

**EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE
MINUTES OF THE NOVEMBER 18, 2020 PENSION BOARD MEETING**

1. Call to Order

The Chair called the meeting to order at 8:35 a.m. The meeting was held virtually due to Milwaukee County's and the City of Milwaukee's Stay Safe MKE initiative limiting gatherings in light of the COVID-19 pandemic.

2. Roll Call

Members Present

Members Excused

Fernando Aniban
Nicole Best (for items 3-9)
Laurie Braun (Vice Chair)
Jeffrey Gollner
Elena LaMendola
LaValle Morgan
Ronald Nelson
Himanshu Parikh
David Robles (Chair)

Others Present

Erika Bronikowski, Director - Retirement Plan Services
Tina Lausier, Fiscal Officer - Retirement Plan Services
Natasha Ford, Retirement Plan Services
CJ Pahl, Financial Services Manager – Office of the Comptroller
Julie Landry, Director – Department of Administrative Services
Jennifer Folliard, Director of Audits
Judd Taback, Assistant Corporation Counsel
Rachel Preston, Paralegal - Office of Corporation Counsel
Daniel Laurila, Operating Budget Manager - Milwaukee County
Jessica Culotti, Reinhart Boerner Van Deuren s.c.
Brett Christenson, Marquette Associates, Inc.
Christopher Caparelli, Marquette Associates, Inc.
Lauren Albanese, Financial Investment News

3. Chairperson's Report

The Chair started by stating that a number of the Board's Committees have met since the last meeting. The Actuarial, Audit and Risk Committee met in October and heard a presentation on litigation monitoring among other items. Chair Aniban will provide a report on that Committee later in the meeting. The Chair stated the Governance Committee met in November, and Chair LaMendola will

give a report on the Skill Matrix the Committee reviewed. The Chair further stated that the Appeals Committee reviewed three Rule amendments, which will be discussed later in the meeting. Finally, the Investment Committee, which met in October, heard a joint presentation with the Actuarial, Audit and Risk Committee related to the asset liability study.

4. Minutes

(a) Meeting Minutes – September 23, 2020

The Chair asked if there were any comments, questions, corrections or observations by any of the Pension Board members related to the September 23, 2020 meeting minutes. Hearing none, the Chair stated he would entertain a motion to approve the minutes.

The Pension Board unanimously voted to approve the minutes of the September 23, 2020 Pension Board meeting. Motion by Mr. Aniban, seconded by Mr. Morgan.

5. Investment Report

(a) Monthly Update

The Chair then asked Marquette to present its report. Mr. Caparelli thanked the Chair and stated he would start the report with information about the market environment and then Mr. Christenson will review the Flash Report.

Mr. Caparelli began by stating that this is obviously a very interesting time for the markets, and it has been a roller-coaster of a year. He noted that in March the S&P 500 was down 20% in the second quarter, and then had a decent gain in the third quarter. While October was down 2.7%, the year-to-date returns remain a positive 2.8%. Mr. Caparelli stated that there have been significant developments over the course of the last few weeks, including that the election is over. He noted there were a lot of concerns about volatility leading up to the election, but other important events were going on in the background. For example, the vaccine news the week after the election overshadowed some of the election results with good news on the vaccine front. Mr. Caparelli noted that as a result of this good news the markets have been “off to the races” with the S&P 500 adding about 10% since the end of October. Mr. Caparelli further noted that not only have the markets improved, but there have been some significant style changes that may impact the ERS Portfolio. For example, Mr. Caparelli stated that an overall theme this year has been growth versus value. Large Cap Growth has been dominating value by a significant degree. Mr. Caparelli explained this is because the composition of the growth benchmarks are tech names in the U.S. that have become massive companies who make money in any environment, but especially this year. Conversely, the value side includes some of the sectors that have struggled. However, Mr. Caparelli stated that this has changed significantly in November. He pointed to Small Cap

Value, which year-to-date is down 18.7% at the end of October, making it one of the toughest style boxes. Small Cap Value is now up almost 20% in the month of November. Mr. Caparelli stated that on the heels of the vaccine news, some of the big names, like Zoom and Peloton, which are more of the stay-at-home stocks, took a pause. Conversely, some of the stocks like Marriott, some airlines and some casino companies took off with the idea that hopefully at some point next year, this pandemic will be behind us. In the interim, Mr. Caparelli explained there is a battle between the hopeful news on the vaccine front and the fact that things are currently getting worse.

Mr. Caparelli continued by highlighting a couple of other sectors in the market. He noted another theme this year has been that the international markets continue to underperform the U.S. markets. On the Fixed Income side, the market had a very good year, up 6.3% at the end of October. However, Mr. Caparelli warned the majority of those returns were in the first half of the year. For the remainder of the year, Fixed Income has been a flat, if not a negative asset class since the middle of the year. Mr. Caparelli opined that in looking at the yield curve, this is likely to be a theme for the next few years for this sector. Mr. Caparelli stated that this concludes his remarks on the markets and called for questions before Mr. Christenson reviews the ERS Portfolio.

In response to a question from the Chair with regard to how the Portfolio is positioned between growth and value, Mr. Caparelli stated there are two parts to this answer. First, the Portfolio has, and has historically had, a value tilt. This tilt has been reduced over the last several years, but there is still a value tilt. This tilt at least through the end of September has been tough, but as Mr. Christenson will discuss further, it is coming back a bit in October. Mr. Caparelli explained that the value side is looking better, but there is a long way to go and still a significant gap from what growth has done. Mr. Caparelli stated that the second part of the question is with regard to future positioning of the Portfolio. He explained that they are working on an asset allocation study that will be presented to the Investment Committee in December. The results of that study will help determine how to address some of the challenges in the Portfolio, including the value tile and Fixed Income.

Mr. Nelson then commented that with regard to Segall Bryant, who manages Small Cap International Value, this appears to be an opportunity for them to show that their problems do not arise out of their process but rather that their style is currently out of favor. He noted it will be interesting to see if they can perform better in a more favorable market, and if not, the Investment Committee may be facing a new manager search next year. Mr. Christenson stated Segall Bryant is currently On Notice right now, which is right below On Alert. He explained the last couple of weeks have been fairly dramatic, and International Small Cap is up over 10% for the month. Given Segall Bryant's Value bias, Mr. Christenson would expect to see them outperforming. He noted that by the time the Investment Committee meets early next year, they should have a good idea of how Segall Bryant is performing.

Mr. Christenson then continued by reviewing the ERS Portfolio. He started by reviewing the policy to target differences. Mr. Christenson noted that the goal is to be as close to policy as possible, and because ERS has a little over 7% net cash flow per year, it is a balancing act to maintain targets.

Mr. Christenson next reviewed the current policy differences. He stated Fixed Income is underweight by approximately \$53 million or about 3%. Mr. Christenson explained that the cash is about \$37 million, which is approximately 2.3% between cash and Fixed Income. U.S. Equity and International Equity are underweight by approximately \$20 to \$25 million each. Mr. Christenson noted that Private Equity is approximately \$60 million overweight, so those two balance each other out.

With regard to Hedged Equity, Mr. Christenson stated that the Board requested \$10 million from ABS earlier this year. Similarly, the Real Estate managers, American Realty, Morgan Stanley and UBS, are in queue. The request earlier this year included \$6 million from American Realty and \$14 million from Morgan Stanley. Mr. Christenson reported that ERS has received approximately \$1 million and \$5 million respectively from American Realty and Morgan Stanley. Mr. Christenson further reported that the UBS queue from 2019 still has \$9 million left. He explained that there is approximately \$25 million in queue from Real Estate, which would result in the Real Estate target being close to 8%. Mr. Christenson further explained that this is likely where the recommendation for Real Estate will be in the asset allocation process. He noted this is partially due to slightly lower demands for office space.

For Infrastructure, Mr. Christenson noted that the Board requested \$18 million from IFM earlier this year. Even with this, the Portfolio is overweight in Infrastructure by approximately \$10.6 million. Mr. Christenson explained that because of this, Marquette is recommending that the Board request \$10 million from JP Morgan. He stated the balance there is about \$97 million, and IFM's balance is about \$74 million. The goal is to move JP Morgan back to target. Mr. Christenson explained this request would be in the fourth quarter queue, and he would expect to receive the funds in early 2021.

In response to a question from Ms. Lausier, Mr. Christenson stated that the Board previously requested \$18 million from IFM, and this request would be an additional \$10 million, but from JP Morgan.

The Chair stated that unless there were other questions or comments, he would entertain a motion from the Board with regard to Marquette's recommendation.

The Pension Board voted unanimously to approve Marquette Associates' recommendation of a \$10 million redemption from JP Morgan Infrastructure. The amounts withdrawn from JP Morgan are to be

reallocated as determined by Marquette Associates. Motion by Mr. Nelson, seconded by Mr. Gollner.

