EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE
MINUTES OF THE NOVEMBER 15, 2006 PENSION BOARD MEETING

1. Call to Order

   Chairman Dean Roepke called the meeting to order at 8:35 a.m. in the Green Room of the Marcus Center, 127 East State Street, Milwaukee, WI 53202.

2. Roll Call

Members Present:	Members Excused:
Donald Cohen	Linda Bedford
John Martin (Vice Chairman)	Michael Ostermeyer
Marilyn Mayr	
John Parish	
Dean Roepke (Chairman)	
Thomas Weber	

   Others Present:
   Charles McDowell, Director of Human Resources
   Mark Grady, Principal Assistant Corporation Counsel
   Jack Hohrein, ERS Manager and Pension Board Secretary
   Gordon Mueller, Fiscal Officer
   Vivian Aikin, ERS Administrative Specialist
   Veronica Britt, ERS Coordinator
   Donald Campbell, ERS Project Manager
   Steven Huff, Reinhart Boerner Van Deuren s.c.
   Leigh Riley, Foley & Lardner LLP
   Chris Trebatoski, Gonzalez, Saggio & Harlan LLP
   Ken McNeil, Susman Godfrey L.L.P.
   Andrew Schwartz, Abel/Noser Corp.
   Brad Blalock, Mercer Investment Consulting
   Kristin Finney-Cooke, Mercer Investment Consulting
   John Montgomery, Westfield Capital Management
   Dave Umhoefer, Milwaukee Journal Sentinel
   Cliff Van Beek, Retiree
   Ken Loeffel, Retiree
   Nancy Beck-Metz, Retiree
   Guy Stuller, Milwaukee County employee and former Pension Board member

3. Chairman's Report

The Chairman reported that he had held productive individual meetings with Board members and advisors. He explained that he met, for example, with Mr. McNeil to discuss the Board's relationship with his firm. The Chairman stated that he learned of future agenda items and discussed various topics to be presented to the Investment Committee by outside speakers.

The Chairman noted that the November 2006 Audit Committee meeting will be held on Thursday, November 30, 2006 and that the December 2006 Audit Committee meeting has been canceled. He explained that a goal of the Audit Committee is to complete a charter. He also noted that the Buck representatives will report on Buck's billing statements at the December 2006 Board meeting because they were unable to attend the November 2006 Board meeting.

4. Approval of Minutes of October 18, 2006 Meeting

The Board reviewed and unanimously approved the minutes of the October 18, 2006 Pension Board meeting. Motion by Mr. Martin, seconded by Mr. Cohen.

5. Closed Session

The Chairman stated that, pursuant to Wisconsin Statutes section 19.85, the Board could enter closed session to confer with the Board's legal counsel regarding strategy to be adopted with regard to litigation in which the Board is or is likely to become involved.

The Chairman stated that he would like to keep closed session discussions to a minimum, but the Board must enter into closed session if necessary.

The Board unanimously agreed by roll call vote to enter closed session to consider Item 6.

6. Legal Update

Litigation matters were discussed in closed session.

7. Report of Retirement Systems Manager

(a) Ratification of Retirements Granted

Mr. Hohrein presented the Retirements Granted report for the prior month's retirements and asked the Board to review them. Mr. Grady inquired regarding the total retirements in 2006. Mr. Hohrein indicated that he is expecting several retirements in December 2006 if County budget cuts result in layoffs for County employees.

The Board unanimously accepted the Retirements Granted report. Motion by Mr. Martin, seconded by Mr. Weber.

