

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

Minutes of the Investment Committee Meeting
held July 12, 2011

The meeting was called to order at 9:10 a.m.

Committee Members Present: John Barmore
 William C. Carey
 Konrad Ellenberger
 Michael J. Murphy
 Gust Petropoulos
 Ron Walter

Committee Members Not Present: Larry Holland (excused)
 W. Martin Morics (arrived at 9:53 a.m.)

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
 Varun Varma, Investment Intern
 Suzanne Fortier, Board Stenographer

Others Present: Kevin Dolsen and Michael Joecken, Callan Associates; and John O'Callaghan and Carolyn Van Putten, GMO.

GMO Global Value Strategy Presentation. As a matter of information, Committee members received a presentation book, dated July 12, 2011. GMO provided a handout "Performance attribution vs. MSCI World Year to date, period ending June 30, 2011. Mr. Rick handed out an updated performance chart. Mr. Silber talked about GMO and talked about their strategy. Ms. Van Putten gave some background information on herself and Mr. O'Callaghan. She talked about GMO's investment strategies and some of their clients. Mr. O'Callaghan briefly talked about the international active investment team and process and the global active equity strategy – investment objective.

Mr. O'Callaghan talked in length about the county allocations and GMO's overweight/underweight versus the MSCI World. Lengthy discussion ensued. Mr. Rick asked GMO whether there are any guidelines that are a hindrance or that potentially would you like to request the Committee to review. Mr. O'Callaghan answered in the negative.

Review and Approval of Public Equity Structure Analysis. As a matter of information, Committee members received a presentation book, dated July 2011.

Committee members also received a memorandum from Callan Associates, dated July 11, 2011. Mr. Joecken and Mr. Dolsen talked about GMO's CEO leaving the company stating that there will be no material affect on ERS' investments or how things are managed.

(Mr. Morics arrived at 9:53 a.m.)

Mr. Dolsen directed the Committee's attention to the Public Equity Structure Discussion, Part II book. He and Mr. Joecken talked about a planning framework for risk allocation; roles of equity in the portfolio; equity decision path; if just passive then what index; stock market returns by calendar year; pros and cons of active management; active versus passive; traditional active strategy; large cap broad equity versus S&P 500 index; large cap growth equity versus Russell 1000 Growth and Value; active equity management and associated tracking error (large cap); styles of active equity management and associated standard deviation (large cap); risk and return of options in large cap; return per unit risk; 130/30 funds; low volatility, simulations, and long/short equity. Discussion ensued throughout the presentation.

There being no further business, Mr. Murphy adjourned the meeting at 11:01 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.)