

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE
ANNUITY AND PENSION BOARD**

Minutes of the Regular Meeting
held March 26, 2024 via teleconference

The meeting was called to order at 9:01 a.m.

Board Members Present: Matthew Bell, Chair
Deborah Ford
Timothy Heling
Molly King
Thomas Klusman
Rudolph Konrad
Aycha Sawa

Board Members Not Present: Nik Kovac (excused)

Retirement System Staff Present: Jerry Allen, Executive Director
Melody Johnson, Deputy Director
Erich Sauer, Deputy Chief Investment Officer
Daniel Gopalan, Chief Financial Officer
Gust Petropoulos, Deputy Director – Disability
Mary Turk, Business Operations Analyst
Jan Wills, Board Stenographer

Others Present: Larry Langer, Patrice Beckham, Aaron Chochon, Megan Skiles, Cavanaugh Macdonald; Erin Scharlau, Legislative Audit Bureau; Patrick McClain, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc., nine members of the public called in to the meeting.

Regular Meeting.

Mr. Bell acknowledged Ms. Sawa as it is her last Board meeting. Mr. Bell thanked Ms. Sawa for her service on the Board and expressed gratitude from the Board members as a group.

Approval of Minutes.

Regular Meeting Held February 27, 2024. It was moved by Ms. Sawa, seconded by Mr. Heling, and unanimously carried, to approve the minutes of the Regular Meeting Held February 27, 2024.

Chief Investment Officer Report. As a matter of information, Board members received the March 26, 2024 Performance Update. Mr. Sauer said the Fund as of February 29, 2024, had a value of \$5.89 billion. He said the Fund return of 1.0% in February, gross of fees, underperformed by approximately 21 basis points. Mr. Sauer said the main relative Performance Driver was the Fund's Style Bias in Public Equity which detracted 20 basis points, mainly from the Fund's Value Bias. He said within Manager Selection, Real Estate detracted 15 basis points as there was a negative

report in February from one of the core funds, Loomis Sayles added six basis points, and the overweight Cash position the Fund has been holding added six basis points. Mr. Sauer added the Fund has underperformed the benchmark in the year-to-date, and one-year periods, while outperforming in the five-, 10-, 15- and 20-year periods. He said as of March 25, 2024, the Fund return is 1.3% month-to-date, 2.2% year-to-date, and the Fund value is \$5.97 billion. Mr. Sauer noted nine out of 15 active mandates are outperforming year-to-date. He said the Fixed Income and Absolute Return asset classes are outperforming their respective benchmarks year-to-date. Mr. Sauer said the Fund has an investment change of \$133.6 million, paid benefits and expenses of \$84.2 million, and has received contributions of \$214.1 million. He said the Fund was overweight in Public Equity by half a percent going into March and stocks have continued to do well. Mr. Sauer said through March 25, the overweight has grown to 1.1%. He said that the monthly withdrawals for benefits would be redeemed from a few of the Public Equity managers who are up 7.7% to 9% year-to-date. He noted those monthly withdrawals are \$9.4 million from the BlackRock Global Alpha Tilts Fund, \$7.4 million from Northern Trust S&P 500, and \$4.5 million from Polen. He reminded the Board the next Investment Committee Meeting is April 18.

Administration & Operations Committee Report. Ms. Sawa summarized the Administration & Operations Committee Meeting from March 20 and stated Ms. King is continuing her role as Vice Chair of the Committee as she was elected by the Committee again. She said Ms. King would also be interim Chair for Ms. Sawa until a new Chair is elected following the expiration of Ms. Sawa's Term as Trustee on April 16, 2024. Ms. Sawa said the approval item for the Board is the Close out of the 2023 Budget and is recommended for approval by the Committee. Ms. Sawa asked Mr. Gopalan to go over the 2023 Budget and he stated for the year ended December 31, 2023, the total expenditures were \$18,348,432.30, and \$516,089.47 of that was related to non-trust activities. He said the remaining \$17,832,324.83 represents the final Trust expenses for 2023. Mr. Gopalan noted the ERS had previously advanced the City \$16,634,00, leaving a balance due of \$1,198,342.83. He concluded that Board approval is needed to pay the \$1,198,342.83. Discussion ensued.

Approval of Close out of 2023 Budget. It was moved by Ms. Ford, seconded by Mr. Konrad, and unanimously carried, to approve the Approval of Close out of 2023 Budget.

Ms. Sawa continued with her Administration & Operations Committee Report and noted everything on the IT Portfolio is proceeding according to schedule. She said that the Investment Department is about to hire an Investment Pension Analyst – Senior. Ms. Sawa concluded that the Investment Department has two positions open for the Investment Pension Analyst – Senior position and one offer has been accepted.

New Business.

Retirements, Death Claims, and Refunds (February). Mr. Allen presented the following activity for the months of February 2024.