(b) Adams Street Partnership Fund – 2005 U.S. Fund

Mr. Christenson continued by reviewing the Private Equity Composite. He stated that there is an action item related to this Composite. He explained some of the Portfolio's Private Equity investments are in funds dating back to the late 1990s and early 2000s, including the Adams Street 2005 Funds. Mr. Christenson noted that Private Equity is approximately 13% of the Portfolio, and this is an area that is illiquid. He explained that with Private Equity, there are lock up periods, here 15 years. After 15 years, the investment returns most of the money, but often the investment asks for an extension of 1-2 years. Mr. Christenson explained that these requests are almost always granted because they make sense. He stated that the Adams Street 2005 Funds have just hit the 15 year lifecycle in the investment contract and is requesting an extension. Mr. Christenson explained that managers request these extensions because there is still value to unlock, and to provide maximum value to the clients, the managers ask for the extension. Mr. Christenson stated that Marquette is recommending that the Board approve the Adams Street 2005 extension requests. Ms. Culotti asked Mr. Christenson to confirm that the Board should consent to the extension rather than grant the irrevocable power of attorney. She stated as a legal matter, this would be her preference. Mr. Christenson agreed and stated that only consent should be provided.

In response to a question from the Chair, Mr. Christenson stated performance is generally delayed a couple of quarters for Private Equity, but the Adams Street 2005 Fund has a 14% Internal Rate of Return ("IRR") on a 1-year basis through the second quarter. Mr. Christenson explained this is not a huge impact on ERS given the small dollar amount, but there is some value remaining in the Funds. Mr. Christenson further explained that while he expects positive returns over negative returns, even if there are negative returns, it is preferable to grant an extension and let the manager work out as much value as they can.

In response to a follow-up question from the Chair regarding the older investments, Mr. Christenson stated that the trailing balances are likely a function of poor management of the assets. He explained that after 16-17 years, these assets should be put onto the secondary market and liquidated.

In response to a question from Mr. Nelson, Mr. Christenson confirmed that there are two underlying funds in Adams Street 2005, a U.S. and a non-U.S. Mr. Christenson clarified that it was Marquette's recommendation to consent to the extension for both funds.

In response to a question from Mr. Aniban, Mr. Christenson stated that this was the first extension request from the Adams Street Funds.

The Pension Board voted unanimously to approve Marquette Associates' recommendation to consent to the extension requests of Adams Street 2005 U.S. Fund and Non-U.S. Fund. Motion by Mr. Aniban, seconded by the Vice Chair.

Mr. Christenson next reviewed Private Equity performance. He noted Private Equity performance is not reflected in the Flash Report, but the performance will be in formal quarterly reports. Mr. Christenson stated that the returns are delayed, so the Private Equity returns for the calendar year will not be available until March, April or May. Mr. Christenson explained that overall the Private Equity portfolio has performed very well. He clarified that Private Equity is supposed to outperform the public stock market because funds are paying a heavy price to lock up assets for such long terms. The rationale is that if the money is going to be locked up, there should be better returns. Mr. Christenson stated he expects to see at least 2% after fees over the stock market. Additionally, Mr. Christenson stated this Private Equity composite has lower volatility than the stock market because it is priced slowly over time. Accordingly, there is less volatility than in the stock market and a little more return. In ERS' case, this Private Equity composite has returned approximately 11%. Mr. Christenson noted the public market equivalent would have earned about 8.5%. For instance, Siguler Guff III, which is almost \$37 million or about 2.3% of the total Portfolio, has approximately 15% IRR, and the Adams Street Co-Investment Fund III, which is almost \$34 million has approximately 17% IRR. Mr. Christenson noted that the heart of this Private Equity composite is capturing a lot of upside right now. Mr. Christenson further noted that the Board's four new managers have started to call capital, and it is good to see them start putting the money to work.

Mr. Christenson continued by discussing the ERS Portfolio cash flows. He stated that on a five-year basis, there is a negative \$655 million coming out of the Portfolio, and the net investment return is \$564 million. Mr. Christenson explained that if ERS does not achieve a 7.5% rate of return, the assets will slowly decrease. To combat this, it is important to manage cash flow and rebalance as much as possible.

Mr. Christenson next reviewed the ERS Portfolio returns. He stated overall, the Portfolio is down 1.2% year-to-date through October, but November looks strong. Mr. Christenson explained that the Portfolio earned 16% in 2019, so it is not surprising that 2020 is more flat. Mr. Christenson stated that Hedged Equity is slightly below zero year-to-date, and Real Estate is also slightly below. Similarly, Infrastructure is flat. He noted as he stated earlier, Private Equity should have a decent year. Mr. Christenson explained a bright spot is Fixed Income, which is 5.5% return year-to-date. He further explained that U.S. and International Equity can make a difference this year over the next couple of months because the alternative investments are slow this year due to COVID.

Mr. Christenson continuing by reviewing the Portfolio managers. He started with Fixed Income, which is anchored by Galliard. Mr. Christenson explained the Board switched to Galliard core bonds approximately three years ago, and Galliard has done a great job. On a 3-year basis, Galliard is earning 40 basis points, after fees, which is a bit higher than expected. Mr. Christenson stated the other anchor in Fixed Income is the Northern Trust Index Fund, which provides almost zero fees and earns benchmark returns. TCW in Emerging Markets Debt has been a bit of a drag, and they are down 3.7% year-to-date. Mr. Christenson noted that emerging markets are up about 3% in November, so there could be positive shifts in the next couple of months.

Moving on to U.S. Equities, in the Portfolio, Boston Partners has struggled a bit the last couple of years, down 14% year-to-date with the benchmark down 13%. Mr. Christenson noted that there could also be a shift here by the end of the year. Silvercrest is down 15.2% with the benchmark down 18%. Mr. Christenson explained Small Cap Value is the worst performing asset class in U.S. Equities year-to-date, but if the rotation into value continues, there may be some better returns over the next couple of months. Mr. Christenson stated that International Equities struggled as well. However, he noted Small Cap is up 10% in November. Mr. Christenson explained that he continues to refer to November because there was such a bizarre COVID effect. He noted the last time something like this occurred was in 2000 when the tech stocks were out of control with the emergence of the internet. This is an even bigger stretch. Mr. Christenson stated that they have been talking with the affected managers and carefully monitoring the situation.

Mr. Christenson then reviewed the alternative composite managers. He explained some years the alternatives have a dramatic positive effect on the Portfolio when other assets classes are struggling and other years, there is not much going on. Mr. Christenson stated this is one of those years, and Marquette has been spending a lot of time talking to the Real Estate managers lately. There is some concern about the office space in the portfolios, more so than retail centers. However, Mr. Christenson noted that there has been surprisingly positive news in the fourth quarter, including some transactions occurring in New York. Mr. Christenson stated he is hopeful this asset class can still yield 3 to 5%. He explained there has been negative year-to-date performance because some managers are taking write-downs through COVID, but hopefully, that area will stabilize quickly. On Infrastructure, IFM is down a bit year-to-date, but JP Morgan is up 4.6% through the second quarter. Mr. Christenson stated that concluded his report and called for questions.

The Vice Chair stated Mr. Christenson had mentioned that ERS is still in the UBS queue for about \$14 million, and she asked for a status update on that queue. Mr. Christenson stated the Board submitted its \$14 million request in July of 2019. Thus far, UBS has paid approximately \$5 million, with \$9 million remaining in queue. Mr. Christenson explained he expects it will be a slow process because there are very few transactions happening this year in Real

Estate due to COVID, which results in the asset class being almost frozen. Mr. Christenson noted that if the vaccines can be distributed and things can get back to normal quickly, then it is likely ERS will begin to receive the balance of the \$9 million. Mr. Christenson estimated it is not likely to happen much before the end of the first or second quarters of 2021.

Mr. Caparelli then stated he wanted to share a short presentation on the growth versus value differential that has occurred this year. Mr. Caparelli started by reviewing the performance differences. He stated leading into 2020, growth was significantly outperforming value. Between 2010 and 2019, growth has outperformed value about 3%. Mr. Caparelli explained that in prior recessions, like 2001 or 2008, there is usually an expectation of the large shift. For example, in the tech bubble where growth was dramatically outperforming the bubble, and then value did quite a bit better. This year, the exact opposite occurred because growth has been doing well for the last 10 years and did exceptionally well this year. For this type of crisis to take place and not see a change in the market is odd. Mr. Caparelli noted in the 10-year period prior to 2020, growth was outperforming value by about 3%, and then January through August of this year, the disparity was almost 40%. At its peak, Large Cap Growth was up 30% and Large Cap Value down 10%. Mr. Caparelli stated that this trend has begun to reverse itself a bit in September and October with value outperforming growth in those months. This trend appears to be continuing into November. Mr. Caparelli stated that over the last three months, September, October and November month-to-date, value has come back at about 8%. Mr. Caparelli clarified that there is still a long way to make up for the hole that has been created in the first eight months of the year, which is a 40% gap.