Mr. Hohrein explained that ERS member Todd Ashworth's retirement was not ratified at the October 2006 Board meeting. Mr. Hohrein reported that he sent Mr. Ashworth a letter explaining that, due to the applicable benefit limits, his monthly benefit would be reduced from $5,021 to $4,708 beginning in 2007. Mr. Hohrein stated that the Retirement Office reviewed Mr. Ashworth's benefit for compliance with Internal Revenue Code ("Code") section 415 by using the compliance chart provided by Buck Consultants, which reduces the applicable Code section 415(b) limit to account for beginning benefits prior to age 62 and for the present value of the ERS 2% annual COLA. In response to a question from Mr. Martin, Mr. Huff explained that the decrease in Mr. Ashworth's benefit will be permanent unless the County Board amends the County Ordinances' application of Code section 415. Ms. Mayr indicated that other County employees have been capped by the Ordinances' 80% limit in the past.

The Board unanimously approved Mr. Ashworth's retirement, with the limitations required by law. Motion by Mr. Martin, seconded by Ms. Mayr.

(b) Report on Waivers

Mr. Hohrein presented waivers submitted by Felice Riley, Division Administrator, Financial Assistance, Patricia Perry Wright, Employment Staffing Manager, and Joseph K. McCarthy, House of Corrections.

The Board unanimously agreed to accept the waivers presented. Motion by Mr. Martin, seconded by Mr. Cohen.

(c) Report on ERS Staff Levels

Mr. Hohrein reported that, at the October 2006 Board meeting, he was instructed to contact Virchow, Krause & Company ("Virchow Krause") to determine on what information Virchow Krause relied in preparing its report on staffing in February 2003. In addition, he reported that the Board asked him to summarize his research on pension administration staffing. Mr. Hohrein also presented an interoffice memorandum from July 2002 regarding a proposal that the Retirement Office be included in a new division of the Department of Administrative Services ("DAS").

Mr. Hohrein distributed Virchow Krause's response to his request for more information on its recommendations in 2003, as well as portions of Virchow Krause's 2003 report. He noted that Virchow Krause's ratio of .99 ERS staff members per 1,000 employees was based on the number of employees working in the Retirement Office at the time of the study. At that time, there were six employees in the Retirement Office. Mr. Hohrein noted that Virchow Krause based its recommendations for staffing on a report created by Greenwich Associates ("Greenwich"), which concluded that the national average staffing for retirement plans is 2.59 staff members per 1,000 retirees. Mr. Hohrein reported that Virchow Krause had concluded that the ERS staffing levels were below the national average based on the information they had at the time they conducted the survey in 2003. Virchow Krause's letter explained that since it has not observed the operations of the Retirement Office since 2003, its original answer to the question of the size of staff needed to effectively operate the Retirement Office cannot be answered without further research.

Mr. Hohrein next explained his research on pension administration staffing. He noted that he used two separate reports to determine his estimate for ERS staffing needs. He relied on a Public Pension Coordinating Counsel ("PPCC") report from 2002 and a Greenwich report from 2006. He commented that the PPCC survey determines necessary staff based on the number of active members. Under that survey, Mr. Hohrein noted that the Retirement Office should employ approximately 15 full-time staff members. Alternatively, Mr. Hohrein stated that the Greenwich survey reports staff sizes based on the asset size of the system. Pursuant to the Greenwich report, the Retirement Office should employ between 14 and 15 full-time staff members.

Mr. Hohrein concluded that based on both the PPCC and Greenwich studies, ERS staffing levels are below normal. He indicated that the current Retirement Office staff consists of 10 full-time employees and 2 full-time temporary employees. The Board members discussed the importance of looking at details when comparing the reports to ERS staffing. Mr. Hohrein agreed and explained that details are especially important with regard to the services desired of ERS staff and the computer system.

Next, Mr. Hohrein discussed the County's proposal to form a new division of DAS that would house the Retirement Office. If the Retirement Office were to become part of DAS, 14 positions would be allocated to the ERS staff. Mr. Martin inquired whether there have been any discussions thus far regarding the County Board proposal for DAS to house the Retirement Office. Mr. Hohrein explained that he had spoken with Jerry Heer, the County Auditor, regarding the proposal. Mr. Heer noted that any change would require amendments to many County Ordinances and no action would be taken prior to 2007.

