

**MILWAUKEE COUNTY EMPLOYEE'S RETIRMENT SYSTEM  
INVESTMENT COMMITTEE MEETING MINUTES  
OCTOBER 5, 2006**

1. Call to Order

Chairman Dr. Dean Roepke called the meeting to order at 2:55 PM in the Third floor Conference Room of the City Campus Building.

2. Roll Call

Members Present:

Dr. Dean Roepke  
John Martin

Others Present:

John Parish  
Mary Davidson  
Jack Hohrein  
Brad Blalock – via conf. call  
Kristin Finney-Cooke – via conf. call

Members Excused:

Marilyn Mayr  
Michael Ostermeyer  
Linda Bedford

3. Presentation by Abel-Noser

Mary Davidson reviewed the report prepared by Abel Noser – Transaction Cost Analysis April 1 – June 30, 2006. She explained the commission recapture program and transaction cost analysis provided by Abel-Noser.

She provided information on commission costs and execution costs with our peer group. She reported that the current investment managers employed by ERS were doing a good job of containing costs.

Her proposal included a \$10,000 annual cost to continue their services with a reduction in fees for recapture commissions. Mr. Blalock discussed the future of commission recapture and explained that this service may not be needed in five years. Dr. Roepke asked whether all trades should be directed to Abel-Noser and what could be done to reduce trading costs. Mr. Blalock replied that ERS currently was also using Capital Institution Services and Lynch, Jones and Ryan for recapture costs and that per share costs had been reduced from five to six cents per share to one to two cents. He noted that the AQR liquidation had been completed at less than a penny per share.

Mr. Blalock recommended dropping the recapture program and changing the investment policy to direct the investment managers to seek best execution when conducting trades. He stated that the costs should be reviewed once a year and that Mercer could provide a report that would audit the managers' trading costs. He noted that should the Board adopt this change, all managers should be notified. The Committee concluded that a recommendation to the full Pension Board would include elimination of the commission recapture program, and the change to the

investment policy, but Abel-Noser's service would continue to provide monitoring of best execution costs, which will be used by Mercer to review the costs of individual money managers.

4. Mid Cap Manager Review

Mr. Martin requested Mercer's opinion on whether or not ERS had too many mid cap managers. Mr. Blalock responded that Mercer did think that too many managers were employed. Discussion continued with a review of each mid cap manager's performance. It was noted that the investment policy called for performance reviews after a three-year period. The Committee agreed to review the managers at the times prescribed in the policy and that no recommendation should be made at this time to reduce the number of mid cap managers.

5. Future Topics

Dr. Roepke asked how the pension obligation bonds would affect ERS. The Committee discussed the possible effects on ERS. Dr. Roepke reported on his investment conference at the Wharton Business School.

Mr. Blalock reported that Loomis should replace Westfield as the manager to be reviewed at the October board meeting.

Dr. Roepke requested that the next investment meeting should include a presentation on pension obligation bonds, a light overview of the Pension Protection Act and possibly a report on Infrastructure Funds.

6. Adjournment

The meeting was adjourned at 4:45 PM.

---

Jack L. Hohrein  
Secretary, Pension Board