

Milwaukee County Employees' Retirement System (ERS)

Investment Committee Meeting

MINUTES

Members: Sarah Peck Dean Roepke
 Linda Bedford Jeffrey Mawicke
 John Maier

1. Call to Order:

Chairman Sarah Peck called the meeting to order at 1:35 PM, on 11-3-08, in the Labor Relations Conference Room (210-Q), of the Milwaukee County Courthouse, 901 N. 9th St., Milwaukee, WI. 53233.

2. Roll Call:

<u>Members Present:</u>	<u>Members Excused:</u>	<u>Others Present</u>
Sarah Peck	Linda Bedford	Gerry Schroeder
Dean Roepke		Mark Grady
John Maier		
Jeffrey Mawicke		

3. Topic: Mercer-Current State of Financial Markets

A general overview was provided on the current status of the financial market. October was a really rough month for our portfolio, and the worst is not yet over. Consumer confidence is extremely low. The Federal government lowered the fed fund's rate 50 basis points. We can expect future relief in the way of tax cuts, rebates and infrastructure awards.

Banks are expected to start lowering limits, implement more restrictive issuances and promoting less usage. Credit quality of securities is holding. Currently, it is hard to beat the benchmarks. The investment market crisis was created by greed, which resulted in economic fear.

Mercer feels it may take until the second quarter of 2009, before the fiscal pain gets some relief. We are currently entering a recession. The market typically adjusts every 18 months. A Bear Market adjusts every 350-400 days. A Bull Market adjusts every 1000-4000 days.

Mercer recommends that ERS does not exit the market and that we hold on and wait. Mercer is working on a rebalance approach, called "Dynamic Asset Allocation". Milwaukee County's unrealized loss will be determined in 2009.

4. Topic: Mercer Education: ETF's

A handout was provided to the Investment Committee Members, entitled "Exchange-Traded Fund (ETF) Overview". ETF's are similar to mutual funds, but are sold throughout the day. They trade on the stock exchange. A total of \$586 billion ETF assets were reached in August 2008. Major providers include Barclays Global Investors, State Street Global advisors and the Vanguard Group.

ETF's contain securities that are meant to match a specific benchmark. ETF's follow a process of sponsor, to an institutional investor, to a retail investor. Types of ETF's are Broad Index, Sector or Country Specific, Commodity, or Currency. Exchange-Traded Funds is a security that tracks an index. They are subject to intraday pricing. Demand could provide for some excellent opportunities. Most ETF's do not have fees, as mutual funds. They are easy to get in and out of the market, but with a higher cost than many Index funds.

Index Funds are passively managed mutual funds, that copies the index performance. They have a lower cost than active management and have increased revenue through securities lending. A downside is the underlying expense built into the fund.

5. Adjournment: The Investment Committee adjourned at 2:35 pm.

Gerald J. Schroeder
ERS Manager