In response to a question from the Chairman, Mr. Hohrein indicated that although processing buy-in requests has been time-consuming, Ms. Aikin has already completed many of the requests, and the Retirement Office has a goal of December 31, 2006 to process the remaining requests. Mr. Hohrein noted that the Retirement Office may be behind in paying age 65 distributions from OBRA. He also explained that he prepared an internal annual calendar of necessary functions for ERS and OBRA benefits processing.

In response to a question from Mr. Weber, Mr. Hohrein indicated that the Retirement Office is currently authorized for 10 positions, but that 12 positions are needed at a minimum. Mr. Hohrein suggested that after the V3 project is completed, the efficiency of V3 may help to alleviate some of staffing concerns. Mr. Martin asked, in light of the disruptions caused by Vitech, how things would be functioning if it were not for the Vitech implementation. Mr. Hohrein indicated that until the V3 project is fully completed, the activity at ERS will be abnormal.

Mr. Hohrein reported that the Chairman and Mr. McDowell requested that he prepare a memorandum regarding concerns that may result from a transfer of authority to a new division. Specifically, they requested that Mr. Hohrein analyze cost sharing by documenting ERS's costs and administration versus the County costs and administration and also by highlighting the accountability of ERS and the County in a new division.

(d) Barbara Adamski – Pension Overpayment

Mr. Hohrein reported that he sent a letter to ERS member Barbara Adamski regarding overpayments that were the result of not recalculating her benefit when she reached age 62. In his letter, Mr. Hohrein asked that Ms. Adamski sign an agreement providing that ERS will recover the overpayment over a 20-year period by reducing her monthly benefit payment by $244.67. Mr. Hohrein reported that Ms. Adamski refused to agree to the repayment program and has not signed an agreement with ERS. He explained that $111 has been withheld from Ms. Adamski's benefit payments because the Retirement Office did not include her COLA when calculating benefits for her most recent benefit payments. Mr. Hohrein requested authorization from the Board for Corporation Counsel to pursue collection in this case and in other similar cases. Mr. Grady noted that the Board has a fiduciary obligation to pursue these overpayments and no options other than collection appear to exist.

The Board unanimously agreed to authorize Corporation Counsel to pursue collection in the Adamski case and in other similar cases referred by the Manager of ERS relating to overpayments made to an ERS member based on an age 62 recalculation. Motion by Mr. Weber, seconded by Mr. Martin.

Mr. Grady noted that it would represent best practices for the Board to authorize Corporation Counsel to pursue collections for overpayments to disability pensioners whose benefits should have been reduced in addition to anyone who receives an overpayment based on an age 62 recalculation.

The Board unanimously agreed to authorize Corporation Counsel to pursue collection for any overpayment to an ERS member receiving a disability pension whose benefits should have been reduced under the Ordinances or Rules. Motion amended by Mr. Weber, seconded by Mr. Martin.

8. Report of Fiscal Officer – 2007 Budget

Mr. Mueller distributed a one-page overview of ERS's 2007 budget. The Board asked Mr. Mueller to explain the budget increases. He reported that the 2007 budget includes increases in four main areas. First, he explained that approximately one-half of the total increases to the budget were increases for investment manager fees. Next, he reported that there was an increase in outside consultant fees for the 2007 budget resulting from the data cleansing, conversion and implementation project and the hiring of Mr. Campbell to run the V3 project.

In addition, he noted that there will be an increase in the 2007 budget for salaries and benefits. The increase in salaries is due to the addition of an intern position and the fact that the intern position and a clerical assistant position were only filled for part of 2006. The increase in benefits is due mostly to a change in allocating County benefit charges from a percentage of salary to a flat "per head" cost fee. The overall percentage of benefit expenses versus compensation for 2006 was 61% and in 2007 it will be 69%. Finally, the budget for the continuation of Genesys during the Vitech project increased by $55,000 for 2007 because the Genesys payments will extend through all of 2007.

