

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

Minutes of the Investment Committee Meeting
held September 5, 2019

The meeting was called to order at 9:04 a.m

Committee Members Present: Matthew Bell
 James Campbell
 Deborah Ford
 Thomas Klusman
 Rudy Konrad
 Nik Kovac
 Martin Matson
 Carmelo Patti, Chair

ERS Staff Present: Bernard J. Allen, Executive Director
 Dan Gopalan, Chief Financial Officer
 David Silber, Chief Investment Officer
 Erich Sauer, Deputy Chief Investment Officer
 Thomas Courtright, Pension Investment Analyst
 Anthony Lubarsky, Pension Investment Analyst
 Robin Earleywine, Pension Accounting Manager
 Lisa Ory, Administrative Assistant II
 Jan Wills, Board Stenographer

Others Present: Bob DeBolt, Tom Galuhn, Tom Hynes, Marc Sacks, Mesirow Financial; John Jackson, Callan; Miriam Horwitz, City Attorney.

Mr. Patti advised that the Investment Committee may vote to convene in closed session on the following item (I.) 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 Investment Committee may then vote to reconvene in open session following the closed session.

Mesirow Financial Private Equity Presentation. It was moved by Mr. Patti, seconded by Mr. Konrad, and unanimously carried, to convene in closed session. The motion prevailed by the following roll call vote: AYES: Ms. Ford, Messrs. Bell, Campbell, Klusman, Konrad, Kovac, Matson, and Patti. NOES: None.

The Investment Committee convened in closed session at 9:05 a.m.

The Investment Committee reconvened in open session at 10:20 a.m.

Approval of 2020 Private Equity Commitment Recommendation. Mr. Jackson gave a presentation with information provided by Mr. Gary Robertson, Callan's Private Equity Specialist of 25 years. He discussed CMERS pacing evaluation as well as CMERS program and Fund managers. He noted the target in 2017 was increased from 5% to 8%. The target was further increased to 10% in 2019. He said as of March 31, 2019, Private Equity investments are 7.7% of the Fund. Mr. Jackson talked about private equity as a program calling money over time and investing it opportunistically in an illiquid investment. As a matter of information, Committee members received a report on CMERS Private Equity Pacing and Reinvestments 2020. Mr. Jackson presented the CMERS Private Equity Funding, including background, program history, modeling inputs and assumptions, commitment pacing projection, and private equity commitment pacing summary. Mr. Jackson also provided updates and capital commitments for the CMERS private equity managers of Abbott Capital, Mesirov Financial, Neuberger Berman, and Private Advisors. Discussion ensued. It was moved by Mr. Kovac, seconded by Mr. Konrad, and unanimously carried, to approve the 2020 Private Equity Commitment Recommendation.

Q1 2019 Private Equity Summary. As a matter of information, Committee members received a private equity portfolio summary. Mr. Courtright acknowledged Mr. Ren, Pension Investment Intern, for the production of the charts. Mr. Courtright presented a snapshot of the CMERS Private Equity Portfolio as of March 31, 2019. He discussed the aggregation of the private equity program, capital calls, distributions, sub-asset class breakdown, vintage year, age of investment, net asset value by vintage year, strategy exposure, geographic exposure, and industry exposure. He noted since inception the capital commitment is \$635 million and capital called to date is \$414 million with distributions to CMERS of \$197 million. He noted the value of Private Equity investments is \$408 million, which is a 7.7% value relative to the Fund. Discussion ensued.

Private Advisors Due Diligence Report. As a matter of information, Committee members received a report on Mr. Sauer's due diligence visit to Private Advisors. The report provided information on Private Advisors executive summary, firm summary, investment philosophy and process, compliance and internal controls, and information systems and disaster recovery. Mr. Sauer reported that Chris Stringer, Private Advisors President has promoted increased collaboration between the dedicated primary, secondary, and co-investment teams.

CIO Report. As a matter of information, Committee members received from Mr. Silber a 3-year report on CMERS' benefit payments, contributions, annualized returns, and cash flows from the Fund's Public Equity, Fixed Income, and Absolute Return asset classes. Mr. Silber noted returns in July generated a small gain and slightly outperformed the benchmark despite the market pullback in the last week. He noted the market was down in August but losses were mitigated during the last week. He estimated the CMERS Fund would be down a little bit in August. Mr. Silber said September is off to a good start with the Fund being up around 11% and the Fund at \$5.3 billion. He also added the service agreement with Global Trading Analytics expires at the end of the year. Mr. Silber said the Investment Team is still working on the custody and securities lending contracts. Discussion ensued.

Informational. As a matter of information, Committee members received the following reports.

July Performance Report/Asset and Manager Allocation Pie Charts.

Class Action Income 2019 YTD.

Adjusted Quarterly Cost Basis of Equity.

Callan 2nd Quarter 2019 Performance Report.

It was moved by Ms. Ford, seconded by Mr. Campbell, and unanimously carried, to adjourn the meeting. There being no further business, Mr. Patti adjourned the meeting at 11:25 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.)