost completely liquidated. She reviewed the status of ERS's investment in the Adams Street Partnership Fund Program and the

Brinson Partnership Fund Program. In response to a question from Dr. Peck, Ms. Finney-Cooke stated that the internal rate of return is calculated by accounting for the cash in-flow and outflows in addition to beginning and ending values.

Ms. Finney-Cooke indicated that the old portfolio and the Brinson Partnership investment have brought down the overall rate of return of ERS's investment with Adams Street. Mr. Dennison pointed out that private equity programs of the late 1990's had a technology component, which decreased overall performance of these private equity investments. Mr. Maier asked what the Adams Street returns would be if fees were taken into account. Ms. Finney-Cooke estimated that Adams Street's fees would bring the returns down by approximately 1.5% to 2%. Mr. Maier suggested that Mercer analyze the effect of Adams Street's fees on the investment's return.

Ms. Finney-Cooke reported that the old portfolio is completely liquidated and the \$453,111 remaining in the new portfolio will be liquidated over the next 12-18 months. She stated that the \$18.9 million in the Brinson Partnership investment will be liquidated over the next 5-7 years, while the \$4.8 million in the Adams Street Partnership has over 10 years remaining. She noted that the \$2.2 million investment with Progress has 18-24 months before it is liquidated.

Ms. Finney-Cooke stated that ERS had 1.7% of its portfolio allocated to private equity/venture capital as of May 31, 2008. She indicated that ERS is underweight in private equity because the investment policy allows a 3% allocation to this type of investment.

Ms. Finney-Cooke stated that ERS can invest \$25 million in the private equity asset class to attain the 3% target allocation amount. She indicated that ERS can make total additional commitments of approximately \$50 million due to the time delay caused by when the commitment is actually invested.

Ms. Bedford asked what happens to the funds during the commitment period and whether fees to withdraw the funds are reflected in the internal rate of return. Ms. Finney-Cooke stated that Adams Street gives advance notice of capital calls so ERS can manage the fees associated with withdrawals. She noted that there is an opportunity cost associated with an investment in private equity but the hope is to achieve a higher return. Dr. Peck indicated that the Pension Board could envision the private equity commitment as coming from the cash portion of the portfolio.

Ms. Finney-Cooke stated that ERS could make a total of \$50 million private equity commitment, with \$30 million allocated to the 2009 Adams Street Partners Global Program to be drawn down over time and another \$20 million allocated to niche private equity managers. She indicated that Adams Street is rated an "A" by Mercer but noted that there are other private equity managers. She reviewed a list of potential private equity managers actively seeking funds to invest.

In response to a question from Mr. Maier, Ms. Finney-Cooke stated that Mercer would still recommend the Adams Street global offering even if the domestic offering was available because of the expanded opportunities provided by the global market. In response to a question from the Chairman regarding the breakdown of investments of the Adams Street global offering, Ms. Finney-Cooke stated that the breakdown is contained in the Adams Street presentation given at the June Pension Board meeting.

Ms. Bedford requested that Mercer add Baird Equity Partners to the list of potential private equity firms. Ms. Finney-Cooke stated that Mercer will add Baird to the list along with Mercer's rating of Baird and an explanation of why it was not included in the initial list of potential private equity candidates. In response to a question from Ms. Mayr, Ms. Finney-Cooke explained that the ratings for the private equity managers are Mercer's ratings and are not the same as the ratings given to fixed income investments. Ms. Bedford agreed. She also noted that manager ratings are subjective and that different consultants may give the same managers different ratings.

In responses to a question from Mr. Felber, Ms. Finney-Cooke stated that there is no charge by Mercer for searching for an additional private equity manager. Mr. Dennison commented that ERS could make a commitment to Adams Street and run a concurrent search for another private equity manager. Mr. Huff stated that at this point, ERS's commitment to Adams Street would only be a soft commitment, which means that ERS is holding its place in line. Ms. Bedford opined that the Pension Board should conduct a private equity manager search.

In response to a question from Mr. Felber, Mr. Dennison stated that some private equity managers, like Adams Street ask for early commitments because the underlying fund will close once it attains a predetermined capacity. Ms. Finney-Cooke indicated that some private equity managers, like Adams Street, also give existing clients the first opportunity to invest in a new fund. She commented that the current private equity market is

favorable to investors because there is less leverage available in the market.

Mr. Felber suggested that the Pension Board should conduct a private equity manager search in order to form a new manager relationship, so that in the event the current relationship with Adams Street deteriorates, ERS has another private equity manager to invest with. Dr. Peck pointed out that ERS has the opportunity to make a soft commitment to get a place in line with Adams Street while conducting another investment manager search.

**The Pension Board unanimously agreed with Mercer's recommendation to commit \$30 million to the Adams Street Partners 2009 Global Program from a source to be recommended by Mercer at a later date and to simultaneously conduct a search to analyze other private equity managers. Motion by Ms. Mayr, seconded by Mr. Maier.**

The Chairman stated that Mercer should present ERS's \$30 million commitment to Adams Street and should also begin searching for additional private equity managers.

The Pension Board excused Mr. Dennison and Ms. Finney-Cooke from the meeting.

7. Chair and Vice Chair Selection Process

The Chairman stated that Mark Grady was asked to provide a report relating to the history of the Chairman and Vice Chair positions, but he is not available to present the report. Consequently, the discussion regarding the Chairman and Vice Chair positions will be held over until the next Pension Board meeting.