Mr. Caparelli continued by discussing the reasons behind this growth trend. He stated that in looking at the valuation metrics, no matter what metric is used, there is a significant valuation gap between value and growth. The growth side of the market is generating a significant premium over the value side because heading into the pandemic, the expectation was for growth to be lower. Mr. Caparelli clarified that economic growth fell off a cliff, but the growth companies, like Microsoft, are able to grow their revenues and their businesses no matter the underlying economic environment. Value companies, on the other hand, require better economic growth across the spectrum in order to produce better returns. Mr. Caparelli explained this is what occurred last week with the vaccine results because people see this as a sign that things can get back to normal sometime next year, which could create better fundamental economic growth opportunities for the value companies. Mr. Caparelli stated that the biggest reason for the disparity is what he mentioned with Microsoft, which is technology. He explained that in looking through the benchmarks and sector compositions, technology on the growth side exploded. Mr. Caparelli further explained that tech is almost half of the Russell 1000 Growth Index, and of course, tech has done very well this year really because of the stay-at-home economy that COVID has required. Conversely, on the value side, there is not this same sector concentration because the value benchmark is spread out across

various sectors. Mr. Caparelli further explained that not only is the sector composition skewed, but it is highly concentrated in the top 5-10 names. He clarified that Apple, Amazon, Microsoft, Google and Facebook are the top 5 names, and the top 10 names are almost 45% of the Index. As an example, if someone is buying the Russell 1000 Growth, it should be a very well diversified benchmark, but in reality, half of that index is only 10 names. Compare this to the Russell 1000 Value, where the top 10 names are a lot less of a concentration. The Russell 1000 Growth's fortunes are tied to a single company with Apple being more than 10% of the benchmark. On the value side, there a lot of solid companies, but given the current COVID environment, companies like Walt Disney are not going to perform.

Mr. Caparelli concluded his comments with some anecdotes to illustrate the situation. He stated the market cap of Tesla is well in excess of the market cap of both General Motors and Ford based on the idea that Tesla has some significant growth possibilities ahead of it, whereas GM and Ford are less likely to grow in the same way they did previously. However, Telsa produces fewer cars than the other two. Mr. Caparelli stated that at one point in time this year, the market cap of Zoom exceeded the market cap of IBM. He noted these are strange occurrences that are not likely to continue over time. Mr. Caparelli explained that this change may be what is starting to occur in November. While it is too early to know if this is the start of a 5-10 year bull market for value, but the last few weeks have looked much different than the first 8-10 months of 2020. He noted it will be really interesting to see how the returns shake out and what they look like at the end of November.

Mr. Christenson stated before he and Mr. Caparelli conclude their report, he wanted to briefly note that they have been working on the asset allocation study, which he can distribute after the meeting. Mr. Christenson stated the Investment Committee is scheduled to review the study in December. He explained that typically, the Committee starts with a general discussion that continues over a couple of meetings, and the Committee then decides what if any changes to make. Mr. Christenson clarified there will likely not be dramatic changes, but potentially some small tweaks to enhance the returns.

The Chair thanked Mr. Christenson and noted he is looking forward to seeing the asset allocation study. The Chair called for questions and seeing none thanked both Mr. Christenson and Mr. Caparelli for their report.

(c) Adams Street Partnership Fund – 2005 Non-U.S. Fund

The Pension Board addressed this item in connection with agenda item 5(b) above.

6. Investment Committee Report – October 8, 2020

The Chair asked Mr. Nelson to present the Investment Committee report. Mr. Nelson stated the Investment Committee continued its discussions on a number of the items he has previously reported on in prior meetings, but he wanted to highlight a few items. Mr. Nelson noted the Investment Consultant Request for Proposal (“RFP”) was refined and finalized through his work with the Chair and Vice Chair. Mr. Nelson stated that the Committee will be looking at the information from the asset liability study and asset allocation study at next month’s meeting. Additionally, the Committee may be looking at some changes to the investment strategy and assumed rate of return next year.

Mr. Aniban commented that the asset liability study was presented by Segal and questioned whether that study should be shared with Marquette for consideration as they work on the asset allocation study. Ms. Bronikowski stated that the asset liability study and liquidity study presented by Segal was done in open session, and Marquette has been provided a copy of the study and analysis. The Chair noted it made sense to him to provide Marquette with the information. In his view, it is cross-comparing the information, including the needs of the Portfolio going forward. The Chair stated the Investment Committee has some heavy lifting to do in terms of reviewing the information, synthesizing it and making recommendations to the Board.

The Vice Chair noted Mr. Nelson mentioned that future projects for the Committee included rebalancing and potentially changing the assumed rate of return. She questioned whether that would occur as part of quinquennial review or whether that would occur next year. Mr. Nelson stated the Committee has a list of items that need to be reviewed, and the time line for certain items may depend on what the Committee learns from the asset allocation study and asset liability study. He noted if those studies suggest that ERS needs to make a change, the Committee will recommend that the Board does. Mr. Nelson clarified his goal is to do the due diligence work, and then decide if is necessary to change the assumptions. Therefore, he is not on a set schedule as much as he will be looking at the study and the markets to determine how to proceed. In response to a follow-up question from the Vice Chair, Mr. Nelson stated he was not aware of a set schedule for review of the assumed rate of return, and he was not here for the prior quinquennial review. Mr. Nelson explained he thinks it is good have a review at least every five years, but if circumstances warrant changes earlier, he would like to make those changes.

The Chair asked if there were any other questions or comments on the Investment Committee meeting, and seeing none, stated the Board would move on to the Governance Committee report.

7. Governance Committee Report – November 12, 2020

(a) Committee Report

The Chair asked Ms. LaMendola to provide her report on the Governance Committee meeting. Ms. LaMendola stated a large portion of the meeting consisted of the Committee's discussion of the Board Skills Matrix. She explained the Committee was presented with a few options for circulating the Matrix and how the Matrix would be scored. The Committee is recommending the Matrix be a survey that is completed by Trustees anonymously on an annual basis. Ms. LaMendola reminded the Board that the Matrix is a tool used to evaluate training topics for the Board and for the individual Trustees. She noted the Matrix will be done through electronic survey software, and the Committee thought it would helpful to acquire the information anonymously to avoid unnecessary attention or requests for individual Trustee information. With regard to the evaluation metric, the Committee is recommending that the skill levels be evaluated based on a four-point metric ranging from no exposure, basic exposure, moderate exposure and extensive exposure.

The Chair asked if there were questions or comments on the proposal related to the Matrix. He stated he attended the meeting, and the Committee engaged in a good discussion of the options to provide the survey to the Trustees and how to evaluate the skill levels. The Chair explained that the goal is to have a candid evaluation of each Trustee's skill level on a number of topics relevant to ERS and the Board. He noted as Ms. LaMendola mentioned, the Matrix provides not only an evaluation but an opportunity for Trustees to engage in training to increase their knowledge in certain areas as well as assist RPS in planning full Board educational opportunities.

(b) Board Skills Matrix

The Chair stated he would entertain a motion to approve the Matrix based on the report from Ms. LaMendola.

The Pension Board voted unanimously to approve the Board Skills Matrix as presented. Motion by Ms. LaMendola, seconded by Mr. Gollner.

Ms. LaMendola stated she also wanted to note that even though the Matrix will be completed on an individual basis, it will be reviewed as a whole. This evaluation will be used to increase the Board's overall education, but if individual Trustees have an interest in a certain area, they can certainly pursue educational opportunities in that area.

In response to a question from Mr. Nelson, Ms. Bronikowski explained her team would be converting the questionnaire into an online survey that she will then distribute to the Trustees. With the upcoming holidays, Ms. Bronikowski stated it will likely take a couple of weeks for RPS to finalize the online survey. She noted the Trustees will have 3-4 weeks to complete the survey. In January, RPS will have all of the responses and be able to synthesize those to be presented at the next Governance Committee meeting.

(c) 2021 Continuing Education

The Chair asked Ms. Bronikowski if she would report on the 2021 continuing education. Ms. Bronikowski stated over the past several years, the Pension Board has pre-approved Trustee attendance at certain conferences. Ms. Bronikowski explained Trustees generally have to request permission to attend conferences or other educational opportunities, and these requests are typically reviewed and approved by the full Pension Board. RPS and the Board noticed there were some organizations' conferences that Trustees requested to attend each year. These organizations are well-respected and can be trusted to present quality educational conferences year after year. Therefore, Ms. Bronikowski explained that instead of individual Trustees asking each year for approval for these conferences, the Board has pre-approved attendance at these conferences for any Trustee who would like to attend.

Ms. Bronikowski stated she presented these organizations to the Governance Committee, who oversees the Board's continuing education requirements, and the Committee voted to recommend that the Board pre-approve conferences and educational opportunities sponsored by two organizations for 2021: the International Foundation of Employee Benefit Plans ("IFEBP") and the National Conference on Public Employee Retirement Systems ("NCPERS"). Ms. Bronikowski noted that if there are other organizations the Board feels are important to include in this list, she can add those to this approval, but these are the two conferences that are most frequently attended. She also noted that these are both reputable organizations that provide meaningful educational opportunities for trustees of retirement systems.

The Chair stated that in the Pension Board and Committee Charters there is a set amount up to which each Trustee may spend on continuing education each year. He clarified that if the Board proceeds with these approvals, Trustees will not need to get Board approval in advance to attend conferences sponsored by these organizations as long as their costs are below the cap.

