

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

Minutes of the Investment Committee Meeting
Held September 7, 2017

The meeting was called to order at 9:04 a.m.

Committee Members Present: John Barmore
 Deborah Ford
 Larry Holland
 Tom Klusman
 Rudy Konrad
 Martin Matson
 Mark Nicolini
 Himanshu Parikh
 Gust Petropoulos, Chair

Committee Members Not Present: Nik Kovac (arrived at 9:08 a.m.)
 Thomas Bell (arrived at 9:11 a.m.)

ERS Staff Present: Bernard J. Allen, Executive Director
 David Silber, Chief Investment Officer
 Erich Sauer, Pension Investment Analyst
 Thomas Courtright, Pension Investment Analyst
 Lauryn Trautmann, Pension Investment Intern
 Liisa Gary, Administrative Assistant II
 Jan Wills, Board Stenographer

Others Present: Jason Ellement, Mike Joecken, Callan Associates; Andrea Fowler, City Attorney's Office.

Mr. Petropoulos recognized Mr. Nicolini's city service retirement on September 9, 2017 and looked forward to his continuation as a Board member.

(Mr. Kovac arrived at 9:08 a.m.)

(Mr. Bell arrived at 9:11 a.m.)

Callan Asset Liability Study Presentation — Phase 2. At July's meeting, the committee agreed upon some customized assumptions for fixed income and other asset classes. Mr. Joecken commented that asset assumptions and liabilities were run through the model to come up with asset allocations. Mr. Ellement then discussed the analysis and asset liability results. He discussed worst-case scenarios for contributions, funded status and drawdown risk. Mr. Ellement said the return objective was high at 8 percent for 30 years compared to an expected return of 6.4 percent for 10 years. He said the goal of the study was to find a long-term asset allocation that is a balance

between minimizing contributions over the long run and an acceptable level of risk in using five broad asset classes. Mr. Ellement discussed the risks and returns in portfolio mixes 1 through 6. Mr. Allen mentioned that the projected liability is likely to be \$7 billion dollars after 10 years. Discussion ensued throughout the presentation.

Approval of Asset Allocation Mix. It was moved by Mr. Barmore and seconded by Mr. Holland to approve Asset Allocation Mix 5.

Mr. Petropoulos called for a break at 10:33 a.m. The meeting resumed at 10:46 a.m.

Approval of 2018 Private Equity Commitment Recommendation. Mr. Joecken talked about the pacing schedule Callan puts together every year for the ERS. He said there is an 8 percent target for private equity which will take until 2023 to achieve. He said the commitment projections are \$20 million to Abbott, \$60 million to Mesirov and \$15 million to Private Advisors. Discussion ensued. It was moved by Mr. Holland and seconded by Mr. Barmore to approve the 2018 Private Equity Commitment Recommendation.

Approval of Northern Trust Investments Contract Amendment. Mr. Silber recognized Ms. Fowler for all the work she's doing on several contracts. Mr. Silber stated the purpose of the Northern Trust amendment is to achieve a lower fee for the Fund's S&P 500 Index. The S&P index, he said, is 10 percent or \$500 million, of the Fund's assets. Discussion ensued. It was moved by Mr. Konrad and seconded by Mr. Matson to approve the Northern Trust Investments Contract Amendment.

Approval of Real Estate Manager Confirmation Letter for the purpose of investing in real estate and Approval of Real Estate Manager Side Letter Agreement for the purpose of investing in real estate. Mr. Petropoulos advised that the Investment Committee may vote to convene in closed session on items IV. and V. 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, and as provided in Section 19.85(1)(g), Wisconsin State Statutes, to confer with legal counsel concerning strategy to be adopted by the body with respect to litigation in which it is or is likely to become involved. The Committee may then vote to reconvene in open session following the closed session.

The Committee voted to convene in closed session by the following roll call vote: AYES: Ms. Ford and Messrs. Barmore, Bell, Holland, Klusman, Konrad, Kovac, Matson, Nicolini, Parikh and Petropoulos. NOES: None. The committee convened in closed session at 11:00 a.m.

The Committee reconvened in open session at 11:48 a.m.

It was moved by Mr. Barmore and seconded by Mr. Matson, with an objection by Ms. Ford, to approve the Real Estate Manager Confirmation Letter for the purpose of investing in real estate.

It was moved by Mr. Matson and seconded by Mr. Bell, with an objection by Ms. Ford, to approve the Real Estate Manager Side Letter Agreement for the purpose of investing in real estate.

CIO Report. As a matter of information, Board members received a copy of the July 2017 Performance Report. Mr. Silber said there was a preliminary 0.4 percent gain in August which was in line with the benchmark. The Fund return is 10.4 percent, year-to-date, net of fees, and the Fund's market value is \$5.19 billion dollars as of September 6, 2017.

There being no further business, Mr. Petropoulos adjourned the meeting at 11:50 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.)