

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

Minutes of the Investment Committee Meeting
Held July 20, 2017

The meeting was called to order at 9:18 a.m.

Committee Members Present: Deborah Ford
 Thomas Bell
 Larry Holland
 Tom Klusman
 Rudy Konrad
 Martin Matson
 Mark Nicolini
 Himanshu Parikh

Committee Members Not Present: John Barmore (excused)
 Nik Kovac (arrived 9:49 a.m.)
 Gust Petropoulos, Chair (excused)

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
 Jan Wills, Board Stenographer

Others Present: Lawrence Spieth, Vice President, DFA; Bob Deere, Investment Director, Senior Portfolio Manager, Vice President; DFA; Jason Ellement, John Jackson, Mike Joecken, Callan Associates; Miriam Horwitz, Andrea Fowler, City Attorney's Office; Molly King, Budget Office.

Vice-Chair Mr. Holland welcomed Mr. Parikh as a new Board member and stated he was appointed by the Mayor. Mr. Allen added that Mr. Parikh is a CPA and acting HR Vice President for Milwaukee Public Schools.

Callan Asset Liability Study Presentation – Phase I. As a matter of information, Board members received a copy of the Callan 2017 Asset-Liability Study – Phase I. Mr. Jackson introduced Mr. Ellement from Callan's San Francisco office. Mr. Ellement gave a presentation to the Board on asset mix alternatives, including finalizing capital market assumptions and confirming alternative asset mixes and constraints. He said the asset liability study focuses on the most strategic asset allocation for the Fund with the first of three phases focusing on assets. Mr. Ellement said the second phase will focus on a review of asset-liability results at the September 7th Investment Committee Meeting. Mr. Ellement discussed the five asset classes of the ERS. Discussion ensued.

Mr. Holland called for a break at 10:29 a.m. The meeting resumed at 10:39 a.m.

Dimensional Fund Advisors U.S. Large Cap Value Manager Interview. Mr. Silber prefaced DFA's presentation by stating DFA has successfully managed a small-cap value strategy for CMERS for over 20 years and an international small-cap value strategy for over 10 years.

Mr. Spieth said CMERS hired DFA in the mid-1990s to manage domestic small-cap value stocks. He said they gain insights about markets and returns from academic research. Mr. Spieth stated they base their portfolios on risk factors that will provide a higher return than indexes. Mr. Deere spoke about profitability and reasons stock prices drop. He stated they control for company size and relative price and then check profitability to choose the more profitable company. Mr. Deere also walked the Committee through the process they use and apply in their strategies to achieve returns above the benchmark. Discussion ensued.

Selection of U.S. Large Cap Value Manager. Mr. Holland advised that the Investment Committee may vote to convene in closed session on the Selection of U.S. Large Cap Value Manager 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. Nicolini, that the Committee convene in closed session on these items. The motion prevailed by the following roll call vote: AYES: Ms. Ford, Messrs. Holland, Klusman, Konrad, Kovac, Matson, Nicolini, Parikh, Bell. NOES: None.

The Committee convened in closed session at 11:41 a.m. It was moved by Mr. Bell and seconded by Mr. Klusman to reconvene in open session at Noon.

2nd Quarter 2017 Preliminary Performance Update. As a matter of information, Committee members received a copy of the 2nd Quarter Performance Report dated July 20, 2017. Mr. Silber reported on total Fund performance for the 2nd quarter 2017 stating the Fund ended the quarter with a 3.5 percent return, net of fees, which was .3 percent above the benchmark. Mr. Silber reported that the Fund's return year-to-date was 7.9 percent return, net of fees, which was .2 percent above the benchmark. He said the ERS total fund market value is \$5.22 billion as of July 19, 2017. Mr. Holland accepted and placed on file the 2nd Quarter 2017 Performance Report.

There being no further business, Mr. Holland adjourned the meeting at 12:15 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.)