

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE
ANNUITY AND PENSION BOARD**

Minutes of the Investment Committee Meeting
held March 26, 2009

The meeting was called to order at 9:15 a.m.

Committee Members Present: John Barmore, Vice Chair
 W. Martin Morics (rep. by Craig Kammholz)
 Michael J. Murphy
 Ron Walter

Committee Members Not Present: William C. Carey (excused)
 Thomas Fischer (excused)
 Larry Holland (excused)

Retirement Staff Present: Bernard J. Allen, Executive Director
 Martin Matson, Deputy Director
 Tom Rick, Chief Investment Officer
 David Silber, Pension Investment Analyst
 Bruce Thomas, Pension Investment Analyst
 Suzanne Fortier, Board Stenographer

Others Present: Beth Cleary, City Attorney's Office; Doug Kryscio, Mercer Investment Consulting; Todd Thompson and Clark Holland; W. George Greig and Julie Stevens, William Blair; and Robert Peterman, Smith Barney.

Election of Vice-Chair. Mr. Murphy called for nominations for Vice Chair. Mr. Walter nominated Mr. Barmore for Vice-Chair. Mr. Murphy asked for any further nominations three more times. There being no further nominations, it was moved by Mr. Walter, and seconded by Mr. Kammholz, that a unanimous vote be cast for Mr. Barmore as Vice-Chair.

Approval of Global Equity Search Firms – Mercer. Mr. Rick handed out a memo from Mercer, dated March 26, 2009. Mr. Kryscio talked about the process the Board has gone through and discussed the Global Equity Search finalists. After discussion, it was moved by Mr. Kammholz, seconded by Mr. Barmore, and unanimously carried, to approve the candidates for the Global Equity – Growth and Global Equity – Value interviews.

(Mr. Kammholz left the meeting at 9:25 a.m.)

The meeting convened as a sub-committee at 9:25 a.m.

Reams Asset Management – Educational Presentation. As a matter of information, Committee members received a copy of a presentation book from Reams, dated March 26, 2009. Mr. Thompson talked about the CDS Market; commercial mortgage backed securities; bank loans, private placement, securitized vs. unsecuritized debt; auto sector and holdings; the finance sector and holdings; debt exchanges: determination of value and decision process, and gave a performance recap. Lengthy discussion ensued throughout the presentation.

Mr. Murphy called for a break at 10:35 a.m. The sub-committee reconvened at 10:43 a.m.

(Mr. Walter left the meeting at 10:35 a.m.)

Further discussion ensued with respect to Reams' guideline compliance.

William Blair Strategy Update. As a matter of information, Committee members received a presentation booklet, dated March 26, 2009 and a Corporate Strategy Update booklet, dated March 2009. Mr. Thomas handed out an updated performance chart and briefly talked about William Blair's portfolio. Ms. Stevens gave some background information on William Blair stating that as of December 31, 2008 they have \$26.1 billion under management; with \$13.4 billion of that invested internationally. Mr. Greig briefly talked about the team stating that William Blair has organized their research effort into global sector teams, which has enabled them to really respond to the increased degree of globalization in competition and in individual sectors. This has also been undertaken in support of launching global portfolios for clients. He indicated that William Blair believes that a global portfolio structure will emerge as the most effective approach to implementing style or cap based strategies overall.

Mr. Greig directed the Committee's attention to page 22 and talked about the reasons for William Blair's performance summary and actions they have taken due to the market environment. Lengthy discussion ensued throughout the presentation.

Northern Trust Peer Analysis. As a matter of information, Committee members received a copy of the Northern Trust vs. Bank Peer Group report. Mr. Rick stated that several months back the Chair asked if staff could monitor or get early warnings with regards to Northern Trust. He talked to Northern Trust and this report has key metrics, not just financial, but some statistical, of how Northern compares themselves against their peers. Mr. Rick asked the Committee for input on what they would like to see on a quarterly basis after Northern releases their financial information filing. This is a work in progress, but he stated his read is that Northern seems to be very conservative in their lending and strong from a capital ratio type standing. Discussion ensued.

Mr. Rick stated that Mercer has some things they wanted to discuss. Mr. Kryscio talked about Mercer and Callen Associates merging their U.S. operations. Mr. Rick handed out an Overview of the Federal Reserve Bank of New York's Term Asset-Backed Securities Loan Facility ("TALF") and Mr. Kryscio and Mr. Rick talked about this Toxic Asset

Relief Program. Mercer handed out a Research Note with respect to AllianceBernstein (Bernstein). Mr. Kryscio stated some Trustees have some questions about them. Mercer's research group take a hard and fast look at ERS' strategy, Bernstein U.S. Strategic Value Equity, and Mr. Kryscio talked about this strategy stating Mercer's suggestion to staff is to wait and see what happens in the first quarter 2009. There are no immediate concerns about AllianceBernstein, but Mercer wanted to update the Committee. Mr. Rick indicated that Bernstein has done pretty well at the beginning of this year.

Mr. Rick stated that last year the Board approved a transaction cost provider, Global Trading Analytics. He said the fee was supposed to increase \$7,000 beginning in 2009, but GTA has elected to keep ERS at last year's fee.

There being no further business, Mr. Murphy adjourned the meeting at 11:38 a.m.

Bernard J. Allen
Secretary and Executive Director

(NOTE: All proceedings of the Annuity and Pension Board Meetings and related Committee Meetings are recorded. All recordings and material mentioned herein are on file in the office of the Employees' Retirement System, 789 N. Water Street, Suite 300.)