Administrative Withdrawal	\$17,500.49
Full Refund	\$96,160.66

Active Death Benefits reported	\$0.00
Deferred Death	\$7,141.83
Deferred Death-Member Only Refund	\$4,209.84
Ordinary Death Benefits reported	\$0.00
Retired Death Benefits reported	\$11,670.83
Survivor Death – Termination Benefits reported	\$9,702.74
Refund of Member Contributions paid	\$51,652.74

It was moved by Mr. Heling, seconded by Ms. Sawa, and unanimously carried, to approve the Retirements, Death Claims, and Refunds report for February 2024.

Conference Requests – March 2024 Board Meeting.

David Silber	2024 Neuberger Berman Conference and Goldman Sachs Due Diligence
Sponsor(s):	Neuberger Berman and Goldman Sachs
Location:	New York, NY
Date(s):	June 25 - 27, 2024
Estimated Cost:	\$1,850.00

It was moved by Mr. Konrad, seconded by Mr. Klusman, and unanimously carried, to approve the Conference Requests – March 2024 Board Meeting.

Approval of the Revised Actuarial Valuation Report as of January 1, 2023 for Determination of the Actuarially Determined Employer Contributions for 2024.

As a matter of information, Board members received from Cavanaugh Macdonald the “Results of the Second January 1, 2023 Actuarial Valuation for the City of Milwaukee Employees’ Retirement System.” Messrs. Langer and Chochon presented several topics including:

- Purpose of the Second January 1, 2023 Actuarial Valuation
- Purpose of an Actuarial Valuation
- Actuarial Valuation Process Reserve Funding
- Actuarial Valuation Process
- Events During Calendar Year 2022 Which Impacted Both the First and Second January 1, 2023 Actuarial Valuation Results
- The Impact of Act 12 is Reflected in the Second January 1, 2023 Actuarial Valuation Results
- Act 12 Resulted in Additional Changes to this Second January 1, 2023 Actuarial Valuation
- Impact of Events on the Second January 1, 2023 Actuarial Valuation

- Change in UAAL
- Change in Funded Ratio
- Change in Employer Contribution
- Comparative Summary of Assets and Liabilities
- Historical Funded Ratio
- Employer Contributions for Plan Year 2024 as of January 1, 2024
- Estimated Employer Contributions Allocated by Employer, Estimated UAAL: Based on FYE 2023 return of 10%, FYE 2024 returns of 6.8%, -3.2% and 16.8% and 6.8% beyond
- What a Difference a Year and Legislation Makes.

Mr. Langer mentioned four Key Takeaways from the presentation: Act 12 resulted in significant changes to the funding of CMERS; The January 1, 2023 Actuarial Valuation is used to determine *both* Plan Year 2023 and Plan Year 2024 Employer Contributions; With the elimination of the Stable Employer Contribution Policy under Act 12, expect employer contribution volatility; and As noted in the projections, the UAAL is expected to increase over the next few years with Employer Contributions increasing. Discussion ensued.

It was moved by Mr. Heling, seconded by Ms. King, and unanimously carried, to approve the Approval of the Revised Actuarial Valuation Report as of January 1, 2023 for Determination of the Actuarially Determined Employer Contributions for 2024.

The Chair called for a break at 10:37 a.m.

The Chair resumed the meeting at 10:47 a.m.

Mr. Bell advised that the Annuity and Pension Board may vote to convene in closed session on the following item as provided in Section 19.85(1)(e), Wisconsin State Statutes, to deliberate or negotiate the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session. The Board may then vote to reconvene in open session following the closed session.

A. Discussion Regarding Current ERS Hearing Officer Appointments.

It was moved by Mr. Klusman, seconded by Ms. King, and unanimously carried to convene in closed session by the following roll call vote: AYES: Mses. Ford, King, and Sawa; Messrs. Bell, Heling, Klusman, and Konrad. NOES: None.

The Board convened in closed session at 10:48 a.m.

The Board reconvened in open session at 11:28 a.m.

Medical Reports. Mr. Petropoulos presented certifications (March 2024) of the Fire and Police Medical Panel Physicians and the Medical Council relative to Duty & Ordinary Disability Retirement benefits as follows:

All Duty & Ordinary Disability Applications & Re-examinations (March).Police – Applications – OrdinaryRecommendation

Matthew Drought
Effective 01/13/2024

Approval

Police – Re-examinations – DutyRecommendation

Brandon Baranowski
De Ronn Gillum

Approval
Approval

Police – Re-examinations – OrdinaryRecommendation

Tommy Wilson

Approval

Fire – Re-examinations – DutyRecommendation

Andrew Garncarz
Derek Geppert
Martin Kozlowski

Approval
Approval
Approval

Fire – Re-examinations – OrdinaryRecommendation

Samuel Uribe
Thomas Weinzierl

Approval
Approval

It was moved by Mr. Klusman, seconded by Ms. King, and unanimously carried, to approve the Duty & Ordinary Disability Applications & Re-examinations (March).