Ms. Culotti then noted that Board pre-approval for conferences sponsored by the IFEBP and NCPERS is helpful to the Trustees, but she explained that it is still important for any Trustee who wants to attend a conference to contact Ms. Bronikowski and her team to let them know the Trustee will be attending a certain conference. Ms. Culotti stated this is because there are limits to how many Trustees can attend the same conference before it may be considered a meeting of the Pension Board and must be noticed as such under open meeting laws. She noted Ms. Bronikowski and her team can track what Trustees are attending each conference and avoid inadvertently conducting a meeting. The Chair thanked Ms. Culotti for that important piece of information.

The Pension Board voted unanimously to approve the costs for any interested Pension Board member to attend any of the 2021 IFEBP or NCPERS Conferences. Motion by Mr. Gollner, seconded by Ms. Best.

8. Appeals and Rules Committee Report– November 10, 2020

The Chair next provided the Appeals and Rules Committee report. He stated the Committee reviewed three items, which will be discussed by the Board in closed session. He explained this includes Rule amendments related to non-disability appeals, amendments regarding contribution withdrawals and an amendment regarding rollovers. The Chair stated the Committee recommended some changes, which were incorporated into the amendments presented to the Board. With those changes, the Committee's recommendation was that the amendments be adopted by the Board. He noted he will reserve the remainder of the discussion on the proposed amendments for closed session.

9. Actuarial, Audit and Risk Committee Report – October 8, 2020

(a) Committee Report

The Chair asked Mr. Aniban to present the Actuarial, Audit and Risk Committee ("Audit Committee") report. Mr. Aniban noted the first part of the meeting was a joint session between the Investment Committee and Audit Committee to discuss the asset liability study. He stated the minutes reflect what occurred at the meeting, but he wanted to provide a few highlights. Mr. Aniban continued by explaining that the Audit Committee heard a presentation by a law firm related to securities litigation monitoring. He explained that sometimes ERS will receive emails or mail from law firms about one securities lawsuit or another asking ERS to be part of the lawsuit or settlement. This law firm is proposing to provide these services to ERS. Mr. Aniban noted ERS' custodian currently provides some of these monitoring services. He further noted the Committee discussed procurement requirements and how the Committee would proceed if it was interested in exploring these types of services. Mr. Aniban stated no actions were taken by the Committee related to this item, but Ms. Bronikowski will be scheduling a time for the custodian to present to the Committee on what services the custodian is currently providing related to securities litigation monitoring. Mr. Aniban explained what this firm is proposing is quite robust in terms of monitoring, and the firm would be compensated on a contingency fee basis, which means they are compensated only if the litigation is successful.

Mr. Aniban next briefly reviewed the budget kickoff for 2021. He stated the Committee is expecting the budget to be discussed at the next meeting.

The final item Mr. Aniban discussed was the extension of the Segal contract for actuarial services. He stated this contract is set to expire at the end of the year, and there was interest in extending the contract for another year. Mr. Aniban asked Ms. Bronikowski to provide an update on this extension. Ms. Bronikowski explained at the time of the Audit Committee meeting, RPS did not yet have a draft contract extension. This item is on the draft Audit

Committee agenda for the December meeting, and she will circulate drafts of the contract extension prior to that meeting.

In response to a question from the Chair, Ms. Bronikowski confirmed that the County has finalized its 2021 budget, and she will be presenting an updated ERS budget at the December Audit Committee meeting.

(b) 2021 Employee Member Election and Pension Board Rule 1020

Ms. Bronikowski started by providing some background on this item. She explained that each year there is an election scheduled for an employee member seat on the Pension Board. The election process begins in October because the term starts March 1st. Ms. Bronikowski explained that to begin the process, RPS notifies all employees that there is an opportunity to become a candidate. In order to become a candidate in the election, an employee must collect one-hundred signatures. Once RPS has the signatures in early January, they will decide if there will be an election. If there is only one candidate who returns the required signatures, no election is needed, but if there is more than one candidate, RPS will hold an election. Ms. Bronikowski stated that this year, due to COVID, it did not seem wise to have employees collect in-person signatures as has been done in the past. Rule 1020, which governs employee member elections, simply indicates that signatures must be collected but does not require in-person signatures.

Ms. Bronikowski continued by providing an update with regard to how RPS will be handling this year's nomination. RPS will be expanding its communication campaign and adding additional communications because the process will be different. She explained normally, RPS would send an announcement in early December that employees have the opportunity to be nominated and ultimately participate in the election. This year, RPS will add a notice that will be sent out next week informing employees that the election is happening. Instead of collecting signatures in-person, signatures will be collected electronically. RPS will be using e-mail and the website to advertise and communicate the signature options to employees. While previously, candidates would walk around to obtain signatures, this year, employees who are interested in becoming nominated will have to virtually "walk around" and collect signatures or direct employees to the RPS web site.

The Chair stated it was discussed that RPS will also be monitoring the collection to ensure that individuals who are virtually or electronically signing nomination papers are qualified to do so and that the candidates themselves are qualified to seek the position. The Chair noted he is hopeful there are employees who are interested in running, and he looks forward to hearing whether there will be an election.

The Chair then explained that the Board would go into closed session to discuss the agenda items marked for closed session. Ms. Bronikowski stated there were a couple of

County employees who had asked to go into closed session for one of the agenda items. The Chair stated that was acceptable to him as long as those individuals understand that the items discussed in closed session are confidential and cannot be disclosed outside of closed session.

The Vice Chair then moved that the Pension Board adjourn into closed session under the provisions of Wisconsin Statutes section 19.85(1)(g) with regard to agenda items 10 through 12 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 agreed by a roll call vote of 9-0 to enter into closed session to discuss items 10 through 12. Motion by the Vice Chair, seconded by Mr. Morgan.

10. Actuarial, Audit and Risk Committee Closed Session Items

(a) Interest Applied to Corrective Payments

The Pension Board discussed this item in closed session and made a motion on this item later in the meeting.

11. Appeals and Rules Committee Closed Session Items

(a) Rule Amendments Regarding Non-Disability Appeals Hearings

The Pension Board discussed this item in closed session and made a motion on this item later in the meeting.

(b) Rule Amendments Regarding Contribution Withdrawals

The Pension Board discussed this item in closed session and made a motion on this item later in the meeting.

(c) Rule Amendments Regarding Rollovers

The Pension Board discussed this item in closed session and made a motion on this item later in the meeting.

12. Counsel Report

(a) Litigation Update

The Pension Board discussed this item in closed session and took no action on this item.

(b) 2014 Supplemental VCP Status Update

The Pension Board discussed this item in closed session and took no action on this item.

Ms. Best left the meeting during Closed Session.

The Pension Board agreed by roll call vote 8-0 to return to open session. Motion by Mr. Gollner, seconded by Mr. Morgan.

After returning to open session, the Pension Board made the following motions.

a) Interest Rate Applied to Corrective Payments

The Pension Board voted to direct RPS to correct overpayment errors using 5% annual compound interest and correct underpayment errors using the actuarial equivalence rate in the Plan, currently 7.5%, compounded annually in accordance with IRS guidance. Motion by Mr. Aniban, seconded by Mr. Parikh.

b) Rule Amendments Regarding Non-Disability Appeals Hearings

The Pension Board voted to approve the amendments to Rule 1016 as reflected in Exhibit A. Motion by Mr. Gollner, seconded by Mr. Morgan.

The Pension Board voted to repeal Rules 1050 and 1055. Motion by Mr. Morgan, seconded by Mr. Gollner.

c) Rule Amendments Regarding Contribution Withdrawals

The Pension Board voted to approve the amendments to Rule 1054 as reflected in Exhibit B. Motion by Mr. Nelson, seconded by Mr. Gollner.

d) Rule Amendments Regarding Rollovers

The Pension Board voted to approve the amendments to Rule 1037 as reflected in Exhibit C. Motion by Mr. Aniban, seconded by Mr. Morgan.

13. Investment Consultant RFP

The Chair asked Ms. Bronikowski to provide an update with regard to the Investment Consultant RFP. Ms. Bronikowski stated at the last Board meeting, the Pension Board authorized the Board Chair, the Vice Chair and the Investment Committee Chair to make final revisions and approve the RFP. The RFP has been approved, and it will be issued by the County Procurement Department at the end of the week.

14. RPS Reports

(a) RPS Director Report

Ms. Bronikowski began her report with an update on the RPS team. She stated the team continues to largely work from home with a few employees rotating into the office each day to ensure RPS has access to incoming and outgoing mail as well as historical records only available in hard copy. Ms. Bronikowski explained the County has instituted additional administrative orders and policies in the wake of the COVID pandemic. In accordance with those orders, anyone who physically comes into the office will participate in a health screening that is completed each time they come into the office. For ERS members, RPS continues to provide in-person meetings, but they are by appointment only. This allows RPS to have time to prepare and complete the appropriate cleaning. Ms. Bronikowski stated she anticipates this hybrid approach will continue for a number of months until the County re-opens its facilities further.

