

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

Minutes of the Investment Committee Meeting  
held June 7, 2018

The meeting was called to order at 9:02 a.m.

Committee Members Present:      Thomas Bell  
                                                 James Campbell  
                                                 Deborah Ford  
                                                 Timothy Heling  
                                                 Larry Holland, Chair  
                                                 Thomas Klusman  
                                                 Rudy Konrad

Committee Members Not Present:    Nik Kovac (Excused)  
                                                 Martin Matson (Arrived 9:10 a.m.)  
                                                 Mark Nicolini (Excused)  
                                                 Himanshu Parikh (Arrived 9:03 a.m.)

Retirement Staff Present:            Bernard J. Allen, Executive Director  
                                                 David Silber, Chief Investment Officer  
                                                 Erich Sauer, Pension Investment Analyst  
                                                 Tom Courtright, Pension Investment Analyst  
                                                 Dan Gopalan, Chief Financial Officer  
                                                 Mary Turk, Business Operations Analyst  
                                                 Arsh Salwan, Pension Investment Intern  
                                                 Jan Wills, Board Stenographer

Others Present: Andrew Boyd, Stacey Haigh, MFS; Bo Abesamis, John Jackson, Mike Joecken, Callan; Miriam Horwitz, City Attorney's Office; Gust Petropoulos, Adecco.

**CIO Report.** Mr. Silber gave a performance update and said the Fund, as of June 6, is up 2.5%, net of fees. He said about one-third of the 2.5% return is outperformance so implementation added value. Mr. Silber said the drivers of added value year-to-date are active management, small-cap bias, and credit exposure. He stated the Fund value, as of June 6, is over \$5.4 billion dollars.

(Mr. Parikh arrived at 9:03 a.m.)

**Approval of Brandes Investment Partners Contract Amendment.** Mr. Sauer noted that Brandes is offering a longevity fee discount to the ERS, as well as to other clients who have reached the 20-year mark. As a matter of information, Committee members received the new amendment. He said the amendment change indicated the old fee schedule will be replaced with the new fee schedule. Discussion ensued. Mr. Sauer noted the Brandes discount amounted to about

\$170,000 in savings per year. It was moved by Mr. Campbell, seconded by Mr. Bell, and unanimously carried to approve the Brandes Investment Partners Contract Amendment.

(Mr. Matson arrived at 9:10 a.m.)

**MFS Presentation.** As a matter of information, Committee members received the MFS Global Growth Equity presentation booklet. Ms. Haigh said the ERS has been with MFS since 2012 and has invested \$200 million with MFS. Ms. Haigh gave an update on MFS. Mr. Boyd discussed process, strategy, attribution, performance, and positioning. He said MFS is a global stock portfolio and it is managed with growth at a reasonable price style. Mr. Boyd commented that they look for companies having sustainable and durable growth trajectories. Discussion ensued.

**Callan Custody Presentation.** As a matter of information, Committee members received the Callan LLC Custody Consulting Specialty Group presentation booklet. Mr. Abesamis spoke about responsibilities of a custodian (safekeeping, trade processing, and asset servicing); trust, custody and brokerage (custodian assets vs. custodian balance sheet, depository and non-depository capabilities, and discretionary vs. directed); rule 206(4)-2 or the “Custody Rule” (Bernie Madoff Rule, qualified custodian, quarterly account statements, examination, and enhanced requirements); and custody and cross border safekeeping (qualified institutional investor and SEC 17(f)-5 and SEC 17(f)-7). Discussion ensued.

Mr. Holland called for a break at 10:55 a.m. The Committee resumed the meeting at 11:01 a.m.

**Northern Trust Custodial Contract Update. Callan Custody Review.** Mr. Holland advised that the Investment Committee may vote to convene in closed session on the following items (V. and VI.) 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. Heling and seconded by Mr. Bell that the Committee convene in closed session on the Northern Trust Custodial Contract Update and Callan Custody Review. items. The motion prevailed by the following roll call vote. AYES: Ms. Ford, Messrs. Bell, Campbell, Heling, Klusman, Konrad, Matson, Parikh, and Holland. NOES: None.

The Committee convened in closed session at 11:04 a.m.

There being no further business, Mr. Holland adjourned the meeting from closed session at 11:42 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.)