

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

Minutes of the Investment Committee Meeting
held February 5, 2015

The meeting was called to order at 9:13 a.m.

Committee Members Present: Tom Klusman
Rudy Konrad
Michael J. Murphy, Chair
Mark Nicolini
Carmelo Patti
Gust Petropoulos

Committee Members Not Present: John Barmore (excused)
Karen Ellenbecker (excused)
Martin Matson (arrived at 9:35 a.m.)
Gerald Pace (excused)

Retirement Staff Present: Bernard J. Allen, Executive Director
David Silber, Chief Investment Officer
Erich Sauer, Pension Investment Analyst
Tom Courtright, Pension Investment Analyst
Suzanne Fortier, Board Stenographer

Others Present: Mike Joecken and John Jackson, Callan Associates; Molly King, Budget Office; Brian Doherty and Michelle Hunter, Wellington Management; and Tom Fink and Todd Thompson, Reams Asset Management.

4th Quarter 2014 Performance Update. As a matter of information, Committee members received a copy of the ERS 4th Quarter Performance Report, dated February 5, 2015. Mr. Silber provided three handouts taken from the Callan conference he attended. Mr. Silber reported that the Fund's market value was \$4.916 billion as of December 31, 2014. He reported on total Fund performance for the 4th quarter 2014 stating the Fund ended the quarter with a 1.6 percent return, net of fees, which was in line with the benchmark. Mr. Silber spoke about the handouts from the Callan conference. Mr. Silber, Mr. Sauer and Mr. Courtright provided updates on the Fund overview, domestic equities, international equities, global equities, fixed income, absolute return and private equity. Mr. Silber reported that the market value as of February 4, 2015 was \$4.98 billion, and for January the Fund had a return of -0.8 percent versus the benchmark return of -0.2 percent. He reported that the Fund is positive, year-to-date, through February 4, 2015 by about 40 basis points. Discussion ensued throughout the presentation.

Approval of 2015 Private Equity Commitment Recommendation. As a matter of information, Committee members received copies of a memorandum from Mr. Silber dated February 5, 2015, and a nine-page document from Callan. Mr. Silber, Mr. Joecken and Mr. Jackson spoke about the 2015 private equity commitment of \$25 million to Abbott's AP2015 vehicle and \$40 million to Mesirow's Fund VII vehicle. After discussion, it was moved by Mr. Matson, seconded by Mr. Petropoulos, and unanimously carried, to approve the 2015 private equity commitment recommendation.

Wellington Management Company Due Diligence Report. As a matter of information, Committee members received a copy of a memorandum from Mr. Courtright dated February 5, 2015. Mr. Courtright spoke about the due diligence trip stating that overall Wellington performs very much in line in accordance with the IPS. He spoke about a couple of developments regarding a CEO transition that was completed in 2014, and there have been some additions and replacement to the team, mostly at the lesser experience level. Mr. Courtright stated that staff is cognizant of the trading expenses of the bond portfolio, but also the foreign exchange transactions, and staff is continuing to monitor those costs. Mr. Silber indicated that this is a very risk-controlled strategy and as Mr. Courtright said the environment has been very difficult for government bonds. He said that Wellington, being a very risk-controlled manager that is not doing much different than the benchmark, does not surprise the Investment staff. Mr. Silber stated that one of the things he is interested in hearing from Wellington is how they are working with clients like us to address some of these issues.

Mr. Murphy called for a break at 10:08 a.m. The Committee reconvened at 10:17 a.m.

Wellington Management Company Presentation. As a matter of information, Committee members received a copy of a presentation book dated February 5, 2015. Mr. Silber handed out an updated performance chart. Ms. Hunter provided an overview of the organization. Mr. Doherty talked about the global bond team, global bond quarterly and annual market returns. He spoke about the one-year performance through December 31, 2014 indicating Wellington has not hit its investment objective, and he spoke about the challenges faced. Discussion ensued throughout the presentation.

Reams Asset Management Presentation. As a matter of information, Committee members received a presentation book dated February 5, 2015. Mr. Silber handed out an updated performance chart. Mr. Fink and Mr. Thompson spoke about the organization, leadership team, fixed income products, 2014 fixed income review, performance review as of December 31, 2014, sector spreads, fixed income outlook, and portfolio characteristics as of December 31, 2014. Discussion ensued throughout the presentation.

There being no further business, Mr. Murphy 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.)