The Board discussed concerns related to the cost of benefits. The Chairman noted that if ERS moves from the Human Resources Department to DAS under the proposal, he would meet with DAS and raise this change in benefit charges as one of the Board's concerns. He also indicated that if such a meeting took place, Board members should raise all issues relative to ERS administration with him so he can cover those issues in the meeting as well.

Mr. Mueller noted that capital expenses for retirement software on the top of page 2 of the budget should be changed by $500,000 to read $3,000,000, not $3,500,000.

In response to a question from Ms. Mayr, Mr. Mueller noted that all fees required of ERS related to the Mercer litigation had been paid by ERS in 2006. Mr. Grady indicated that the Board should go into closed session to address the Mercer litigation. However, he stated that no money was budgeted for the Mercer litigation in the 2007 budget because the fees have already been paid.

Mr. Mueller indicated that the budget does include the possibility of a new lawsuit in 2007 with a $100,000 deductible. He reported that there is no way to know whether there will be such a lawsuit or whether there will be more than one lawsuit, so he used one lawsuit with a maximum deductible as the benchmark for the budget. The Chairman mentioned that if there were any more issues relating to payment of attorneys in the Mercer litigation, they should be discussed in closed session.

The Board unanimously approved the 2007 ERS budget. Motion by Mr. Martin, seconded by Mr. Parish.

In response to a question from Mr. Loeffel, the Board clarified that the budgeted expenses for 2007 are $8,107,464.

On Mr. Grady's recommendation, the Board unanimously agreed by roll call vote to enter into closed session to discuss fee arrangements with counsel regarding the Mercer litigation. Motion by Ms. Mayr, seconded by Mr. Parish.

9. Investments

(a) Westfield Capital Management

Upon the Board's return to open session, Mr. Montgomery distributed a report outlining Westfield Capital Management's ("Westfield") representation of ERS. Mr. Montgomery first provided an update on Westfield. He reported that Westfield has operated as an autonomous subsidiary of the Boston Private Financial Holdings since 1997. He noted that Westfield manages over $9 billion of assets and represents several charitable organizations and endowments, as well as pension and profit sharing plans. Mr. Montgomery stated that Westfield's Investment Committee consists of 11 members, including himself. He also noted that the professionals on the Investment Committee have an average of 17 years of investment experience.

Mr. Montgomery next explained that part of Westfield's investment philosophy is that stock prices ultimately follow fundamental earnings growth. Additionally, Westfield believes in growth at a reasonable price. He stated that research candidates are identified through quantitative screens, staff knowledge, industry contacts, Wall Street contacts and regional brokerage contacts. He also stated that Westfield seeks to identify companies with broad market opportunities, accelerating earnings growth and quality balance sheets.

Mr. Montgomery described Westfield's strategy in selecting investments, including meeting with companies and working across the capitalization spectrum. Mr. Montgomery stated that Westfield has a disciplined yet flexible process of reviewing stocks. Mr. Montgomery advised that if a company is down 20% in profits, the investment in that company will be discussed. He indicated that Westfield takes a significant position in investments unless it is transitioning into or out of stock.

Mr. Montgomery also presented ERS's sector ratings, industry ratings, projected earnings growth and performance attribution. He acknowledged that the performance for the third quarter of 2006 was lower than Westfield desired, but that the projected earnings growth for the ERS portfolio overall was higher than the Russell 2000 growth. In response to a question from Ms. Mayr, Mr. Montgomery indicated that he was aware that Mercer downgraded Westfield from an A- to a B+ rating, partly due to failure to hold key people and partly due to performance. Mr. Montgomery reported that Westfield remains under the leadership of its CEO, that Westfield's process for determining investments works well and that Westfield is focused on process and discipline to improve the performance of ERS assets. He also noted that Westfield provides a phantom equity plan and stock in the parent corporation to Westfield managers to help retain them.

