

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

Minutes of the Investment Committee Meeting
held February 14, 2019

The meeting was called to order at 9:03 a.m.

Committee Members Present: Matthew Bell
James Campbell
Deborah Ford
Thomas Klusman
Martin Matson
Carmelo Patti

Committee Members Not Present: Rudy Konrad (excused)
Nik Kovac (arrived at 9:05 a.m.)

ERS 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
Robin Earleywine, Pension Accounting Manager
Mary Turk, Business Operations Analyst
Lisa Ory, Administrative Assistant II
Jan Wills, Board Stenographer

Others Present: Douglas J. Kryscio, Kenneth J. McAtamney, William Blair; John Jackson, Mike Joecken, Callan; John Barmore, Retired Fire & Police Association; Miriam Horwitz, Andrea Fowler, City Attorney's Office.

(Nik Kovac arrived at 9:05 a.m.)

Election of Vice-Chair. Mr. Patti asked for a motion for nominations for Vice-Chair of the Investment Committee. It was moved by Mr. Matson and seconded by Ms. Ford to nominate Mr. Konrad for Vice-Chair. Mr. Patti asked three more times for any further nominations. There being no further nominations, nominations were closed and a unanimous vote was cast for Mr. Konrad as Vice-Chair of the Investment Committee.

William Blair Presentation. As a matter of information, Board members received the William Blair International Growth presentation booklet. Mr. Kryscio and Mr. McAtamney gave a presentation to the Investment Committee which included philosophy and process, portfolio analytics and performance, positioning and strategy, market overview/strategy, as well as an overview of their firm.

CMERS Staff Education Presentation. Mr. Silber gave a presentation to the Investment Committee, a copy of which is on file with the Board Secretary. The objectives of his presentation were six-fold:

1. He spoke about the Fund's 10-year expected volatility (including Callan's 10-year expected Fund return of 6.5%);
2. The importance of how risk is defined at the Fund and Manager level;
3. The difference between a decline in asset class returns and how the Fund or its managers compare to their respective benchmarks;
4. How the sequence of the Fund's returns impact projected funded status;
5. The competitive advantages of CMERS; and how
6. CMERS is a long-term investor. Discussion ensued throughout the presentation.

Due Diligence Reports.

Earnest Partners. As a matter of information, Board members received Mr. Sauer's due diligence report from his meeting with Earnest Partners in December 2018. Mr. Sauer reported that Earnest's asset levels are stable, their team is stable, and they are continuing to implement the process CMERS hired them for. He noted the only changes at Earnest were with compliance systems, IT, and back-office issues. Mr. Sauer said from an investment standpoint, Earnest has been their highest-returning manager in all time periods shown in the report.

Loomis Sayles. As a matter of information, Board members received Mr. Courtright's due diligence report from his and Mr. Silber's meeting with Loomis Sayles in August 2018. Mr. Courtright stated it was a routine, straightforward meeting. He said Mr. Fuss is a key person with the strategy and has been working with the portfolio managers there for decades. Mr. Courtright also met with one of the portfolio managers who said in the fixed income market there is now more issuance of the 144A securities. Mr. Courtright said the CMERS cap for those securities is currently 25% but they may revisit the guidelines. He said Loomis Sayles' performance has been very good over the long term and CMERS has benefited greatly during that time.

4th Quarter 2018 Performance Report. As a matter of information, Board members received the 4th Quarter 2018 Performance Report. Mr. Sauer presented a Fund Overview and Public Equity Review. He noted it was a difficult 4th quarter with the Fund underperforming but still outperforming in the one-year and longer periods. He said since the financial crisis, the Fund has outperformed. Mr. Sauer said the Public Equity segment underperformed in the 4th quarter but there has been outperformance over the longer time periods. Mr. Courtright presented the Fixed Income, Absolute Return, and Private Equity reports. He stated Fixed Income underperformed in the 4th quarter and one-year time periods but outperformed in the three-year to 15-year time periods. Mr. Courtright noted Absolute Return had a return of 4.6%. He said Private Equity has had nice returns in the last year and the asset classes are diversified. He noted 3,310 portfolio companies comprise CMERS' Private Equity. Mr. Sauer also gave a Performance Update and said that for January 2019, the return is 4.9% and 4.3% for the benchmark. He said month-to-date through February 13, 2019, the Fund is up .5%, which matches the benchmark for a 5.4% return with 60 basis points of outperformance this year. He noted the estimated ERS Total Fund Market Value is at \$5.25 billion as of February 13, 2019.

There being no further business, Mr. Patti adjourned the meeting at 12:01 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.)