

Employees' Retirement System of the County of Milwaukee
Minutes of the April 6, 2006 Investment Committee Meeting

1. Call to Order

Dean Roepke called the meeting to order at 2:45 pm in the third floor conference room of the City Campus Building for Milwaukee County.

2. Roll Call

Members Present:

John Martin
Dean Reopke
Michael Ostermeyer
Marilyn Mayr
Linda Bedford

Members Excused:

Walter Lanier

Others Present:

Mark Grady, Principal Assistant Corporation Counsel
Nancy Metz, Retiree
Michael Howden, Retiree
Jack Hohrein, ERS Manager
Patrick Race, Mercer Investment Consulting
Kristin Finney-Cooke, Mercer Investment Consulting
Chuck McDonald, Mercer Investment Consulting
Brain Clark, Mercer Investment Consulting

3. Investment Policy

Kristin reviewed the most recent changes that were made at the last pension board meeting. The members discussed proposed CPI benchmark changes for each manager. Four of the members present concurred that the committee should recommend that the pension board adopt the changes.

Mr. McDonald was introduced as a new team member to work with MCERS and gave the committee a report on his background. Other changes recommended by Mr. Ostermeyer to the policy had been included in the policy.

4. Performance review of Ariel Capital Management

Mr. Race noted that Ariel's performance was behind the benchmark for years 1,3,5 and 7. He expressed concern that other big funds may start pulling their accounts from Ariel. Mr. Clark noted that Ariel was hired as a small cap value manager but has moved the portfolio to larger cap growth stocks that are not in the benchmark Russell 2500 Fund.

Other issues noted were:

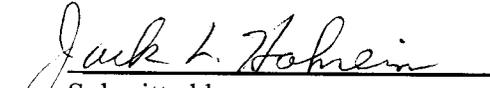
1. Mercer now has Ariel rated as a B level manager.

2. They may have taken on too much capital.
3. They are holding large positions in only 40 different stocks.
4. The portfolio had no investments in commodity or consumer stocks.
5. Their style is approaching mid cap core rather than small cap value.

Mercer's recommendation is to consider other options. The committee discussed the cost and the time frame required to change managers. Mercer recommended the use of a transition manager. The Committee requested that Mercer prepare and make a recommendation at the full pension board meeting on April 19th. The presentation should include a list of discussion points and a list of A rated replacement managers.

5. Adjournment

The meeting was adjourned at 4:05 pm.


Submitted by
Jack L. Hohrein
Pension Board Secretary