

Employees' Retirement System of the County of Milwaukee
Minutes of the September 07, 2006 Investment Committee Meeting

1. Call to Order

John Martin called the meeting to order at 2:32 p.m. in the third floor conference room of the City Campus Building at 2711 West Wells St., Milwaukee, WI.

2. Roll Call

Members Present:

John Martin
Linda Bedford
Dean Reopke
Marilyn Mayr

Members Excused:

Michael Ostermeyer

Others Present:

John Parish, ERS Board Member
Jack Hohrein, ERS Manager
Mark Grady, Principal Assistant Corporation Counsel
Kristin Finney-Cooke, Mercer Investment Consulting
Brad Blalock, Mercer Investment Consulting

3. AQR Proposal for Separate Managed Account

Mr. Martin reported that AQR had provided a letter of proposal to open a separate managed account to resolve some of the contract issues discussed at the last full Pension Board meeting. Mark Grady reported that Leigh Riley was out of the U.S. and had not reviewed the letter.

4. Review of Small Cap Value Investment Managers Proposals

The Committee discussed the need for more options for the pension board to consider. Mercer presented an updated report on the performance of the small cap managers. Brad Blalock ranked the managers in the following order by their hiring recommendation:

AQR
Opus
Integrity
Osprey

They did not recommend CMT and Steinberg. He also reported on the AQR proposal change from the co-mingled account to a separate account with higher fees. It was noted that the Ariel portfolio was sold on 9-5-06. They requested that Leigh Riley review the AQR letter proposal in an attempt to work out a new contract based on the new proposal. Mr. Roepke stated he withdrew his prior concerns about Opus. Mr. Martin suggested that Opus be recommended to the pension board if the contract details could not be finalized with AQR.

The following recommendation was made for the Pension Board: First to hire AQR

subject to Leigh Riley finalizing the contract issues. Second, if the AQR contract cannot be finished then Opus would be recommended. All board members were in agreement with exception of Marilyn Mayr who expressed concern about the principal owners of Opus.

5. Future Topics

Linda Bedford expressed some concern about the contractual relationships with all the Investment Managers. Mark Grady recommended the Audit Committee obtain direction to determine compliance with the contracts as this would probably come under the jurisdiction of Audits. He further recommended that Leigh Riley prepare a report on the Investment Manager contracts. The next subject was Abel/Nosers' commission recapture and trade performance reports. Jack Hohrein reported that Abel/Noser was interested in a contract to pay hard dollar costs for their services. Brad Blalock reported the City of Milwaukee ERS voted to end commission recapture.

The Committee discussed the number of managers and the possibility the fund had too many. Brad Blalock reported that ERS could reduce the number of mid-cap managers. The managers included Artisan (Core managers), Earnest Partners, and Hotchkis and Wiley, the two value managers.

Mr. Martin requested that the October agenda include a discussion on the number of mid-cap managers and Abel/Nosers' contract.

Mr. Martin reported on the parking at the Courthouse and finding a new meeting location. He requested information on alternative parking and Board meeting locations starting in October. He noted that the Investment Committee could continue to meet at City Campus, but a new location should be found for the Audit/Budget Committee meetings. Suggestions were discussed.

6. Adjournment

The meeting was adjourned at 3:55 p.m.

Submitted by
Jack L. Hohrein
Pension Board Secretary