

Once moved, there will be a reduction from 18 bases points to 15. Checking assets are being overlaid, as a cash account with BNY. In the future, ERS could consider investing these funds as POB.

2. Topic: Marquette: RFP/Transition Manager Status

A formal document, listing the specifications, is now ready for Mark Grady's review. Then it can be issued and properly posted. Posting needs to be done in newspapers and the Intranet. The Investment Committee will be used as the RFP Evaluation Group. The RFP responses will be narrowed by Marquette, with the RFP Evaluation Group reviewing and making a recommendation to the Board.

The RFP Evaluation Group could review the materials individually and respond to Mark Grady with comments (by e-mail). A final group meeting could then take place right before the start-up of the normal Investment Committee Meeting, in order to finalize their RFP recommendation. A recommendation would then go to the full Board.

3. Topic: Asset Allocation

Marquette is really doing what they term a Systems Review. Benefit payments will grow and could be significant long term. Fixed income could be reduced by investing differently. J.P. Morgan is a Core investor that constructs a portfolio by bottom-up investing of under-valued securities. Loomis Sayles deals more in risk. The overall ERS focus will ultimately determine the risk and rebalancing options. Our future effort should be to reduce Loomis Sayles and increase J. P. Morgan. Marquette would like to reclass Reinhart from a Core to a Growth status. Marquette will be making a recommendation to the Board to change the Reinhart benchmark from Russell Mid-Cap Core Growth to Growth.

Marquette will be contacting Steve Huff in order to change the contract language so that the AQR Fee indicates a reduction from the current 1% on 15 million, to 1% in 1 million. Marquette also recommends that the Board consider switching their real estate strategy from a public to private allocation due to its lower volatility and lower correlation prospects for the overall portfolios. They recommend conducting a search for private, core real estate open-end and commingled fund products.

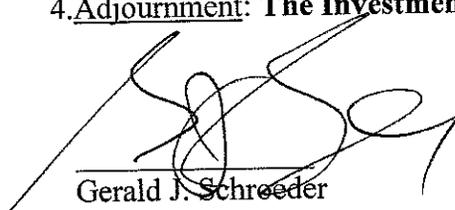
Marquette recommends that we eliminate GMO's ability to move assets between their 3 funds (large-cap, small-cap and emerging markets) and we dictate how our funds are moved around.

Dean Roepke asked that Marquette put together a chart on liquidity.

In summary, Marquette recommends the following proposal considerations:

1. Consider switching the Reinhart Mid-Cap Equity portfolio benchmark from Mid-Cap to Mid-Cap Growth.
2. Consider eliminating the current agreement with GMO that allows them discretion to move assets between their three products.
3. Consider terminating the Capital Guardian Small-Cap International Equity portfolio due to poor performance and utilize the GMO International Small-Cap Value product.
4. Consider replacing GMO as the Emerging Markets manager to reduce individual manager exposure.
5. Consider conducting an Asset Allocation Study to review the current Target Allocation new potential asset classes.
6. Consider making improvements to the Investment Policy to encompass a broader set of Investment restrictions for the fixed income and equity separate account portfolios.
7. Consider developing a long-term strategy to improve credit quality and investment restrictions.

4. Adjournment: **The Investment Committee adjourned at 4:40 pm.**



Gerald J. Schroeder
ERS Manager