(b) Mercer Report

(i) Quarterly Report

Mr. Blalock distributed the quarterly report for the third quarter of 2006. He described the market environment for the third quarter, stating that economic expansion slowed as the housing market continued to trend downward and energy prices peaked. He reported that job growth was slow but steady and consumer confidence had rebounded. Mr. Blalock noted that the yield curve had shifted down and inverted slightly and inflation decreased due primarily to a sharp drop in energy prices. He explained that the inverted yield curve means that investors think the Federal Reserve will dramatically reduce rates at some point. He explained that the Federal Reserve had held interest rates steady, citing concerns over the housing market and slower economic growth. He also discussed the performance of the domestic equities market, fixed income market, international equities market and other asset classes.

Next, Mr. Blalock addressed asset allocation for ERS and reviewed the current asset allocation versus the allocation policy. He stated that Mercer is liquidating assets from mid cap investments as needed to satisfy the pension payment needs of ERS. In response to a question from Ms. Mayr, Mr. Blalock explained that, based on the Flash Report and Quarterly Report performance summaries, ERS may wish to transfer some large cap investments into fixed income to balance the portfolio in accordance with ERS's investment policy.

The Board agreed that Mercer should transfer funds from the Boston Partners large cap equity investment into the total core

fixed income investments, by a vote of 5-1, with Mr. Weber opposed. Motion by Ms. Mayr, seconded by Mr. Martin.

Mr. Weber stated that he agrees with Mr. Blalock's comments regarding the Federal Reserve; therefore, he does not think that it is the right time to move back to 31% for core fixed income.
Mr. Martin indicated that changes like this are handled on a quarterly basis, not just a monthly basis. He also stated that there is monthly rebalancing through cash withdrawals from managers for distributions. Mr. Blalock noted that the market rewarded the current portfolio, which was overweight in high yield fixed income investments and underweight in core fixed income investment.

(ii) Flash Report

Ms. Finney-Cooke distributed the flash report for October 2006. She indicated that ERS had an aggregate market value of approximately $1.6 billion at the end of October, representing a 2.7% increase during October. Ms. Finney-Cooke also reviewed market performance for October 2006. She explained that the large cap domestic equity market advanced 3.4% during the month, while small cap equity gained 5.8% in October. In addition, growth outperformed value in both the large and small cap arenas. She noted that international investment grade fixed income gained 0.7% during the month and high yield issues returned 1.4%.

Ms. Finney-Cooke reported on ERS's investment allocation. She indicated that ERS's allocation, when compared to the policy, is currently overweight in mid-cap equity and underweight in core fixed income. Ms. Finney-Cooke noted that Boston Partners was behind the appropriate benchmarks. She suggested that the Board might like to reexamine Boston Partners as an investment manager. She noted that, in general, many managers were behind their benchmarks for October, which was the opposite of where they were in September. Ms. Finney-Cooke commented that the 10.7% year-to-date return is excellent.

(c) Investment Committee Report

Mr. Martin presented an overview of the November 2, 2006 Investment Committee meeting and distributed meeting minutes. He explained that Mr. Blalock had provided general information to the Investment Committee on pension obligation bonds and on the Pension Protection Act of 2006. In addition, Mr. Martin explained that Mr. Blalock reported on infrastructure bonds and how these investments operate. Mr. Martin noted a correction to the last sentence of section 6 in the minutes and clarified that the Investment Committee meeting that was canceled was scheduled for January 4, 2007, not January 20, 2007.

10. Report of Abel/Noser – Andrew Schwartz

Mr. Schwartz presented and distributed a trading report to the Board on behalf of Abel/Noser Corp. ("Abel/Noser"). The Chairman noted that a recapture program on directed brokerage would be short-lived because the world is changing. He stated that the contract with Abel/Noser to provide commission recapture and transaction measurement services was renewed.

