

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

Minutes of the Investment Committee Meeting
held September 24, 2009

The meeting was called to order at 1:35 p.m.

Committee Members Present: Angela Henschel
 Larry Holland
 W. Martin Morics
 Michael J. Murphy, Chair

Committee Members Not Present: John Barmore (excused)
 William C. Carey (excused)
 Thomas Fischer (excused)
 Ron Walter (excused)

Retirement Staff Present: Bernard J. Allen, Executive Director
 Martin Matson, Deputy Director
 Tom Rick, Chief Investment Officer
 David Silber, Pension Investment Analyst
 Bruce Thomas, Pension Investment Analyst
 Suzanne Fortier, Board Stenographer

Others Present: Beth Cleary and Rudy Konrad, City Attorney's Office; Doug Kryscio, Mercer Investment Consulting; and Craigh Cepukenas and David Heiny, Artisan Partners.

Mr. Murphy welcomed Ms. Cleary back from maternity leave.

Artisan Investments Partners Presentation. As a matter of information, Committee members received a copy of the presentation book, dated September 24, 2009. Mr. Thomas handed out an updated performance chart and briefly talked about Artisan's performance. Mr. Heiny briefly talked about the firm and investment team. Mr. Cepukenas talked about Artisan's performance in 2008. Mr. Heiny talked about Artisan's performance as of August 31, 2009 stating the third quarter, net of fees, has ERS' portfolio returning about 20.5 percent, which compares to about 17.2 percent positive for the Russell 2000 Growth Index. He indicated that puts ERS' account, year-to-date, up about 37.5 percent net of fees versus about 30.5 percent of the Russell 2000 Growth. He also talked about the 1 year and 3 year numbers and performance. Mr. Cepukenas talked about Artisan's top ten holdings and sector exposure. Lengthy discussion ensued.

Approval of Artisan Investment Partners Contract Amendment. As a matter of information, Committee members received a copy of the First Amendment to the

Agreement. Mr. Kryscio indicated this is just a legal change to the contract. Mr. Murphy stated the recommendation to the full Board will be to approve the contract amendment.

Approval of Private Equity Search. As a matter of information, Committee members received a memo from Mercer, dated September 24, 2009. Mr. Kryscio stated that Mercer is looking for approval from the Committee to continue with the Private Equity Search. He stated that Mercer recommended a five percent allocation to Private Equity and Infrastructure to the Committee last year. Mr. Kryscio proceeded to discuss the overview of the different types of investments in Private Equity. He stated he would like to get the list of 12 down to five or six in November, and then set up interviewing three to four managers in December and he asked the Committee's feelings on this timeline. Lengthy discussion ensued.

Approval of Investment Management Agreement Boilerplate. As a matter of information, Committee members received a memorandum from Mr. Rick, dated September 17, 2009, along with a copy of the Boilerplate agreement. Mr. Rick stated that in 2002 the Board asked that staff do a regular review of the boilerplate agreement. He said staff worked with Mercer and the City Attorney to update the contract.

Approval of Global Equity Managers.

Investment Management Agreements. Mr. Rick stated that during the contract process with GMO and MFS, it came to our attention that the boilerplate contract is really more geared towards separately managed accounts. He said the two new managers are running commingled vehicles and ERS, the City Attorney's Office and the managers have come to a realization that we are trying to fit a square peg into a round hole. This boilerplate contract is not conducive with this type of arrangements. Mr. Rick stated in discussions with the City Attorney, MFS and GMO, and in anticipation of going out and looking at private equity and other investments, it may make sense to go out and get special assistance from counsel who routinely works with these types of contracts. Ms. Cleary stated that her office has been in touch with the Reinhart firm who has some colleagues that are pretty reputable. She stated the City Attorney's office does feel comfortable going in this direction, and in turn, Reinhart can help with educational items on the legal and fiduciary front because you have different changing relationships once you have more nuanced special investments. Ms. Cleary stated it behooves the Board to protect itself, and this could lead to better terms being negotiated that could eventually lead to better returns. Mr. Murphy asked if this would be sole sourced to Reinhart. Ms. Cleary indicated they would be acting as advisors to the City Attorney's Office, as needed. Discussion ensued.

(During the above discussion, Mr. Holland left the meeting at 2:45 p.m.)

Due Diligence Reports. As a matter of information, Committee members received a memorandum from Mr. Silber regarding GMO, dated September 17, 2009, and a memorandum from Mr. Rick regarding MFS, dated September 14, 2009. Mr. Rick stated the due diligence reports were included for the Committee's review.

Discussion on Initial Funding. As a matter of information, no discussion took place on this item due to the lack of a quorum.

Other Informational Investment Updates. As a matter of information, Committee members received a copy of a Supplemental Securities Lending Statement, September 2009. Mr. Rick talked about what transpired over the last year in the securities lending program.

Mr. Thomas updated the Committee on the Securities Lending S&P 500 commingled fund stating the Fund by itself is outperforming its benchmark by 44 basis points, with 24 basis points of that outperformance coming from Securities Lending. Discussion ensued.

There being no further business, Mr. Murphy adjourned the meeting at 3:05 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.)