

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

Minutes of the Investment Committee Meeting
Held December 8, 2016

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

Committee Members Present: John Barmore
 Larry Holland
 Tom Klusman
 Rudy Konrad
 Nik Kovac
 Martin Matson
 Carmelo Patti
 Gust Petropoulos, Chair

Committee Members Not Present: Deborah Ford (arrived at 9:09 a.m.)
 Martin Matson (arrived at 9:47 a.m.)
 Mark Nicolini (arrived at 9:11 a.m.)
 Gerald Pace (arrived at 9:08 a.m.)

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

Others Present: Lawrence Taylor, Brandes Investment Partners; Sally Haskins, John Jackson, Mike Joecken, Callan Associates; Andrea Fowler, City Attorney's office.

Approval of Statement of Investment Policy Update. As a matter of information, committee members received the Statement of Investment Policy. Mr. Silber stated the approval item before the Board makes a change to the Fund's blended benchmark for Private Equity, requesting increasing the Private Equity allocation from 4% to 5% and reducing the Public Equity amount from 56% to 55%. He stated those figures are consistent with a 2013 asset liability study. Mr. Allen requested that Mr. Silber give an overview of the Real Estate benchmark for the new trustees. Mr. Silber also stated the Fund's first allocation to Private Equity was in 2008, followed by a combined investment of \$80 million with Mesirow and Abbott in 2010. Callan, the investment consultant for CMERS, recommended a 5% target to Private Equity in 2011. Mr. Silber stated that interim targets have been achieved and the existing allocation is 4.8% of the Fund's assets and that as of December 2016, CMERS has committed a total of \$520 million to Private Equity.

It was moved by Mr. Barmore, seconded by Mr. Konrad, and unanimously carried, to approve the Statement of Investment Policy Update.

(Ms. Ford, Mr. Nicolini, and Mr. Pace arrived during Mr. Silber's presentation.)

Callan Real Estate Presentation and Approval of Real Estate Implementation Plan.

Mr. Petropoulos advised that the Investment Committee may vote to convene in closed session on the following items II. and II.a., 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. Holland, and seconded by Mr. Konrad, that the Board convene in closed session. The motion prevailed by the following roll call vote: AYES: Messrs. Barmore, Ford, Holland, Klusman, Konrad, Kovac, Nicolini, Pace, Patti, and Petropoulos. NOES: None.

The Board convened in closed session at 9:12 a.m. and reconvened in open session at 10:55 a.m..

(Mr. Matson arrived at 9:47 a.m. during closed session.)

It was moved by Mr. Holland, seconded by Mr. Konrad, and unanimously carried, to approve the Real Estate Implementation Plan.

(Mr. Petropoulos called for a break at 10:55 a.m. The meeting resumed at 11:06 a.m.)

Brandes Investment Partners Presentation. As a matter of information, committee members received a copy of Brandes' International Equity presentation materials and Mr. Sauer handed out information on Brandes International Value Equity. Mr. Taylor of Brandes Investment Partners provided an update to the Board and also gave an overview of Brandes and talked about assets by strategy and the individual parts of the portfolio, including analysis, valuation and construction. Discussion ensued among the Board members. Mr. Sauer added that the Brandes portfolio has significantly benefitted the Fund over the long term as the portfolio value is currently \$394.4 million after an initial investment of \$140 million with Brandes in 1998, subsequent additions of approximately \$90 million, and approximately \$310 million in total withdrawals.

CIO Report.

Mr. Silber stated the Fund is up 8.75 %, net of fees, and the Fund is outperforming the benchmark. He stated the Fund is at \$4.88 billion as of December 7, 2016. Discussion ensued among the Board members. Mr. Silber noted that Dan Fuss, Loomis-Sayles, will be speaking at the January 11, 2017 Investment Committee Meeting.

There being no further business, Mr. Petropoulos adjourned the meeting at 11:48 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.)