Mr. Schwartz explained that Abel/Noser has 400 transaction measurement clients. He stated that Abel/Noser monitors execution costs and that it received all separate account equity fund trading information from the custodian. Based on the information that Abel/Noser received. Mr. Schwartz explained that last quarter ERS had 2,219 transactions, which involved 6,404,000 shares and $230,566,000 traded.

He described the annual aggregate peer group measurement and explained that Abel/Noser reviews $4.3 trillion in trades per year in the United States only. The Chairman and Mr. Grady inquired as to why the buying and selling amounts were different. Mr. Blalock and Mr. Hohrein explained that since AQR was a transitioning manager, sales would be included in the third quarter and then purchases would be included on the fourth quarter. Also, there were liquidations to pay pensions.

Mr. Schwartz noted that commissions are currently at 2.32 cents per share, which is approximately 6 basis points. However, he explained that this amount depends on many different factors, including the average mix of public markets or OTC trading, electronic resources and whether ERS is paying for broker research. He further indicated that the costs of trades are dramatically decreasing.

Mr. Schwartz also reviewed ERS's execution costs and noted that ERS had slightly higher costs than the universe cost. He explained that ERS's total average cost (commissions plus execution) was 5.6 cents per share, while the universe cost was approximately 4 cents per share. Mr. Schwartz reported that ERS's cost versus the volume weighted average price ("VWAP") was slightly worse than the median. Mr. Schwartz explained that there are legitimate reasons why this can occur. The Board discussed concerns regarding manager agreements and evaluating trade costs.

The Board asked that Mercer ask managers to address trading costs in their monthly reports and that Mercer monitor the trading costs of managers and report them to the Pension Board.

11. Lunch Honoring Former Chairman Walter Lanier.

The Board held a lunch to honor former Chairman Walter Lanier. The Chairman presented Mr. Lanier with a plaque commemorating his years of service as Board Chairman and a letter thanking Mr. Lanier for leading the Board and facilitating a cooperative Board culture. The Board congratulated Mr. Lanier for his years of service, stating that his expertise and leadership was invaluable to the Board and he serves as a role model for Board members to emulate.

12. Closed Session

The Chairman reconvened the meeting and stated that, pursuant to Wisconsin Statutes section 19.85, the Board could enter closed session for deliberating or negotiating the purchasing of public properties, the investing of public funds or conducting other specified business, whenever the discussion will directly and substantially affect negotiations with a third party. For example, the Board may elect to enter closed session to discuss negotiation of a contract with one of ERS's service providers. The Board unanimously agreed by role call vote to enter into closed session to consider Item No. 13(a).

13. Implementation of New Technology Software – Donald Campbell and Charles McDowell

(a) Vitech Contract

Possible renegotiation of Vitech's contract was discussed in closed session.

(b) Project Plan and Status

Mr. Campbell distributed a status report on the V3 project. He indicated that the V3 system will be able to handle IRA rollovers. In response to a question, Mr. Campbell noted that he will confirm whether the system can divide a member's account into two separate subaccounts. The Chairman directed that Vitech work with Reinhart Boerner Van Deuren s.c. to ensure that the system takes into account Code section 415 limits when determining benefits. Mr. Campbell explained that he is setting milestones to measure against a proposed April 2008 completion. He noted that, based on his review of the milestones, there is a marginal risk that several items will not be completed by the April 2008 target date, but the progress has improved. He noted that one item of concern is the clean-up and reorganization of files in ERS's records room. Mr. Campbell told the Board that IKON cannot start imaging documents until 2007.

Mr. Campbell also distributed a report on resource requirements, which provided an update on of the resources that ERS is using or will need to use to complete the V3 project. He explained that such resources include a data specialist, DEF-BEN consulting services, file clerks, a forms development specialist and a solution testing specialist.

The Chairman inquired why ERS must pay for systems testing. Mr. Campbell explained that Vitech prepares the system but then the customer is responsible for the testing of user acceptance of the system. The Chairman stated that a benefits booklet for ERS should be prepared when the Vitech project is completed.

