

**Milwaukee County Employees' Retirement System (ERS)  
Investment Committee Meeting  
MINUTES**

**Call to Order**

Chairperson Patti Van Kampen called the Investment Committee to order at 2:30 p.m. on Monday, February 1, 2016 in Room 203P of the Milwaukee County Courthouse, 901 N. 9<sup>th</sup> Street, Milwaukee, WI 53233.

**Board Members Present:**

Patti Van Kampen  
Laurie Braun  
Vera Westphal  
Michael Harper

**Others Present:**

Brett Christenson, Marquette Associates  
Christopher Caparelli, Marquette Associates  
Annamarie Kirsanoff  
Marian Ninneman  
Mark Grady  
Jim Carroll

1. Rebalancing – Discussion

Mr. Christenson started the discussion stating that the recommendation from the last Investment Committee Meeting of reducing Real Estate with Morgan Stanley by \$35 million of which \$20 million to be used to meet the UBS capital call has taken place. Ms. Van Kampen further asked when the rest of the rebalancing discussed in the last meeting would be taking place in which Mr. Christenson stated by the 3<sup>rd</sup> Quarter to End of year 2016.

Mr. Christenson mentioned the Capital Calls for Siguler Guff are taking place.

2. International Portfolio – Discussion

Then the discussion lead to GMO – Small Cap currently about a \$65 million portfolio. Mr. Christenson mentioned that GMO – Small Cap follows a value driven/ momentum model. He further went on to Exhibit I in Marquette Associates Report which is a performance report of Open Intl. SC Managers where GMO Small Cap was resting at the bottom 5. The current recommendation is to put GMO Small Cap on Alert for poor performance pending Board approval and do a search (also pending Board approval) from the Pool of managers provided in Exhibit I.

Mr. Christenson's recommendation (and timeline) is:

- February 2016 Pension Board Meeting – gain approval to put GMO Small Cap on Alert and begin the search for a replacement Int'l Small Cap Manager.
- March 2016 Pension Board Meeting – Present the list of Managers to the Board.
- April 2016 – Select Managers for interview
- May 2016 – conduct interviews
- July 2016 – target date for transfer of Assets

### 3. Updated Investment Guidelines – Discussion

The discussion turned to Exhibit II in Marquette's Report which is the Updated 'Statement of Investment Policy' pending Board approval in the February meeting. Mr. Caparelli went thru the report pointing out the changes:

- Asset Allocation – Core Fixed Income decreases; Minimum from 17% to 15%, Target from 22% to 18% and Maximum from 27% to 23%. Private Equity – Diversified increases; Minimum from 3% to 5%, Target from 6% to 10% and Maximum from 9% to 15%.
- Investment Goals and Objectives – BarCap Agg decreased from 22% to 18% and VE All Private Equity increased from 6% to 10%.
- Updating the Investment and other fund professionals: Hedged Equity from K2 to Parametric and Cash Equitization Provider from Bank of New York Mellon to Northern Trust.
- Investment Objectives and Guidelines – The Cash Overlay Program %'s changed for Barclays Aggregate Index (decrease) from 39% to 35% and S&P 500 Index (increase) from 41% to 45%.

### 4. Actuarial Data Relative to Expected Return Rate – Discussion

This discussion was led by Mark Grady, attorney. Mr. Grady mentioned that he has already been in touch with Buck by e-mail discussing this issue. He has asked Buck to present what contributions (county and employee) would look like if the assumed rate of return were changed to 7.75%, 7.5%, 7.25% or 7% all other assumptions staying the same.

It was also mentioned that Buck should be present at the March 16<sup>th</sup> Pension Board meeting to discuss these scenarios. So the Pension Board can make an educated decision on the assumptions for the valuation as of 1/1/17.

Meeting adjourned at 3:15 p.m.