

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

Minutes of the Investment Committee Meeting
held February 28, 2013

The meeting was called to order at 9:08 a.m.

Committee Members Present: Martin Matson
 Carmelo Patti
 Michael J. Murphy, Chair
 Ron Walter

Committee Members Not Present: John Barmore (arrived at 9:55 a.m.)
 William C. Carey
 Larry Holland
 Gust Petropoulos

Retirement Staff Present: Bernard J. Allen, Executive Director
 Beth Cleary, Deputy Director
 Tom Rick, Chief Investment Officer
 David Silber, Pension Investment Analyst
 Erich Sauer, Pension Investment Analyst
 Greg Trunk, Investment Intern
 Michael Becker, Pension Accounting Specialist
 Suzanne Fortier, Board Stenographer

Due to the lack of a quorum, the meeting convened as a sub-committee.

Others Present: Margaret Daun, City Attorney's Office; Clark Holland, Reams Asset Management; and Kevin Dolsen, Michael Joecken and Jason Ellement, Callan Associates.

Reams Asset Management. As a matter of information, Committee members received a copy of Reams presentation book dated February 28, 2013. Mr. Rick handed out an updated performance chart. Mr. Holland provided a summary of their relationship with the ERS and Scout Investments. He reviewed Reams fixed income strategy, performance return, sector spreads, economic review, portfolio summary, and portfolio characteristics. Discussion ensued throughout the presentation.

Asset Liability Study Presentation – Part III. As a matter of information, Committee members received a presentation book "Asset Allocation and Liability Study: Phase 2" dated February 28, 2013. Mr. Dolsen introduced Mr. Ellement and spoke about his background. Mr. Ellement and Mr. Dolsen proceeded to talk about Callan's Asset Allocation and Liability Study: Phase 2 Preliminary Results. Discussion ensued throughout the presentation.

(During the above presentation, Mr. Barmore arrived at 9:55 a.m.)

As a quorum was present the meeting convened as an Investment Committee at 9:55 a.m.

Mr. Murphy indicated that Item V. was noticed for closed session and as the Committee will be losing the quorum, he would like to take up that item at this time. There were no objections.

Approval of Callan Recommendation regarding Allianz Capital Management. Mr. Murphy advised that the Investment Committee may vote to convene in closed session on this item, as provided in Section 19.85 (1)(e), Wisconsin State Statutes, for deliberating the purchasing of public properties, the investing of public funds, or conducting other specified business, whenever competitive or bargaining reasons require a closed session. The Committee may then reconvene in open session following the closed session. It was moved by Mr. Barmore, and seconded by Mr. Walter, that the Committee convene in closed session. The motion prevailed with the following roll call vote: AYES: Messrs. Barmore, Matson, Patti, Walter and Murphy. NOES: None.

The Committee convened in closed session at 11:09 a.m. The Committee reconvened in open session at 11:15 a.m.

The discussion on the Asset Allocation and Liability Study: Phase 2 continued. Further discussion ensued.

Value Added Report. As a matter of information, Committee members received a copy of the Active Management versus Passive Analysis 10-Years 1/1/03 – 12/31/12. Mr. Sauer stated that this report looks at the amount of benefit the Fund has gained from the decision to use active managers versus solely passive managers. Discussion ensued.

Q4 2012 Performance Presentation. As a matter of information, Committee members received copies of the Callan Investment Measurement Service Quarterly Review, December 31, 2012, and ERS' 4th Quarter Performance Report, dated February 28, 2013. Mr. Dolsen provided an overview of the market. Mr. Rick, Mr. Silber and Mr. Sauer updated the Committee on the Fund's fourth quarter performance. Discussion ensued.

There being no further business, Mr. Murphy adjourned the meeting at 11:54 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.)