Ms. Bronikowski next reported on the RPS projects. She stated they are working on end-of-year items as well as one-time projects. Ms. Bronikowski noted the VCP corrections will be completed by the end of this year, and they are working with Vitech on drafting a contract for the system upgrade. RPS has also been working with the County's Payroll department and the system vendor because that system is being upgraded at the beginning of 2021. Ms. Bronikowski explained RPS has an interface with Payroll's system where data flows from that system to RPS' system for active employees. In addition to these one-time projects, RPS is also preparing for the annual report and valuation that occurs in the first half of 2021. RPS is also finalizing the 2021-2022 strategic plan, which will be presented to the Governance Committee early next year. Finally, RPS is working on the end-of-year tax filings and preparing the Forms 1099-R.

With regard to staffing, Ms. Bronikowski reported that RPS has a number of vacancies, but the County has implemented a hiring freeze. She stated RPS is doing the best it can with the staff it has, and RPS did receive permission to fill a couple of those vacancies over the past few months. Ms. Bronikowski explained RPS recently hired a full-time developer who comes with wealth of experience working in development. That individual will be working closely with the consultants to learn how the V3 system works and will be assisting with the V3 upgrade. Ms. Bronikowski stated once the V3 system is upgraded, she anticipates RPS will not require the full-time consultants and this new staff member will be able to take over the development responsibilities. Ms. Bronikowski stated RPS is also interviewing for a retirement analyst position. She noted RPS has received a number of good candidates, and she is excited to have a wide variety of applicants. The goal is to hire someone for this position by the end of the year. Ms. Bronikowski explained that once that position is filled, RPS will only have three more vacancies, which they are hoping to have permission to fill next year.

Ms. Bronikowski concluded her report by stating that despite the continued uncertainty about the pandemic and the continued remote working environment, the RPS staff is in good spirits and looking forward to the coming back to the office when it is safe to do so. Ms. Bronikowski asked if there were any questions. Seeing none, the Chair asked Ms. Bronikowski to proceed with the Retirements Processed Report.

(b) Retirements Processed

Ms. Bronikowski began her report by noting that she provided two reports: the September 2020 Retirements Processed report and the October 2020 Retirements Processed report.

She stated in September, RPS commenced 11 retirements. Of those 11 retirements, 3 were deferred and the remaining 8 were active retirements. The vast majority of those active retirements had backDROPs. One backDROP was under \$100,000, one was between \$100,000 and \$200,000 and 4 were over \$200,000, including one that was over \$500,000. Ms. Bronikowski noted the individual with the large backDROP had been with the County for a long time and accrued many years of service credit.

In October, Ms. Bronikowski reported RPS commenced 14 retirements. Of those 14 retirement, 3 were deferred, 1 was a disability retirement and 10 were active retirements. Of the 10 active retirements, 7 had backDROPs, with 5 under \$100,000, 1 between \$100,000 and \$200,000 and one over \$200,000.

Looking forward to November and December, RPS currently has 6 new retirements each month. Ms. Bronikowski explained it is not uncommon for RPS to see a dip in pension commencements at the end of each year and an increase in January. Typically, RPS is booked for retirement appointments in the months of November and December, and they are about 50% booked right now. She stated those other individuals may schedule for January, but they still have some time to make those retirement decisions. Ms. Bronikowski called for questions, and seeing none, stated her report was completed.

(c) Fiscal Reports

Ms. Lausier began her report by reviewing the fiscal documents provided to the Pension Board. She stated she provided the Portfolio Activity Reports for September and October, the Funds Approved Report, the Third Quarter Financial Statements and the Budget Versus Actual.

Ms. Lausier continued by providing key fiscal highlights. She noted as Marquette stated, the last couple of months have been more strained, and the net Plan assets held in trust as of October 31st are just over \$1.6 billion, which is a decrease of \$22.8 million over the past two months. Ms. Lausier

explained there were not many positive asset classes with the exception of Private Equity and Cash and Cash Equivalents. Ms. Lausier clarified that part of the Cash and Cash Equivalents return is due to the redemptions Marquette mentioned earlier.

Moving on to the Portfolio Activity Reports, Ms. Lausier stated in September, there was a transfer out from Morgan Stanley of \$4.2 million, which was comprised of a redemption of \$3.4 million and a distribution of \$850,000. In October, the Reports show the redemptions that were received. ABS had a \$10 million redemption, IFM had an \$18 million redemption, and ERS received a small redemption from UBS in the amount of \$229,000. Ms. Lausier stated in September, ERS received income and contributions above \$25 million, the majority of which came from the \$22 million employer contribution from Milwaukee County. The remaining \$3 million consists of income or contributions for both September and October. Ms. Lausier noted that the net unrealized gains and losses were negative in September and in October, which is partly due to the market uncertainty leading up to the election. Ms. Lausier echoed Marquette's comments that November is looking to be a much better month. As of this morning, ERS was at \$1.67 billion, which is an increase of about \$63 million.

Ms. Lausier continued by explaining that due to the \$22 million of employer contributions from Milwaukee County, it was not necessary for ERS to raise funds to meet September disbursement needs. In October, due to the redemptions of \$28 million from IFM and ABS, ERS also did not need to raise any funds to meet its October needs. Ms. Lausier noted ERS still has sufficient cash on-hand to meet its needs for November. Ms. Lausier further noted she has been providing Portfolio snapshots each week and asked the Trustees to let her know if there are any changes they would like to see or any additional information they would like to receive.

Ms. Lausier continued by reviewing the Funds Approved Report. She stated in July, the Board approved \$52 million for estimated fourth quarter needs. With the surplus of \$5.5 million, ERS had a total available of \$57.5 million for the fourth quarter. Ms. Lausier explained ERS needed \$17.5 million in October, and November is estimated to require \$17 million. ERS will have \$23 million in surplus for the remainder of the fourth quarter. Ms. Lausier stated this should be adequate, but she is still waiting for final VCP numbers. She stated she will provide an update at the December meeting.

Ms. Lausier next stated she is proposing to change the schedule within which the Pension Board approves funding requests from a quarterly schedule to a semi-annual schedule. Ms. Lausier noted she will still provide updates at each Pension Board meeting with regard to where ERS stands, but this revised schedule will help provide her with flexibility due

to the revised meeting schedule. Ms. Lausier stated she would like to start this revised schedule with the December meeting. She asked if there were questions or comments on this request.

The Chair stated he does not have an objection to approving funding requests every six months, and this change should not require a formal motion. He noted that if Ms. Lausier can have her request ready at the December meeting, the Board can address it then.

Ms. Lausier continued by reviewing the distributions and capital calls for the months of September and October. She stated in October, ERS received almost \$31 million in distributions, which were in part due to redemptions. She stated there were four capital calls in September, from Barings, Siguler Guff Fund III, Fairview and Greenspring. Barings also had two additional capital calls in October. Ms. Lausier noted November has been fairly light on capital calls, and she does not expect much more to happen given the Thanksgiving holiday.

In response to a question from the Chair, Ms. Lausier stated that she generally receives approximately 7 to 10 days' notice for a capital call. Because this is not a long period of time, she retains sufficient funds in the general cash account to meet these capital call needs. If the funds in the general account are low, she works with Marquette to raise funds so that sufficient amounts are available when and if a capital call comes up.

Ms. Lausier next reviewed the financial statements for the third quarter. She stated there was a negative net change in ERS assets, mostly due to the pandemic and some of the issues that have occurred throughout the year. Ms. Lausier also reviewed the Budget versus Actual report. She stated that the insurance services and software enhancement maintenance expense columns show a negative variance for the year. Ms. Lausier explained these are both items for which ERS pays the full expense in January. Therefore, these will always be negative until the end of the year. Ms. Lausier stated the other large variance is from Corporation Counsel's Office, which is paid by Milwaukee County on ERS' behalf. Ms. Lausier explained she does not issue a check for those expenses any longer. She noted that as ERS moves to the new budget year, she is going to work to move the County-paid expenses to the bottom of the budget so they are not intertwined with the ERS-paid expenses. Overall, Ms. Lausier stated ERS is \$2.7 million under budget. This is likely due to the lack of travel and other things that would have otherwise occurred this year. Ms. Lausier called for questions and there were none.

The Chair thanked Ms. Lausier for her report. He noted that the Board has reached the end of its agenda. He further noted that he meant to welcome Ms. Best at the beginning of the meeting, and he will do that at the next meeting. The Chair further noted there is one additional vacancy on the

Board. He explained there were two vacancies as a consequence of former Chairperson Harper as well as Ms. Bedford leaving the Board. The Chair stated that before the December meeting, he would like to work with RPS to have a formal motion commending both Mr. Harper and Ms. Bedford for their service to the Board. He explained they gave a significant portion of their time to the Board, and he is very appreciative.

The Chair called for any final questions and seeing none, thanked everyone for attending.

15. Adjournment

The meeting adjourned at 12:11 p.m.

