

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

Call to Order

Chairperson Patti VanKampen called the Investment Committee to order at 2:33 p.m. on Monday, October 5, 2015 in Room 203P of the Milwaukee County Courthouse, 901 N. 9th Street, Milwaukee, WI 53233.

Board Members Present:

Patti VanKampen
Vera Westphal
Greg Smith
Laurie Braun

Others Present:

Brett Christenson, Marquette Associates
Christopher Caparelli, Marquette Associates
Tina Lausier
Mark Grady

1. Asset Allocation – Discussion

Marquette presented portfolio options A, B, and C to increase the Avg. Annualized 10 Yr. Return. All three options involved decreasing Fixed Income from 22% to 18%, and increasing Private Equity from 6% to 10%. Brett stated that volatility should be higher, but that Milwaukee County is diversified enough to provide a high comfort level.

Option B further decreases Hedge Funds from 10% to 8% and increases U.S. Equity from 25% to 27%. Option C further decreases Hedge Funds from 10% to 6% and increases U.S. Equity from 25% to 29%. The volatility increases further with each option.

There was discussion on whether it is a short-term change or whether the policy should be changed. Brett mentioned that they believe this market will be here a while. He doesn't recommend going higher than 10% in Private Equity, but is comfortable moving to 10%. Anything above the proposed options would raise risk to high, and is not recommended.

There was discussion on the difference between Option A over Option C and whether the small increase in return would be worth the additional increase in risk.

Marquette presented the 2014 NCPERS Public Retirement Systems Study results. This study included responses from 187 state, local and provincial government pension funds of which 81% were local pension funds and 19% were state pension funds. Some items to note from the study were:

- 29% of respondents were County pension funds (good peer comparison)
- 1.5 actives per retiree – Milwaukee County is opposite
- Average expenses to be 14 basis points – Milwaukee County is much less
- Average investment assumption for responding funds is 7.7% - Milwaukee county is 8%
- Average funded level of 71.5%

General consensus was that Option A seemed to be the more obvious choice of the options presented. It is still close to peer groups and provides a higher rate of return with minimum risk. The question becomes "Should we stay with the current allocations or move to Option A?" The committee will continue to discuss, and are getting close to a decision.