(c) Retiree Life and Health Administration Costs

Mr. McDowell informed the Board that he will be meeting with IMSD to determine how to resolve retiree life and health administration costs, which are not in the Vitech bid or the Ceridian bid, in the best technical cost-effective way. In response to a question from Ms. Mayr, Mr. McDowell indicated that retiree health and administration costs were a County function, not an ERS function. Mr. Hohrein added that, if Vitech is retained to address retiree life and health administration, the ERS project will not be delayed because the ERS project will be completed first.

14. 2007 Board Schedule

(a) Changes to 2007 Schedule

The Chairman distributed a proposed schedule of 2007 Pension Board and Committee meetings. He indicated that once the schedule is adopted the Board should do all it can to adhere to the dates on the schedule. The Board discussed the schedule and made some minor revisions. The Board cancelled the Investment Committee meeting scheduled for January 4, 2007 and the Audit Committee meeting scheduled for December 27, 2007. It also rescheduled the November 21, 2007 Board meeting to November 14, 2007.

The Board unanimously adopted the proposed 2007 Board and Committee meeting schedules, as revised. Motion by Mr. Martin, seconded by Mr. Cohen.

(b) Discussion of Meeting Location

The Board discussed a location for future Board meetings. In response to a question from Mr. Martin, Mr. Grady noted that he has been told by County Board staff that they prefer to have the Board meet at the Courthouse where meetings can be monitored, although this is not a legal requirement. Ms. Mayr pointed out that anyone can get copies of the material and meeting minutes on the Intranet. In response to a question from Ms. Mayr regarding where retirees prefer to meet, Mr. Loeffel stated that many retirees liked the Gordon Park location because it was easy to reach, included convenient parking and did not have any security gates. However, he noted that the sound quality was poor.

The Board unanimously agreed to hold the 2007 Board meetings in the Green Room of the Marcus Center and to try to reserve Washington Park for the 2008 Board meetings. Motion by Mr. Cohen, seconded by Mr. Parish.

(c) Next Year's Annual Meeting Planning

The Board unanimously agreed to the hold the February 21, 2007 annual meeting at the Zoofari Conference Center, starting with coffee and a continental breakfast at 8:30 a.m., followed by the meeting at 9:30 a.m. and ending with a lunch after the meeting. A notice of the meeting should be sent with retirement checks or deposit notices and should state that there will be a breakfast and lunch. Motion by Ms. Mayr, seconded by Mr. Parish.

Mr. Loeffel indicated that he will add the annual meeting information to the REMCO Rambler newsletter. Ms. Mayr suggested having a sign-up desk for direct deposit of pension checks. Mr. Hohrein agreed to do so. Mr. Grady suggested that direct deposit be a part of the Chairman's remarks as well.

15. Closed Session

The Chairman stated that, pursuant to Wisconsin Statutes section 19.85, the Board could enter closed session for considering financial information which could have an adverse effect on the reputation of the person mentioned and for conferring with the Board's legal counsel regarding possible litigation. For example, the Board may elect to enter closed session to discuss an individual's retirement application or to discuss a possible rule change relating to forms of benefits for retirees.

The Board unanimously agreed by roll call vote to enter into closed session to consider Items 16 and 17. Motion by Mr. Martin, second by Mr. Cohen.

16. Option 7 Lump Sum Pension – Louis Elder

Mr. Elder's lump sum pension benefit was discussed in closed session.

Upon returning to open session, the Board noted that it had concluded that a hypothetical annual 2% COLA should not be included in calculating a lump sum distribution. Rule 1021(k) provides that the lump sum benefit is calculated in accordance with Rule 1014 and recipients of lump sum benefit payments are not entitled to the 2% annual COLA. Rule 1014 provides parameters and actuarial conversion factors for making the lump sum calculation and does not provide for the 2% annual COLA to be included in the calculation. Accordingly, the Board, which has historically excluded the 2% COLA from lump sum benefit calculations, determined that the hypothetical 2% COLA should not be included in the calculation of Mr. Elder's lump sum benefit. The Board determined that all conditions for receipt of a lump sum payment had been satisfied.

