

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

Minutes of the Investment Committee Meeting
Held March 9, 2017

The meeting was called to order at 9:03 a.m.

Committee Members Present: John Barmore
 Thomas Bell
 Larry Holland
 Tom Klusman
 Rudy Konrad
 Martin Matson
 Mark Nicolini
 Gust Petropoulos, Chair

Committee Members Not Present: Deborah Ford (excused)
 Nik Kovac (arrived at 9:10 a.m.)
 Gerald Pace (arrived at 9:06 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
 Jan Wills, Board Stenographer

Others Present: John Jackson, Mike Joecken, Callan Associates; Jim Haymes, Brandon Ladoff, Polen Capital; Bob DeBolt, Tom Hynes, Marc Sacks, Mesirov; Michael McGuire, Northwest Passage.

Approval of Recommendation regarding Public Equity Investment Manager. Mr. Petropoulos advised that the Investment Committee may vote to convene in closed session on the following item (I.), 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. Barmore that the Committee convene in closed session. The Committee convened in closed session by the following roll call vote: AYES: Messrs. Barmore, Holland, Klusman, Konrad, Matson, Nicolini, Bell and Petropoulos. NOES: None.

The Committee convened in closed session at 9:05 a.m.

(Mr. Pace and Mr. Kovac arrived at the beginning of closed session.)

The Committee reconvened in open session at 9:55 a.m.

Mr. Petropoulos stated there was discussion regarding approval of recommendation regarding a Public Equity Investment Manager. It was moved by Mr. Matson, seconded by Mr. Klusman, and unanimously approved, for the approval of the recommendations regarding Public Equity Investment Manager.

Polen Capital Management Presentation. As a matter of information, committee members received a presentation booklet from Polen Capital. Mr. Haymes, Director of Institutional Relations, and Mr. Ladoff, Director of Research, gave a presentation to committee members. Mr. Haymes provided the committee members with a Firm overview including growth and global growth strategies, total assets review, and investment team review. Discussion ensued. Mr. Ladoff spoke about Polen Capital's investment philosophy and shared highlights about the portfolio the Employees' Retirement System (ERS) is invested in. Mr. Ladoff also discussed the account performance over various time periods. Mr. Haymes distributed to committee members the most recent account performance as of February 28, 2017. Discussion ensued throughout the presentation.

Mr. Petropoulos called for a break at 10:45 a.m. The Investment Committee resumed the meeting at 10:57 a.m.

Mesirow Financial Presentation. As a matter of information, committee members received a presentation booklet from Mesirow Financial Private Equity. Mr. Hynes provided a firm update. Mr. Sacks provided an update on the Mesirow team. Mr. DeBolt spoke about the private equity market. Mr. Petropoulos then commented that a portion of Mesirow's presentation required closed session.

Mr. Petropoulos advised that the Investment Committee may vote to convene in closed session on the following item (III.), 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. It was moved by Mr. Barmore and seconded by Mr. Holland that the Committee convene in closed session. The Committee convened in closed session by the following roll call vote: AYES: Messrs. Barmore, Holland, Klusman, Konrad, Kovac, Matson, Nicolini, Pace, Bell and Petropoulos. NOES: None.

The Committee convened in closed session at 11:19 a.m. and reconvened in open session at 11:58 a.m.

Private Advisors Due Diligence Report. Mr. Sauer reported that he and Mr. Patti made a due diligence visit to Private Advisors in November 2016. Mr. Sauer stated that Private Advisors is one of the ERS' private equity managers and does a small-cap company buyout fund for the ERS in which the ERS has investments in two of their funds. He reported little change from the last visit with the same team still in place and they have a consistent process. Mr. Sauer stated the investment team is monitoring two items consisting of their head of private equity who was promoted, to formalize succession planning, to president of the firm and the restructuring of their hedge fund business which the ERS will monitor to make sure there's no impact on the private equity team.

Mr. Petropoulos accepted and placed on file Mr. Sauer's report.

Real Estate Update. Mr. Silber reported that Ms. Haskins of Callan would be back to the May or June Investment Committee Meeting for discussion and recommendations as Callan is now the ERS' real estate consultant in place of Townsend. Callan's real estate involvement with next month's audit planning is also continuing, he commented. Mr. Silber stated the guidelines for real estate and the review of the core managers both have to be updated. Mr. Silber remarked that the transition from Townsend to Callan went smoothly.

CIO Report. Mr. Silber noted that for February the Fund had a return of 1.7% and was down 40 basis points in March through March 8. He noted that year-to-date, the Fund had a return of 3%, net of fees and the Fund is just over \$5 billion.

Mr. Petropoulos accepted and placed on file Mr. Silber's report.

There being no further business, Mr. Petropoulos adjourned the meeting at 12:05 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.)