

EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE
MINUTES OF THE MARCH 2, 2006 INVESTMENT COMMITTEE MEETING

1. Call to Order

Acting Chairman John Martin called the meeting to order at 2:50 p.m. in the Third Floor Conference Room of the City Campus Building for Milwaukee County.

2. Roll Call

Members Present:

Walter Lanier
Dean Roepke
John Martin
Marilyn Mayr

Members Excused:

Michael Ostermeyer
Linda Bedford

Others Present:

Mark Grady, Principal Assistant Corporation Counsel
Patrick Race, Mercer Investment Consulting – attending by conference call
Kristin Finney-Cooke, Mercer Investment Consulting - attending by conference call
Leigh Riley, Foley & Lardner LLP
Jack Hohrein, ERS Manager
Hoa Quach, Mercer Investment Consulting - attending by conference call
Michael Howden, Retiree
Ken Loeffel, Retiree

3. Discussion and Review of the Proposed Investment Policy

Chairman Lanier arrived and continued with the meeting. The Committee discussed and agreed with the recommendation made by Mr. Grady to add the reference to the Ethics Ordinance to Appendix B and to correct on page three the percentages for international equities to be consistent with the asset allocation table on page two.

The Committee requested that the five and seven year benchmark reviews be changed to rolling year periods' as it was noted that the three-year review was changed to a rolling period. Underperformance of the benchmark would now automatically start the review process with the Investment Committee first and then a report to the full Pension Board.

The Committee discussed proxy voting and how the Pension Board should monitor the managers' activities to comply with Appendix E. It was noted by Mercer that the Pension Board has not approved proxy voting guidelines and the managers are using their own guidelines. Mr. Race reported that some pension funds use outside services for monitoring proxy voting. After discussion the Committee agreed that Appendix E would be changed to delete references to the Pension Board requiring authorization or monitoring of investment managers and to request that managers communicate to the Pension Board their own guidelines pertaining to proxy voting.

Mr. Howden asked if the three year cycle for reviewing manager proxy voting and performance was too long. Mercer responded that a three-year cycle was acceptable.

4. Investment Manager Performance Review of Artisan Partners

Mr. Race asked if the Committee would rather bring Ariel in first rather than Artisan. The Chairman advised that the Committee would review Artisan and have them attend the full Board meeting on March 15 as previously planned.

Mr. Race reported that Artisan's performance was lower than the fiftieth percentile for one, two and three years. Performance over five and seven years was still better. Current rating was considered to be B+. Ms. Quach discussed the increase in mid cap stocks and the limited use of the small cap stocks, which would be expected to produce a lower level of out performance. He reported that due to the growth of assets Mr. Stephens has been building a larger investment team that may have affected the portfolio management temporarily.

John Martin recommended that they be placed on a watch list. Mr. Grady requested that a report like the one prepared for this performance review be issued at each meeting that a manager is reviewed. Mr. Martin asked how often these reports were prepared. Mr. Race added that A+ rated managers are reviewed once a year. The Mercer representatives recommended holding off on any action on Artisan Partners at this time and waiting to see how the performance changes.

5. Adjournment

The meeting was adjourned at 4:00 p.m.

Submitted by
Jack L. Hohrein
Pension Board Secretary