The Board exercised its discretion to approve Mr. Elder's lump sum pension, provided that the calculated amount did not include a theoretical 2% COLA and that the Retirement Office receives a signed waiver and release of claims from Mr. Elder reflecting the correct amount, 5-1-0, Ms. Mayr abstaining. Motion by Mr. Cohen, seconded by Mr. Martin.

17. Option 7 Pension Rule Change – Mark Grady

Amendments to Rules 1031 and 1021 were discussed in closed session.

Upon returning to open session, the Board unanimously adopted amendments to Rules 1013 and 1021 to eliminate future lump sum benefit payments, effective immediately. Motion by Ms. Mayr, seconded by Mr. Cohen.

The amended Rules 1013 and 1021 are attached.

18. Administrative Matters

(a) Continuing Education, Board Retreats, Training and Professional Organizations

The Board discussed details of an all-day, long-range planning Board retreat, tentatively to occur on a weekday in 2007.

In response to a question from Ms. Mayr, Mr. Grady indicated that it is legal to have such a meeting but the public must be allowed to attend. Mr. Grady suggested that it be held in August. The Chairman asked Vivian Aikin to begin the scheduling.

The Board next discussed two seminars being presented by the International Foundation of Employee Benefit Plans in 2007 that may be of interest to Board members. One seminar, Investments Institute, is being held in West Virginia from Monday, April 23 to Wednesday, April 25, 2007. The other seminar, Portfolio Concepts and Management, is being held in Philadelphia, PA from Monday, May 21 to Thursday, May 24, 2007.

The Board unanimously agreed to approve attendance at the International Foundation of Employee Benefit Plans' seminars described above for any interested Board members. Motion by Mr. Parish, seconded by Mr. Martin.

The Board discussed its policy on attending out-of-town seminars. Specifically, the Board would like to determine whether a Board member can attend more than two out-of-town seminars. Mr. Hohrein indicated that he would review the policy and send Board members a description of how many seminars they may attend. Mr. Hohrein subsequently advised Board members that they may attend up to three out-of-town seminars.

(b) Future Board Topics

No future Board topics were discussed at this meeting.

19. Adjournment

The meeting adjourned at 3:18 p.m.

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

THE PENSION BOARD OF THE EMPLOYEES'
RETIREMENT SYSTEM OF THE
COUNTY OF MILWAUKEE

SECTION 1. Pursuant to section 201.24(8.6) of the General Ordinances of Milwaukee County, the Pension Board of the Employees' Retirement System of the County of Milwaukee amends and restates Rules 1013 and 1021 in their entirety to read as follows:

1013. Optional forms of payment.

(a) *Available forms.* 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:

(1) *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:

[A] 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.

[B] 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.

(2) *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:

[A] 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.

[B] 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.

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.

(3) *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.

(4) *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 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.

(b) *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.

(c) *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.

(d) *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.

1021. Lump sum benefits denied.

(a) *Lump sum distribution defined.* For purposes of this rule, "lump sum distribution" refers to a distribution in any form that is not a monthly payment for either the member or beneficiary's life or for ten years certain or that is not a backdrop benefit, as determined in the sole discretion of the board.

(b) The pension board, in the exercise of its sole discretion as set forth in section 201.24(7.2), will not grant any request for a lump sum benefit, on the grounds that the forms of benefit set forth in section 201.24(7.1) and in Rule 1013(a)(1), (2), (3) and (4) provide sufficient options to members, that any other form of benefit subjects the system to unnecessary administrative expense and burden and that, in any given case, a request for a lump sum benefit is either not in the interest of the member or of the system.

SECTION 2. Section 1 shall be effective November 15, 2006.