Submitted by Erika Bronikowski,
Secretary of the Pension Board

EXHIBIT A

AMENDMENT TO THE RULES OF THE PENSION BOARD OF THE EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE

RECITALS

1. Section 201.24(8.1) of the Milwaukee County Code of General Ordinances (the "Ordinances") provides that the Pension Board of the Employees' Retirement System of the County of Milwaukee (the "Pension Board") is responsible for the general administration and operation of the Employees' Retirement System of the County of Milwaukee ("ERS").
2. Ordinance section 201.24(8.6) allows the Pension Board to establish rules for the administration of ERS.
3. The Pension Board previously adopted Rules 1016, 1050 and 1055 to govern appeals to the Pension Board by individuals who received adverse determinations related to their benefits from Retirement Plan Services. Rule 1050 also addresses overpayments and offsets.
4. As part of a larger governance review, the Pension Board has established the Appeals and Rules Committee to hear ERS claimant appeals and provide the Pension Board with disposition recommendations.
5. The Pension Board desires to update the Rules to reflect the new Committee structure and combine Rules 1016 and 1055 to create one Rule 1016 governing non-disability appeals.
6. The Pension Board further desires to repeal Rule 1050 because the County Board adopted Ordinance section 201.24(8.24), which addresses overpayments and offsets. Any appeals related to overpayments and offsets may be addressed through Rule 1016. Accordingly, Rule 1050 is no longer necessary.

RESOLUTIONS

1. Effective November 18, 2020, the Pension Board hereby amends Rule 1016 to read as follows:

1016. Claims appeal procedure.

- 1) *Determination.* Upon request, Retirement Plan Services ("RPS") may make a determination related to any of the following:
 - (a) A claim for benefits, in whole or in part;
 - (b) A dispute regarding a reduction in benefits due to overpayment and/or offset;

- (c) The interpretation of an Ordinance or Rule;
 - (d) A question or controversy arising in connection with ERS or benefits payable from ERS; or
 - (e) As to any writing, decision, instrument or account in connection with the operation of ERS.
- 2) *Notice of Adverse Determination.* If the determination is adverse to the claimant, RPS shall send a letter via e-mail or US mail to the claimant explaining the adverse determination, which shall include:
- (a) the applicable Ordinances and Rules and RPS's basis for the adverse determination; and
 - (b) a copy of this Rule 1016 as well as general information regarding the claimant's right to appeal the adverse decision to the Appeals and Rules Committee of the Pension Board.

If information from a claimant regarding an adverse determination made by RPS is received by any Pension Board Trustee prior to the date the claimant appears before the Appeals and Rules Committee, the Trustee must provide that information to the Director of RPS so that information may be provided to the Appeals and Rules Committee.

- 3) *Right to Appeal Adverse Determination.* A claimant may appeal RPS's adverse determination to the Pension Board's Appeals & Rules Committee. However, appeals related to disability pensions described in Ordinance sections 201.24(4.3) and (4.4) are not governed by these procedures.
- 4) *Request for Appeal of Adverse Determination.* To request an appeal of an adverse determination made by RPS, the request must be submitted in writing to the Director of RPS within one-hundred and twenty (120) days from the date of the letter setting forth the adverse determination unless good cause can be shown as to why the appeal or request for a hearing could not be filed within the required time limit. The written request for appeal must include the claimant's reason for disputing or disagreeing with RPS's adverse decision. A claim for appeal will be considered made when RPS receives a written appeal request from a claimant.
- 5) *Commencement of Appeal.*
- (a) Upon receipt of a timely request for an appeal, RPS will notify counsel for the Pension Board and the Chairperson of the Appeals and Rules Committee. The Chairperson will determine the next Appeals and Rules Committee meeting at which it is possible to schedule the appeal, taking into account the date of the appeal request and the information submission deadline in subsection (b)(iii) below.

- (b) RPS or counsel for the Pension Board shall send a letter to the claimant that is authorized and signed by the Chairperson of the Appeals and Rules Committee specifically or pursuant to standing instructions. The letter may be sent via email with read-receipt request or via mail with tracking capability. The letter will be sent a minimum of 30 days prior to the meeting. The letter will include:
 - (i) The date, time and location of the Appeals and Rules Committee meeting at which the appeal is scheduled to be heard. If the meeting is a virtual meeting, the location will be the virtual meeting invite information.
 - (ii) A request for the claimant to confirm attendance at the meeting as well as any representative appearing with or on behalf of the claimant.
 - (iii) The date by which the claimant must submit all information and documents that the claimant desires the Appeals and Rules Committee to consider. This date shall be no later than 14 days prior to the meeting. The documents may be provided in hard copy or electronically, with preference to electronic documents.
 - (iv) A statement that the Appeals and Rules Committee, in its discretion, may postpone the appeal until a later meeting if additional information or documents are received after the stated deadline.
 - (v) A statement informing the claimant of the right to be represented by counsel or another authorized person of his choice.
 - (vi) A copy of this Rule 1016.
 - (vii) Instructions to the claimant to notify the Appeals and Rules Committee if he or she requires a change in the schedule.
 - (viii) A short and plain statement of the matters asserted and, if available, details of the issues involved.
 - (ix) Information about hearing procedures.
 - (x) A statement informing the claimant of his or her right to request the non-confidential documents held by RPS regarding the matter under appeal and to copy such documents.
- (c) RPS will provide counsel for the Pension Board with the information submitted by the claimant and in the possession of RPS in connection with the adverse determination and appeal.

- (d) A claimant will confirm his or her availability to attend the meeting. A claimant may request postponement of the Appeals and Rules Committee hearing by written request to the Director of RPS.
- 6) *Materials sent to Appeals and Rules Committee.* Prior to the Appeals and Rules Committee meeting at which an appeal is scheduled to be heard, counsel for the Pension Board will send to the Appeals and Rules Committee materials that will be helpful to the Committee in reviewing the appeal. This may include a summary of the facts, applicable Ordinances and Rules, a summary analysis of the appeal and shall include any materials submitted by the claimant. The Appeals and Rules Committee should generally have available all materials in the possession of RPS relevant to the adverse determination and appeal. RPS staff will not receive a copy of the materials provided to the Committee.
- 7) *De novo standard of review.* In reviewing an appeal, the Appeals and Rules Committee will review all information available to it and shall render a decision independent of RPS's adverse determination.
- 8) *Review of the appeal by the Appeals and Rules Committee.* The Appeals and Rules Committee will adhere to the following procedures for hearing and reviewing an appeal at the Committee meeting:
 - (a) *Open Session.* The Committee will first conduct its hearing with the claimant in open session on the record. The claimant, or the claimant's authorized representative, may present the appeal to the Committee, and the Committee may ask questions of the claimant, the authorized representative, or RPS staff.
 - (i) Notwithstanding the foregoing, if a claimant's medical information or other personal information would compel a hearing in closed session, at the request of the claimant, that portion of the meeting may be held in closed session to the extent permitted under Wisconsin law.
 - (b) *Committee Closed Session.* Where appropriate and permitted under Wisconsin law, the Committee may enter into closed session to review and discuss the appeal with counsel for the Pension Board. This will be a separate closed session from any closed session requested by the claimant in subsection (a)(i) above.
 - (i) When the Committee enters into closed session for consultation with counsel, the closed session shall include only the Committee members and counsel for the Pension Board. RPS staff and third parties other than counsel shall be excused from closed session any time that the claimant or claimant's representative is also excused from closed session.

- (ii) If, during closed session, the Committee has a question that requires the assistance of an outside individual, the Committee may return to open session to discuss its question with the appropriate individual and thereafter return to closed session to complete any further discussion regarding the appeal.
- (c) *Additional Information Needed.* If the Committee determines that the issues on appeal require further discussion or additional information, the Committee will take the following steps:
 - (i) Vote to table its recommendation;
 - (ii) Request that RPS place the continuation of the appeal on the Committee's agenda for a subsequent meeting;
 - (iii) Request the additional information from the claimant or other individual or entity with the applicable information; and
 - (iv) Request that RPS or counsel for the Pension Board send the claimant a letter advising the claimant of the postponement.

Once the Committee receives any additional information needed, it will continue its review at its next meeting. The claimant will be notified by letter of the meeting date and may attend. The letter may include the same information as the letter described in section (5)(b) above and follow the same procedure.

At the subsequent meeting at which the Committee continues its review, the Committee may follow the applicable procedures provided herein.

- 9) *Appeals and Rules Committee's Recommendation.* After it reviews the appeal, the Appeals and Rules Committee may return to open session and vote on the recommendation to the Pension Board of the disposition of the appeal. The Committee's recommendation will be supported by all available evidence, consistent with the Ordinances and Rules and applicable law, and will not be arbitrary or capricious.
 - (a) The Committee shall issue a written recommendation to the Pension Board of the disposition of the appeal. The written recommendation shall include the proposed findings of facts, conclusions, and recommended disposition. The written recommendation will explain the reasons for the proposed disposition and refer to the provisions of the Ordinances, Rules or other applicable law on which it is based. The written recommendation will be issued within thirty (30) days following the date the appeal is heard by the Committee. However, if circumstances require a delay in the recommendation, the claimant will receive notice of the delay within this period.

