

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

**Call to Order**

Chairperson Patti Van Kampen called the Investment Committee to order at 2:38 p.m. on Monday, December 7, 2015 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  
Aimee Funck  
Michael Harper

**Others Present:**

Brett Christenson, Marquette Associates  
Tina Lausier  
Annamarie Kirsanoff

Due to the correlation of the topics, Ms. Van Kampen reversed the order of the topics for discussion.

3. Real Estate Allocation – Discussion

Mr. Christenson started the discussion informing of a capital call that has been received from UBS for \$20 million due on 1/5/2016. This lead into discussions regarding where to get the money from and the overweight of funds with Morgan Stanley. The question becomes whether we should pull funds from Morgan Stanley and give them to UBS.

Looking at the Flash report that Marquette provided, Real Estate is approximately \$50 million overweight from the current investment policy. Within the Real Estate composite, Morgan Stanley has outperformed all others – is it good to decrease our highest performer, even though they currently hold 8% of total assets?

Mr. Christenson answered Ms. Funck's question regarding costs of trading funds, that there are no charges from managers for taking out funds (except emerging market funds).

Mr. Harper added that it would be better to move to the target in real estate. As interest rates rise the real estate values will likely decrease, thus going forward private equity may be more desirable.

All 3 real estate managers are long term – there isn't any overlap which provides great diversification. Previously it was decided not to go down to 2 managers, so keeping 3 real estate managers gives that added diversification. The cap rate and appraised value are used, and the assets are purely private real estate.

**It was unanimously decided to recommend to the pension board reducing real estate with Morgan Stanley by \$35 million, of which \$20 million will be used to meet the UBS capital call on 1/5/2016.**

## 2. Sigular Guff Commitment – Discussion

Exhibit III shows the history of private equity portfolio over the past few years, and would recommend committing \$40 million to Sigular Guff. The capital calls for this commitment would be anticipated to be 8-10% in the first year, 20-25% in the second year, 50% in the third year, and the remaining in years 4-5.

This commitment to Sigular Guff would increase private equity.

**It was unanimously decided to recommend to the pension board to commit \$40 million to Sigular Guff. It was further decided to recommend that future commitments to private equity will be reviewed yearly and are likely to be \$30-\$40 million every 2-3 years going forward.**

## 1. Asset Allocation – Discussion

The most recent portfolio options were provided by Mr. Christenson. Current disbursements result in a 9½% decrease in funds; given an 8% return, this leaves a 1½% decrease each year. If the return is only 7%, the result would be a 2½% decrease.

A review of the portfolio options provided by Marquette shows Portfolio A with returns of 7.56%, close to the 8% actuary rate, without moving into too risky of investments. Portfolio B and C were eliminated from the discussion due to the increased risk.

Even with the recommendation to move to Portfolio A, we still will not reach the 8% actuarial rate according to the models.

**It was unanimously decided to recommend to the pension board to change the allocation policy to Portfolio A. It is further recommended to look at the models again in 1½ years.**

No Investment Committee meeting will be scheduled for January unless needed.

Meeting adjourned at 3:45 p.m.