

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

Minutes of the Investment Committee Meeting
Held November 8, 2018

The meeting was called to order at 9:15 a.m.

Committee Members Present: Martin Matson, Chair
 Rudy Konrad
 Nik Kovac

Committee Members Not Present: Deborah Ford (Arrived (9:25 a.m.)
 Thomas Klusman (Excused)

Retirement Staff Present: Bernard J. Allen, Executive Director
 David Silber, Chief Investment Officer
 Erich Sauer, Deputy Chief Investment Officer
 Thomas Courtright, Pension Investment Analyst
 Dan Gopalan, Chief Financial Officer
 Jan Wills, Board Stenographer

Others Present: Jessica Bush, Principal Global Investors; Jonathan Gould, Sally Haskins, John Jackson, Mike Joecken, Callan; Miriam Horwitz, City Attorney's Office.

The meeting convened as a subcommittee and then as a quorum after Ms. Ford's arrival.

Principal Global Investors Presentation. Principal Global Investors is the Fund's Real Assets manager. As a matter of information, Committee members received Principal's Diversified Real Asset CIT booklet. Portfolio Manager Ms. Bush spoke about their firm, investment team, philosophy, process, objectives, and the real assets market in general. Discussion ensued.

(Deborah Ford arrived at 9:25 a.m.)

Callan Real Estate Presentation. Mr. Matson advised that the Annuity and Pension Board may vote to convene in closed session on the following item (II.), 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 Board may then vote to reconvene in open session following the closed session.

It was moved by Ms. Ford, seconded by Mr. Kovac, and unanimously carried, to go into closed session. The motion was carried by the following roll call vote: AYES: Ms. Ford, Mr. Konrad, Mr. Kovac, and Mr. Matson. NOES: None.

The Committee convened in closed session at 10:06 a.m.

It was moved by Mr. Kovac and seconded by Mr. Konrad, and unanimously carried, to reconvene in open session.

The Committee reconvened in open session at 10:21 a.m.

(Deborah Ford left the meeting at 10:30 a.m.)

Mr. Gould and Ms. Haskins updated the Committee with a general review of the real estate market and also talked about the Fund's Real Estate portfolio. They said the Fund's Real Estate allocation is performing well and progress continues to be made on the real estate restructuring that began in 2017. Discussion ensued.

Due Diligence Reports.

Mesirow Financial. Mr. Sauer reported on his and Mr. Courtright's due diligence trip to Mesirow, one of the four managers hired by the ERS to invest its Private Equity allocation via fund of funds.

AQR Capital Management. Mr. Courtright reported on his and Mr. Silber's due diligence trip to AQR. Mr. Courtright noted that AQR has been very successful with their growth with their assets under management. He noted AQR's firm assets are at \$225 billion, up from \$150 billion in 2016. Mr. Courtright said the Emerging Market Equity strategy that the ERS is invested in had \$15.9 billion in assets under management which is an increase from \$11.4 billion in 2016.

3rd Quarter 2018 Performance Update. David Silber reported that as of October 31, 2018, with the exception of October 2018, the Fund was outperforming its blended benchmark over all time periods shown, net of fees. He noted a major flaw in performance reports, which is that most reports are very end-point sensitive and do not properly reflect the long-term decision-making process of investors such as CMERS. He said focusing on rolling returns and rolling excess returns are much more meaningful to look at than end-date annualized performance numbers. Mr. Silber noted the Fund's reduced exposure to public equity, which was implemented earlier this year as a result of last year's ALM study, helped the Fund hold up better than it otherwise would have when stocks declined in October. He reported the Total Fund, as well as Public Equity and Fixed Income allocations, are all performing above median versus public fund peers during most time periods shown as of September 30, 2018.

There being no further business, Mr. Matson adjourned the meeting at 11:40 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.)