- (b) Unless the Committee directs that the full Committee should review and approve the written recommendation, the Chairperson of the Committee and/or other designated Committee member(s) may, in consultation with counsel for the Pension Board, approve the written recommendation.
- (c) Upon approval of the written recommendation, it will be provided to the claimant with a letter informing the claimant of the Committee's recommendation to the Pension Board.
 - (i) The letter may be authorized or signed by the Chairperson of the Committee or a designated Committee member. The letter may be sent via email with read-receipt request or via mail with tracking capability.
 - (ii) The claimant shall have 14 calendar days to review the written recommendation of the Committee and provide objections to the written recommendation, if any, in writing to the Director of RPS.

10) *Pension Board Review and Decision.*

- (a) Once the Appeals and Rules Committee has issued its written recommendation, RPS should determine the next Pension Board meeting at which it is possible to schedule the Board's review of the recommendation, taking into account the 14-day time period the claimant has to review and provide objections to the written recommendation.
- (b) Prior to the Pension Board meeting at which the Appeals and Rules Committee recommendation is scheduled to be reviewed, counsel for the Pension Board will send to the Pension Board the Committee's written recommendation along with any written objections provided by the claimant.
- (c) RPS or counsel for the Pension Board shall send a letter to the claimant from the Pension Board Chairperson informing the claimant of the Pension Board's review of the Committee's recommendation. The letter may be sent via email with read-receipt request or via mail with tracking capability. The claimant or their representative may attend the meeting at which the Pension Board is reviewing the recommendation. However, unless requested by the Chairperson of the Board, the claimant or their representative may only address the Pension Board if there is new information to provide that was not available to the claimant at the time of the Appeals and Rules Committee meeting.
- (d) After consideration of the Appeals and Rules Committee's written recommendation along with any objections provided by the claimant and any new information provided by the claimant, the Pension Board may take one of the following actions:

- (i) Approve the Committee's written recommendation in which case the Committee's recommendation becomes the final decision of the Pension Board.
- (ii) Modify the Committee's written recommendation in which case the revised recommendation becomes the final decision of the Pension Board.
- (iii) Deny the Committee's written recommendation and direct RPS to administer the benefits in accordance with the Pension Board's decision.
- (iv) Send the appeal back to the Committee with directions to address additional questions or gather additional information, including holding an additional hearing with the claimant, in which case the Committee will follow the applicable procedures described above.
- (v) Request additional information to be provided directly to the Pension Board in which case the Pension Board's decision will be tabled until the next meeting after which the additional information is received. The claimant will be notified of this postponement, the date of the meeting at which the Pension Board will continue its review and any additional information needed from the claimant or their representative. Once the Pension Board has received the additional information, it will follow the applicable procedures described above.

11) *Notification of Pension Board Decision.*

- (a) *Letter to Claimant.* The claimant will receive a letter signed by the Chairperson or Vice Chairperson of the Pension Board specifically or pursuant to standing instructions informing the claimant of the Pension Board's decision. The letter may be sent via email with read-receipt request or via mail with tracking capability.
- (vi) The letter shall include a copy of any written decision issued by the Pension Board.
- (vii) The letter shall advise the claimant that the decision represents the final decision of the Pension Board and note that the claimant may request a review of such decision by filing a writ of certiorari with the circuit court of Milwaukee County not later than two (2) years from the date of receipt of the written decision by the claimant as determined by e-mail read receipt, certified mail tracking or other confirmation of the receipt from the claimant.

- (b) *Copies to RPS.* Counsel for the Pension Board will send to RPS a copy of the Pension Board's final decision and a copy of the letter sent to the claimant.
- 12) *Deviations from Procedures.* The Appeals and Rules Committee, the Pension Board and RPS intend to follow the procedures described in this Rule. However, due to facts and circumstances related to each claim and/or appeal, the Appeals and Rules Committee, the Pension Board and RPS in their respective sole discretion may reasonably deviate from the described procedures. Deviation from the procedures provided in this Rule shall not invalidate a proceeding or decision or be a basis for a legal claim except where such deviation has clearly resulted in significant prejudice or deprivation of due process.
- 13) *Decision on appeal shall be final.* A final Pension Board decision shall be final and binding upon all persons dealing with the Pension Board or ERS or claiming any benefit thereunder, except to the extent that such decision may be determined by a court having jurisdiction over such matter to be arbitrary or capricious. However, to be considered timely, the party challenging the Pension Board's decision must file a certiorari review action with the circuit court of Milwaukee County not later than two (2) years from the date of receipt of the written decision by the claimant as determined by e-mail read receipt, certified mail tracking or other confirmation of the receipt from the claimant.
- 14) *Binding Decision.* A beneficiary shall not have an independent appeal right relating to an issue that the Pension Board previously decided due to the member's challenge unless there is new and relevant information that was not available at the time of the member's appeal. Similarly, a member's estate shall not have an independent appeal right relating to an issue that the Pension Board previously decided due to the beneficiary's challenge unless there is new and relevant information that was not available at the time of the beneficiary's appeal.
- 15) *Exhaustion of administrative remedies.* The exhaustion of the claims procedures in this Rule 1016 is mandatory for resolving every claim, dispute or interpretation arising under or relating to ERS or ERS benefits. As to such claims, disputes and interpretations: (1) no claimant shall commence any legal action to recover benefits or to enforce or clarify rights under ERS or under any other provision of law until the claims procedures set forth in this Rule 1016 have been exhausted in their entirety; and (2) in any such legal action all explicit and all implicit determinations by the Pension Board (including, but not limited to, determinations as to whether the claim, or a request for a review of a denied claim, was timely filed and all factual determinations) shall be afforded the maximum deference permitted by law.

2. Effective November 18, 2020, the Pension Board hereby repeals Rule 1050 and Rule 1055.

EXHIBIT B

AMENDMENT TO THE RULES OF THE PENSION BOARD OF THE EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE

RECITALS

1. Section 201.24(8.1) of the Milwaukee County Code of General Ordinances (the "Ordinances") provides that the Pension Board of the Employees' Retirement System of the County of Milwaukee (the "Pension Board") is responsible for the general administration and operation of the Employees' Retirement System of the County of Milwaukee ("ERS").
2. Ordinance section 201.24(8.6) allows the Pension Board to establish rules for the administration of ERS.
3. Ordinance section 201.24(3.11) provides that an employee who terminates employment with the County may request a refund of his or her accumulated contributions if the request is made within 180 days of termination of County employment.
4. In order for a member to request a refund of his or her accumulated contribution, the member must submit an application provided by Retirement Plan Services (RPS). If an application for a contribution withdrawal is missing information, RPS may not be able to process this application without all the requisite information.
5. The Pension Board desires to update the Rules to provide a timeframe for members to submit missing information on an application for a refund of a member's accumulated contribution. Accordingly, the Pension Board desires to amend Rule 1054 to reflect this change.

RESOLUTIONS

1. Effective November 18 2020, the Pension Board hereby amends Rule 1054 to read as follows:

1054. Retention and Refunds of amounts held in the membership account.

- A. Retention of Amounts in Membership Account. Contributions that members make to ERS pursuant to Ordinance sections 201.24(3.11) and (3.3), and payments that members historically made to ERS pursuant to Ordinance section 201.24(11.1) and Rule 207, are held in the member's membership account. These amounts are retained in the membership account pursuant to the following conditions.

(1) *Accumulated contributions made pursuant to Ordinance section 201.24(3.11).*

- (a) *Contributions remain while service remains.* All accumulated contributions associated with a member's service credit shall remain in the

member's membership account as long as the member retains the service credit.

- (b) *Nonvested members.* The accumulated contributions associated with a nonvested member's service credit shall remain in the member's membership account until the member terminates ERS covered employment and timely requests a refund pursuant to Ordinance sections 201.24(3.11) and (3.5). Following a timely request, the member is entitled to a refund of all contributions he or she made during any period of ERS covered employment. Notwithstanding anything within section 201.24 of the General Ordinances of Milwaukee County or these rules to the contrary, pursuant to the Pension Board's interpretation of Ordinance section 201.24(2.11), the service credit of a nonvested member is forfeited if the member is absent from service for more than five (5) years in a period of ten (10) consecutive years (which includes any period of more than five (5) consecutive years) after last terminating service. At the same time that such service credit is forfeited, any accumulated contributions associated with that service credit shall be forfeited and the Retirement Office shall remove the accumulated contributions from the membership account.
- (c) *Vested members.* The accumulated contributions associated with a vested member's service credit shall remain in the member's membership account until the member terminates ERS covered employment and timely requests a refund of such amounts pursuant to Ordinance sections 201.24(3.11) and (3.5). Following a timely request, the member is entitled to a refund of all contributions he or she made during any period of ERS covered employment. Additionally, upon the commencement of a benefit by the member or a beneficiary or survivor of the member pursuant to the Ordinances and Rules, the Retirement Office shall remove any accumulated contributions from the membership account because the member is no longer eligible to request a refund of such amounts.
- (d) *Members excluded from requesting a refund.* Pursuant to Ordinance section 201.24(3.5), a member shall not be eligible to request a refund of accumulated contributions if the member or beneficiary of the member is eligible, at the time the request for a refund is made, for the present receipt of any monthly annuity benefit under sections 4.1, 4.5, 6.1, 6.2, 6.4, or 7.1, if the member is terminating employment covered by OBRA or excluded from ERS and OBRA coverage or if the member's employment is terminated due to fault or delinquency under section 4.5.

