

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

Minutes of the Investment Committee Meeting
Held July 14, 2016

The meeting was called to order at 9:07 a.m.

Committee Members Present: Deborah Ford
 Larry Holland
 Tom Klusman
 Rudy Konrad
 Nik Kovac
 Martin Matson
 Gerald Pace
 Carmelo Patti
 Gust Petropoulos, Chair

Committee Members Not Present: John Barmore (excused)
 Mark Nicolini (arrived 9:36 a.m.)

ERS Staff Present: Bernard J. Allen, Executive Director
 David Silber, Chief Investment Officer
 Tom Courtright, Pension Investment Analyst
 Matthew Ogren, Pension Investment Intern
 Jan Wills, Board Stenographer

Others Present: John Jackson, Mike Joecken, Callan Associates; Bruce Amlicke, Seth Toney (called in via phone), UBS; John Campbell, Cameron Clement, Cornerstone; Patmon Malcom, Pavel Sokolov, Earnest Partners; Miriam Horwitz, City Attorney's Office; Molly King, Budget Office; Karl Tatum, Milwaukee Public Schools intern.

Approval of Loomis Sayles Guideline Extension. Mr. Silber reported that Loomis Sayles is out of compliance by 0.3% and has requested an extension of 90 days to return to the 3% limit in downgraded bonds. Loomis has over a 10% return for the Fund YTD. Discussion ensued regarding downgraded securities and bond ratings. It was moved by Mr. Holland, seconded by Mr. Patti, and unanimously carried, to approve the extension.

Emerging Markets Equity Manager, Manager Due Diligence Report, Approval of Manager Contract. Mr. Petropoulos advised that the Investment Committee may vote to convene in closed session on the following item (II. A. and B.) as provided in Section 19.85(1)(e), Wisconsin State Statutes, to deliberate or negotiate the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session. The Committee may then vote to reconvene in open session following the closed session.

It was moved by Mr. Matson, seconded by Mr. Holland and unanimously carried, to convene in closed session. The committee convened in closed session at 9:20 a.m. and reconvened in open session at 9:36 a.m.

Approval of Manager Contract. It was moved by Mr. Matson, seconded by Mr. Holland and unanimously carried, to approve the manager contract.

(Mr. Nicolini arrived at 9:36 a.m.)

UBS Hedge Fund Solutions Presentation. Mr. Silber stated UBS is a hedge fund manager for the Fund and has been managing the Fund's assets for a year and a half. Mr. Silber stated they recently increased UBS' allocation from 2.5% to 4%. Mr. Amlicke and Mr. Toney spoke via teleconference and talked about Brexit, the global markets in Europe, and diversification. Discussion ensued.

Approval of UBS Hedge Fund Solutions Guideline Change. After discussion to increase the number of UBS hedge managers from 30 to 39, it was moved by Mr. Konrad, seconded by Mr. Holland and unanimously carried, to approve the UBS Hedge Fund Solutions Guideline Change.

Mr. Petropoulos called for a break at 10:18 a.m. and the meeting resumed at 10:28 a.m.

Cornerstone Investment Partners Presentation and Performance Evaluation. Mr. Campbell and Mr. Clement spoke about the market environment, the current position of the portfolio and trades made. Cornerstone has been a manager for the Fund for four years. Cornerstone provided an update on its firm, performance, and portfolio positioning. Discussion ensued among the Board members.

Mr. Petropoulos advised that the Investment Committee may vote to convene in closed session on the following item (IV.) as provided in Section 19.85(1)(e), Wisconsin State Statutes, to deliberate or negotiate the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session. The Committee may then vote to reconvene in open session following the closed session.

It was unanimously carried to convene in closed session. The committee convened in closed session at 11:07 a.m. and reconvened in open session at 11:36 a.m.

Earnest Partners Presentation. Mr. Patmon Malcom and Mr. Pavel Sokolov discussed the ERS portfolio for the last year, mid-cap markets and Brexit. The portfolio is \$125 million as of June 30, 2016. Discussion ensued among the Board members.

Brandes Due Diligence Report. Mr. Courtright presented his due diligence report on Brandes. Brandes has managed an international equity large cap value strategy for the ERS since January 1998. As of June 30, 2016, Brandes managed approximately \$393 million, or 8.3%, of the ERS' assets.

Fixed Income Transition Analysis. Mr. Courtright presented the Fixed Income Transition Analysis. The transition was bid out and BlackRock completed it in a few days at a very low cost. They completed 99% of the trades by June 15, 2016.

CIO Report. Mr. Silber said the Fund value was at \$4.84 billion as of July 13, 2016. The Fund's percentage return is 4.84%, net of fees. He stated there will be a real estate review from Callan Associates at the September 1st Investment Committee meeting. He noted the upcoming due diligence visits to Boston for Loomis and MFS, to Chicago for Blair and to Richmond, Virginia for Private Advisors. In the last seven years, in addition to stocks, bonds and private real estate, the ERS portfolio has added private equity, hedge funds, absolute return funds, public real assets, and increased the manager line-up from 12 to the low 20s. Now that the 2013 ALM study has been implemented, Mr. Silber stated that one of the initiatives of the investment team going forward will be to fine tune the governance aspect related to monitoring the portfolio.

There being no further business, Mr. Petropoulos adjourned the meeting at 12:22 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.)