8. Vitech Project Report

Mr. Arena reported that he and Mr. Pillai recently had a productive meeting with the Vitech management staff in New York. Mr. Arena noted that delay charges were incurred due to a five-month delay at the beginning of the project. Mr. Pillai stated that the delay charges could amount to between \$750,000 to \$1,000,000. Mr. Pillai commented that Mr. Arena established the framework for the meeting with Vitech extremely well, and consequently, the meeting went very well. He indicated that the delay charges could be eliminated if there is additional work for Vitech in 2009. He pointed out that some work in 2009 has been projected for Vitech. Mr. Felber asked what the delay charges will be if there is no work for Vitech in 2009. Mr. Arena stated that

Vitech will still waive the delay charges if there is no work, but ERS expects needing approximately \$300,000 in additional work from Vitech in 2009.

Mr. Pillai presented the V3 status report. He reported that the overall project is progressing well and the pension side is almost complete. He stated that the project is delayed by approximately three weeks. He indicated that this delay will not affect the scheduled go live date because of the built-in time cushion, but the project must stay on schedule to meet the go live date. He stated that there will be an aggressive schedule for the life and health module and that July is a critical month. He pointed out that the implementation schedule for the life and health module is difficult but attainable.

Mr. Felber asked what could impact the project timeline. Mr. Pillai stated that the risk is that pension and life and health modules might not be seamless, but he indicated that the system can still go live if the processes are independent. Mr. Pillai noted that the testing stage is critical and pointed out that the team continually monitors the systems testing. He reported that the data conversion process is progressing extremely well and that two more rounds of data conversions remain.

Mr. Pillai discussed the reasons why the Pension Board meeting minutes project was not completed in June, but noted that there is nothing that indicates the project will not be completed by the end of July. He stated that this project does not affect the timeline for the overall project. He pointed out that the January 2009 go live date has not changed despite the three-week delay. He noted that he wants to go live in December 2008 and there are contingencies in place if the project is not on schedule.

Mr. Felber inquired whether the switch from WPS to a different health provider in 2009 will cause any problems. Mr. Pillai stated that a new provider should not present any problems because the new system's standards were presented to all current and prospective vendors. Mr. Arena indicated that all prospective health providers are aware of the Vitech project and standards.

Mr. Pillai stated that the project's budget has not changed except for a \$2,000 decrease in the contingency to accord for double counting the first two days of May in April. In response to a question from Mr. Maier, Mr. Pillai stated that training is a concern due to the amount of training necessary to become proficient. However, he clarified that training is not a great concern at this time.

9. Vitech Implementation Oversight Committee Report.

Mr. Parish stated that he was not in attendance at the July 8, 2008 Vitech Implementation Oversight Committee meeting and that Mr. Arena will forward the report from that meeting.

10. Audit Committee Report

Mr. Parish reported that the most recently scheduled Audit Committee meeting was canceled.

11. Administrative Matters

The Pension Board discussed upcoming educational seminars. Dr. Peck discussed Mercer Investment Consulting's Americas Investment Forum.

**The Pension Board unanimously approved the attendance of any member who wishes to attend Mercer Investment Consulting's Americas Investment Forum in Montreal, Quebec, Canada on October 2-3, 2008. Motion by Mr. Cohen, seconded by Mr. Felber.**

Ms. Mayr stated that certain Ordinance amendments must be passed by the County Board to maintain ERS's and OBRA's tax qualification.

Ms. Mayr discussed an upcoming Fraud Prevention Institute offered by the International Foundation of Employee Benefit Plans in Atlantic City, New Jersey on September 17-18, 2008. She stated that fraud prevention is a new, important topic.

**The Pension Board unanimously approved the attendance of any interested member to the Fraud Prevention Institute. Motion by Dr. Peck, seconded by Ms. Mayr.**

Mr. Loeffel suggested that the Board review the term limits for the Chairman and Vice Chairman. The Chairman and Mr. Domina stated that the term limits are clear in the Ordinances. Mr. Domina indicated that he will forward a copy of the term limits to Mr. Loeffel.

12. Report on Special Investigation

Ms. Riley stated that there is nothing to report on relating to the special investigation.

13. Disability Pensions, Earned Income Statements – Rule 1010

Ms. Bedford moved that the Pension Board adjourn into closed session for the purpose of receiving oral or written advice from legal counsel concerning strategy to be adopted with respect to pending or possible litigation and for considering the financial, medical, social or personal histories or disciplinary data of specific persons which, if discussed in public, would be likely to have a substantial adverse effect upon the reputation of any person referred to in such histories or data.

**The Pension Board voted 8-0 by roll call to enter into closed session to discuss Agenda Items 13, 14, and 15.**

Upon returning to open session, Mr. Huff stated that none of the eight individuals are eligible for normal pensions.

**The Pension Board unanimously agreed to send letters by courier to eight individuals who have not returned their earned income statement requesting copies of their tax returns and begin withholding benefit payments pursuant to Rule 1010 if the Retirement Office does not receive their tax returns within one month from the date of the letters.**

14. Pending Litigation

The Board discussed the following pending litigation in closed session:

Milwaukee County, et al. v. Mercer Human Resource Consulting.

15. Report on Compliance Review

The Board discussed the report on compliance review in closed session.

16. Custodial Bank Services RFP Recommendation

The Chairman stated that the Pension Board may enter into closed session to conduct specific business whenever the discussion will directly and substantially affect negotiations with a third party.

**The Pension Board voted 8-0 by roll call vote to enter into closed session to discuss Agenda Item 16.**

**Upon returning to open session, the Pension Board voted 5-2-1, with Mr. Felber and Ms. Bedford dissenting, and Dr. Peck abstaining, to retain Bank of New York Mellon as ERS's investment custodian, subject to successful negotiations over acceptable agreements.**

The Chairman asked Mr. Mueller to schedule training on the Bank of New York Mellon's online system.

17. Adjournment

The Chairman cancelled the August Pension Board meeting.

The meeting adjourned at 1:55 p.m.

Submitted by Steven D. Huff  
Secretary of the Pension Board