(2) *Optional member contributions made pursuant to Ordinance section 201.24(3.3).*

- (a) *Contributions remain while service remains.* All optional member contributions made pursuant to Ordinance section 201.24(3.3) associated with a member's service credit shall remain in the member's membership account as long as the member retains the service credit.

- (b) *Nonvested members.* The optional member contributions associated with a nonvested member's service credit shall remain in the member's membership account until the member requests a refund of his or her membership account pursuant to Ordinance section 201.24 (3.5). Notwithstanding anything within section 201.24 of the General Ordinances of Milwaukee County or these rules to the contrary, pursuant to Ordinance section 201.24(2.11), the service credit of a nonvested member is forfeited if the member is absent from service for more than five (5) years in a period of ten (10) consecutive years (which includes any period of more than five (5) consecutive years) after last becoming a member. At the same time such service credit is forfeited, the member shall be entitled to receive a refund of any optional member contributions associated with that service credit.
 - (c) *Vested members.* The optional member contributions associated with a vested member's service credit shall remain in the member's membership account until the member requests a refund of his or her membership account pursuant to Ordinance section 201.24(3.5) or upon the commencement of a benefit by the member or beneficiary or survivor of the member pursuant to the Ordinances and Rules. Upon the commencement of a benefit by the member or beneficiary or survivor of the member pursuant to the Ordinances and Rules, the Retirement Office shall remove any optional member contributions from the membership account because the member is not entitled to receive a refund of such amounts.
- (3) *Amounts used to purchase service credit for purposes of a buy back or buy in pursuant to Ordinance section 201.24(11.1) or Rule 207.*
 - (a) *Incomplete buy back or buy in.* Amounts paid for incomplete purchases of service credit for purposes of a buy back under Ordinance section 201.24(11.1) or buy in under Rule 207 shall remain in the member's membership account until the member terminates employment with the County for any reason. Upon termination of employment, the member shall receive a refund of any such amounts paid to purchase service credit if the payments do not otherwise violate the Ordinances and Rules.
 - (b) *Completed buy back or buy in.* Amounts paid for completed purchases of service credit for purposes of a buy back under Ordinance section 201.24(11.1) or a buy in under Rule 207 shall remain in the member's membership account until the member requests a refund of his or her membership account pursuant to Ordinance section 201.24(3.5) or upon the commencement of a benefit by the member or beneficiary or survivor of the member pursuant to the Ordinances and Rules. In the case of a refund of his or her membership account pursuant to Ordinance section 201.24 (3.5), the member shall receive a refund of any such amounts paid to purchase service credit if the payments do not otherwise violate the Ordinances and Rules. Upon the commencement of a benefit by the member or beneficiary or survivor of the member pursuant to the Ordinances and Rules, the Retirement Office shall remove any amounts paid to purchase service credit from the

membership account because the member is no longer entitled to receive a refund of such amounts.

- (c) *Nonvested members.* Pursuant to Ordinance section 201.24(2.11), the service credit of a nonvested member is forfeited if the member is absent from service for more than five (5) years in a period of ten (10) consecutive years (which includes any period of more than five (5) consecutive years) after last becoming a member. At the same time such service credit is forfeited, the member shall be entitled to receive a refund of any amounts paid to purchase service credit.
- (d) *Alternative Refunds.* Notwithstanding the foregoing, refunds of payments made to purchase service credit for purposes of a buy back under Ordinance section 201.24(11.1) or a buy in under Rule 207 may be made outside the terms of this Rule 1054 when required by law and as directed by the Internal Revenue Service

B. Refunds of Accumulated Contributions.

- (1) Pursuant to Ordinance section 201.24(3.11), if a member does not receive written notice of the option to receive a refund of their employee contributions after termination of employment, then the Pension Board, or the Retirement Office as delegated by the Pension Board, may allow the individual to receive a refund later than the refund period provided by Ordinance section 201.24(3.11).

Under the Ordinance, a determination that notice was not received can be based on a finding by the Retirement Office and/or Pension Board that notice was either not sent by the Retirement Office or not received by the member. The member shall have the burden of proving notice was not received, and the Pension Board or the Retirement Office shall have the sole and exclusive authority to determine whether the individual received the notice.

A member will satisfy his or her burden of proof that the member did not receive notice of the refund option by completing an affidavit stating that the member did not receive notice of his or her right to receive a refund within the 180-day period as described in Ordinance section 201.24(3.11). The affidavit shall be notarized and include:

- (a) A declaration that under penalty of perjury the statements made by the member are true and correct;
- (b) The member's name and current address;
- (c) The date the member terminated County employment;
- (d) A statement that the member did not receive written notice that the member was eligible to request a refund of the member's employee contributions within 180 days of termination of County employment;

- (e) A statement regarding why the member did not receive the notice; and
 - (f) The member's signature and date of signature.
- (2) The member must submit this affidavit to RPS within five (5) years of termination of County employment.
 - (3) RPS shall have the authority to determine whether the affidavit meets the requirements of this Rule. If the affidavit meets the requirements, RPS is authorized to provide the refund of accumulated contributions to the member. If RPS determines that the affidavit does not meet the requirements of this Rule, then this decision along with any contribution refund requests outside of this situation or outside of the time frame provided in subsection (2) shall be appealable to the Pension Board through the appeal process described in Rule 1016.

C. Application for Refund of Accumulated Contributions.

- (1) In accordance with Ordinance section 201.24(3.11)(6)(a), any refund of accumulated contributions must be requested within one hundred eighty (180) days after termination of county employment. In order to request a refund of accumulated contributions, a member must submit an approved application to RPS within the 180-day time period. Any missing information on this application shall be submitted by the member to RPS within thirty (30) days of the date of the notice of the missing information from RPS or within one hundred eighty (180) days after termination of county employment, whichever is later. Failure to submit the requested information within this required time limit will result in the application being void, unless good cause can be shown as to why the missing information could not be submitted within the required time limit.

EXHIBIT C

AMENDMENT TO THE RULES OF THE PENSION BOARD OF THE EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE

RECITALS

1. Section 201.24(8.1) of the Milwaukee County Code of General Ordinances (the "Ordinances") provides that the Pension Board of the Employees' Retirement System of the County of Milwaukee (the "Pension Board") is responsible for the general administration and operation of the Employees' Retirement System of the County of Milwaukee ("ERS").
2. Ordinance section 201.24(8.6) allows the Pension Board to establish rules for the administration of ERS.
3. In accordance with the Internal Revenue Code ("Code"), Ordinance section 201.24(13.2) allows recipients to rollover certain distributions to eligible retirement plans in order to avoid paying taxes on the distribution. These distributions consist of pre-tax amounts.
4. ERS also provides for distribution of after-tax employee contributions. The Code allows these after-tax amounts to be rolled over, but these amounts are subject to different rules than pre-tax amounts.
5. For any eligible rollover distribution, the Code requires retirement plans to notify members of their option to rollover these eligible distributions. This notice must be provided no less than 30 days and no more than 180 days prior to the distribution.
6. The Pension Board desires to clarify the rollover options for after-tax amounts and provide RPS with the maximum time period within which to provide the rollover notice to members. Accordingly, the Pension Board desires to adopt amendments to Rule 1037 for these purposes.

RESOLUTIONS

Effective January 1, 2020, the Pension Board hereby amends Rule 1037 to read as follows:

1037. Default Procedure for Eligible Rollover Distributions and After-Tax Amounts.

(a) *Default procedure.* If a distributee fails to elect a direct rollover of an eligible rollover distribution prior to the date that the payment of the eligible rollover distribution would otherwise be scheduled to commence, the eligible rollover distribution shall be paid directly to the distributee in a lump sum. The pension board, through the retirement office, shall withhold the amount required by the Internal Revenue Code, as amended, from the

eligible rollover distribution paid directly to a distributee for purposes of federal income tax withholding.

(b) *Notification.* ERS, through RPS, shall provide a distributee who is eligible for an eligible rollover distribution with a notice that complies with Internal Revenue Code section 402(f) and includes a description of the default procedures described in (a). RPS shall provide this notice no earlier than one-hundred and eighty (180) days and no later than thirty (30) days before the distributee's distribution date.

(c) *After-Tax Amounts.* A portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be paid only to an individual retirement account or annuity described in Internal Revenue Code section 408(a) or (b), or in a direct trustee-to-trustee transfer to a qualified trust described in Internal Revenue Code section 401(a), which is exempt from tax under section 501(a) of the Code, or to an annuity contract described in Internal Revenue Code section 403(b), provided such trust or contract provides for separate accounting for amounts so transferred (and earnings thereon), including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.