Unfinished Business.

Pending Legal Opinions and Service Requests Report. Mr. McClain stated the report is a clean report this month as there are no Legal Opinions or Service Requests listed.

Pending Legislation Report. Mr. Allen said there is nothing to report this month.

Executive Director’s Report – Inventory of ERS Projects. As a matter of information, Staff presented a report on the ERS projects and updated the Board on ERS activities, a copy of which is on file with the ERS. Discussion ensued.

Approval of Cavanaugh Macdonald Book of Survivor Benefit Factors. Mr. Allen stated the Board previously approved, , actuarial tables and related survivor benefit factors as an outcome of the 2022 Experience Study that was presented in 2023. He said when the conversion to the updated survivor benefit factors was tested in MERITS, it was discovered that the way Merits was originally programmed was based on the approach used by the ERS’ former actuary.

Mr. Allen said the hard-coding that deals with the survivor benefit factors would have to be reconciled with the MERITS programming. He noted it would be a time-consuming and expensive approach. Mr. Allen said, that instead Cavanaugh Macdonald has issued a revised survivor benefit factor book which each of the Trustees received via a link to the www.cmers.com website so they could inspect the book. He said the book itself is over 600 pages of numbers. Mr. Allen said there are different permutations of factors based upon the age of the member and age of the survivor. He said another dimension is the percentage of the benefit elected by the member. Mr. Allen said most members elect 50% or 100%, maybe 75%. He said benefit elections can result in factor percentages that are not a whole integer. Mr. Allen noted when there is a death and there is a residual benefit to be paid, it can become a fractional percentage, for example, 74.12345% and as a result there are thousands upon thousands of potential factors. To accommodate the potentially large number of factors he said MERITS calculates the factors in each individual case. Mr. Allen said, this may occur not only in the event of deaths, but for court orders for division of property in divorce cases, where the judge orders an ex-spouse receive a specific monthly amount, resulting in non-whole integer benefit percentages. He said Cavanaugh Macdonald has issued for the Board's approval, a new book of factors that conforms to the architecture of the system's programming. Mr. Allen noted the change in survivor benefit factors, from the Board's prior approval, is four decimal points to the right and is *de minimis*. He said Mr. Chochon was here to explain the survivor benefit factors as he crunched the numbers for the book.

Mr. Chochon said for the prior factor book, there was a single table used for different membership groups. He said in the past it made more sense, as there were not different mortality assumptions for different membership groups. Mr. Chochon noted the Society of Actuaries recently published mortality tables for public employees based on public plan experience so those were used to come up with separate mortality assumptions for safety members versus general members. He said a year ago they produced factors consistent with historical tables where there was cross-subsidization between general members and police and fire. Mr. Chochon said they presented more granular factors for the different membership groups and the mortality assumptions and male/female weighting assumptions. He said when the MERITS issue came up for Joint and Survivorship, there was interpolation for lower survivor benefit percentages. Mr. Chochon said for the residual death benefit, if the member and survivor pass away before the contribution balance is paid out, the death benefit is the remaining balance of the member's contributions. He noted the prior actuary decided it was *de minimis* and calculated only to the third decimal point, it was a small impact. Mr. Chochon said the survivor benefit factors matched to the third decimal place and the fourth decimal place was the one that was affected. He said after fine-tuning, Cavanaugh Macdonald's factors matched the interpolation in MERITS precisely. Discussion ensued.

It was moved by Mr. Klusman, seconded by Mr. Heling, and unanimously carried, to approve the Approval of Cavanaugh Macdonald Book of Survivor Benefit Factors.

Informational.

Please be advised that the Annuity and Pension Board may vote to convene in closed session on the following item as provided in Section 19.85(1)(g), Wisconsin State Statutes, to confer with legal counsel concerning strategy to be adopted by the body with respect to litigation in which it

is or is likely to become involved. The Board may then vote to reconvene in open session following the closed session.

The Board did not convene in closed session as noticed.

- 1) Pending Litigation Report.
- 2) Conferences.
- 3) Class Action Income 2024.
- 4) Minutes of the Special Administration & Operations Committee Meeting Held February 27, 2024.

The following is a list of activities since the last Board meeting, copies sent with meeting notice and attached to minutes:

- 5) Report on Bills.
- 6) Deployment of Assets.
- 7) Securities Lending Revenue and Budget Report.
- 8) Preliminary Performance Report and Asset Allocation.

Mr. Bell accepted and placed the Informational items on file.

There being no further business to come before the meeting, it was moved by Mr. Bell and seconded by Mr. Heling, to adjourn the meeting.

Mr. Bell adjourned the meeting at 11:54 a.m.

Bernard J. Allen
Secretary and Executive Director

NOTE: All proceedings of the Annuity and Pension Board Meetings and related Committee Meetings are recorded. All recordings and material mentioned herein are on file in the office of the Employees' Retirement System, 789 N. Water Street, Suite 300.)