

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

Minutes of the Investment Committee Meeting  
held July 22, 2010

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

Committee Members Present:        John Barmore  
   W. Martin Morics  
   Michael J. Murphy, Chair  
   Gust Petropoulos  
   Ron Walter

Committee Members Not Present:   William C. Carey  
   Konrad Ellenberger (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  
   Brian Brophy, College Intern - Investments  
   Suzanne Fortier, Board Stenographer

Others Present:    Beth Cleary, City Attorney's Office; Doug Kryscio and Mariya Nikolova, Mercer Investment Consulting; Saumil Parikh, Kimberley Stafford and James Clarke, Pacific Investment Management Company (PIMCO); John Graham and Angela Ruane, Rogge Global Partners; and Danny Sharp, Mark Sullivan and Toby Johnston, Wellington Management Company.

Mr. Murphy took a moment to present Mr. Walter his Resolution of Appreciation and thanked him for his service.

**Global Fixed Income Manager Presentations.** As a matter of information, Committee members received a Global Fixed Income Manager Summary prepared by ERS' staff and a Manager Search Report, dated July 2010, submitted by Mercer. Mr. Kryscio briefly talked about the firms here today for the new Global Fixed Income Manager. He stated that Mercer and ERS staff are comfortable with any of the three firms. Mr. Silber handed out a list of questions, but noted Committee members should feel free to ask any questions during the interviews.

**Pacific Investment Management Company (PIMCO).** As a matter of information, Committee members received a presentation book, dated July 22, 2010. Mr. Clarke introduced himself, Ms. Stafford and Mr. Parikh. He talked about ERS' objectives and requirements. Mr. Clarke indicated that the four points PIMCO wants to

get across to the Committee are: depth and strength of PIMCO; deep commitment to an investment process and philosophy; focus on long-term orientation; a commitment to risk management; and a partnership with CMERS. He stated that PIMCO has \$1 trillion under management. There are 134 portfolio managers, and what characterizes them is the strength, depth and talent of the organization, but most importantly is the tenure they have had at PIMCO, as well as in the industry.

Ms. Stafford talked about the assets under management by strategy stating their global fixed income business is just over \$90 billion. She stated that PIMCO has 22 years of experience managing global bond markets; 14 years experience on average among the Global Portfolio Management Team; and 11 global offices.

Mr. Parikh talked about PIMCO's investment philosophy; investment process; portfolio construction; team approach used in managing portfolios; the PIMCO global portfolio management team; and risk management. Mr. Clarke thanked the Committee for the opportunity to present their capabilities and accomplishments. Turning to page 18, he summarized why CMERS should look at PIMCO as a good partner going forward. Lengthy discussion ensued.

(Mr. Murphy stepped out at 10:05 a.m.)

Mr. Barmore took over as Vice Chair at 10:05 a.m. He called for a break at 10:10 a.m. Mr. Walter left the meeting at 10:20 a.m.

The meeting reconvened as a sub-committee at 10:25 a.m.

**Rogge Global Partners.** As a matter of information, Committee members received a presentation book, dated July 22, 2010. Mr. Graham introduced himself and Ms. Ruane. Ms. Ruane provided some background on Rogge Global Partners. She stated that their firm is 100 percent dedicated to global fixed income. Ms. Ruane noted that Rogge has a strong stable team, with the senior directors having worked together as a team for over 16 years, and Rogge has not had a senior investment professional leave in over 20 years. She indicated that Rogge has over \$39 billion under management with the global aggregate fixed income being the largest portion. Ms. Ruane also talked about their client geography. Mr. Graham talked about the investment team; investment philosophy; asset allocation; developed markets; Rogge G13 government performance track record; investment grade credit; credit screening process; and emerging markets. Mr. Graham also talked about the indicative global aggregate portfolio as of June 30, 2010. Lengthy discussion ensued.

(Mr. Murphy returned during the presentation.)

Mr. Barmore called for a break at 11:30 a.m. The sub-committee reconvened at 11:42 a.m.

(Mr. Murphy stepped out during the break.)

**Wellington Management Company.** As a matter of information, Committee members received a copy of a presentation book, dated July 22, 2010. Mr. Sharp, Mr. Johnston and Mr. Sullivan introduced themselves and provided some background information. Mr. Sharp talked about the ownership structure, business model and investment platform of Wellington Management Company. He noted they have \$562 billion in assets under management, with \$253 billion of fixed income. Mr. Sharp stated they have 485 investment professionals across different areas. He talked about the global fixed income stating they have \$32 billion assets under management.

Mr. Murphy returned and resumed chairing the meeting.

Mr. Sharp talked about what makes Wellington's global fixed income unique and the advantages for the City of Milwaukee. Discussion ensued. Mr. Sullivan talked about the experienced team of global investment specialists; objectives and investment approach; key characteristics; investment returns (US\$) through June 30, 2010; credit spreads; diversified by investment style; and Wellington's risk management approach. Mr. Johnston talked about forecasting and research; and global aggregate portfolio exposure as of June 30, 2010. Lengthy discussion ensued throughout the presentation.

(Please note that due to the lack of a quorum the sub-committee did not convene in closed session as noticed.)

Mr. Kryscio talked about the reasoning behind this allocation into global fixed income. He briefly commented on Mercer's take on all three firms as far as risk control; tracking error and the benchmark, which Mercer thinks should be the Barclays Global Aggregate. Mr. Kryscio stated that may change depending on which firm the Board chooses to hire. He said Mercer is also thinking of an un-hedged portfolio, with the ability to hedge as the firm sees appropriate, but they are open to suggestions. Mr. Kryscio talked about the differences in the three firms. Lengthy discussion ensued.

**Approval of Mercer's Interim Allocation.** As a matter of information, Committee members received a memo from Mercer, dated July 22, 2010. Mr. Kryscio informed the Committee that the last interim allocation approved by the Board did not include private equity, so the recommended allocation includes all the asset classes. The Board was not comfortable going there initially, so we went from current policy to current interim allocation - without alternatives, and now we have the proposed interim allocation, which does include private equity. Mr. Rick stated we can bring this back at the September 2, 2010 Investment meeting for official action. He just wanted to make sure the Committee knows ERS is in line with what has been approved so far at the Board level.

**T. Rowe Price Transition Update.** As a matter of information, Committee members received a copy of a memorandum from Mr. Rick, dated July 16, 2010. Mr. Thomas reported ERS moved an initial \$20 million on June 15, 2010, and used the transition manager, BlackRock, to move another \$60 million on June 30, 2010. He said BlackRock expected costs to be \$174,623, and they came in about \$22,000 below that cost. Mr. Thomas said ERS received an analysis from GTA, ERS' transaction cost provider, who

indicated BlackRock did a pretty good job in the transition. He noted ERS will have two more transitions in the amount of \$60 million: one on July 30, 2010 and one on August 31, 2010. Mr. Rick indicated this would complete the global equity strategies.

**Acceptance of William Blair Due Diligence Report.** As a matter of information, Committee members received a copy of a memorandum from Mr. Thomas, dated June 30, 2010. Mr. Thomas stated, he, Mr. Silber and Ms. Hafner visited William Blair and overall everything went well. They met with the head of the Blair's investment division and Mr. Greig, ERS' portfolio manager, and several other people. He stated there were no major issues, but they have a few concerns regarding Blair adding strategies, which ERS feels may draw Mr. Greig's attention away from ERS' portfolio. Staff will be paying close attention to that issue. Mr. Thomas stated that Blair has been doing a good job, and most recently, they have been outperforming very well. Discussion ensued.

There being no further business, Mr. Murphy adjourned the meeting at 1:25 p.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.)