

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

Minutes of the Regular Meeting held November 27, 2017

The meeting was called to order at 9:00 a.m.

Board Members Present: John Barmore, Chair
 Thomas Bell
 Larry Holland
 Tom Klusman
 Rudolph Konrad
 Martin Matson
 Gust Petropoulos

Board Members Not Present: Deborah Ford (arrived 9:04 a.m.)
 Nik Kovac (not present)
 Mark Nicolini (arrived 9:04 a.m.)
 Himanshu Parikh (excused)

Retirement System Staff Present: Bernard J. Allen, Executive Director
 Melody Johnson, Deputy Director/Chief Financial Officer
 Kelly Reid, Chief Technology Officer
 David Silber, Chief Investment Officer
 Erich Sauer, Pension Investment Analyst
 Thomas Courtright, Pension Investment Analyst
 Mary Turk, Business Operations Analyst
 Liisa Gary, Administrative Assistant II
 Jan Wills, Board Stenographer

Others Present: Miriam Horwitz, Andrea Fowler, City Attorney's Office.

Mr. Barmore acknowledged Mr. Petropoulos and thanked him for his service on the Board since it was his last meeting as a Trustee due to his pending retirement.

Approval of Minutes. Mr. Barmore presented the minutes of the Regular Meeting held October 23, 2017. It was moved by Mr. Petropoulos, seconded by Mr. Klusman, and unanimously carried, to approve the Minutes of the Regular Meeting held October 23, 2017.

(Ms. Ford arrived at 9:04 a.m.)

(Mr. Nicolini arrived at 9:04 a.m.)

Chief Investment Officer Report. As a matter of information, Board members received the performance report. Mr. Sauer presented the performance report and said the Fund value as of October 31, 2017 was \$5.28 billion dollars. The Fund return of 1.1%, net of fees, underperformed the blended benchmark by approximately 10 basis points in October. The Fund

outperformed the benchmark in all time periods, net of fees, except for the 10-year period. The main driver of October returns, Mr. Sauer stated, was that growth outperformed value. He said the Fund detractors were US Small Cap Value Equity Exposure which detracted 8 basis points and US Large Cap Value Equity Exposure detracted 4 basis points to returns. As of November 24, 2017, the Fund return is up 0.8%, month-to-date and 14.5% year-to-date, net of fees. The Fund's approximate value is \$5.32 billion as of that date. Mr. Sauer commented that 9 out of 16 active managers are outperforming year-to-date, net of fees. He commented that the Fixed Income and Absolute Return asset classes, along with the Total Fund, are outperforming their respective benchmarks year-to-date, net of fees. Mr. Sauer said year-to-date, the Fund has generated a capital market gain of \$699.1 million, has paid benefits and expenses of \$337.0 million and has received contributions of \$86.7 million. Mr. Sauer stated this month's withdrawals are \$30 million from Northern Trust S&P 500 as part of the DFA Large Cap transition and \$8 million from BlackRock Global Alpha Tilts.

Mr. Silber acknowledged Mr. Courtright for earning his CAIA (Chartered Alternative Investment Analyst) Charter Designation. Mr. Silber encouraged Board members to join ERS staff members in due diligence visits and noted on the due diligence schedule Board members received that the 12 managers listed manage over half of the ERS Fund's assets. Mr. Silber noted at its December 7 Investment Committee meeting that Newton would be presenting. He said Callan would also be providing Portable Alpha education. Mr. Silber said staff would need direction from the Board as Portable Alpha was modeled at a 9% weight in the recently-approved ALM study. He said if the Board did not want to do Portable Alpha, it could have an effect on the 14% Fixed Income and 18% Absolute Return allocations approved a few months ago.

Approval of NB Secondary Opportunities Fund III LP Amendment. Mr. Courtright stated they were notified by one of the Private Equity Managers Neuberger Berman that there was a drafting error in the LPA. He said the error was one word and Neuberger Berman was changing the language from Portfolio "Company" to Portfolio "Investment." He said using the word "Company" was more restrictive and when using "Investment," Neuberger Berman can more fully invest in the Fund. Mr. Courtright said the General Partner would need to have the view that it would enhance the value of the investment and there would be no delay or extension of the investment.

Approval of NB Secondary Opportunities Fund IV LP Amendment. Mr. Courtright noted the drafting error is the same in the Secondary Opportunities Fund IV as in Secondary Opportunities Fund III.

It was moved by Mr. Konrad, seconded by Mr. Matson, and unanimously carried to approve both the NB Secondary Opportunities Fund III LP Amendment and NB Secondary Opportunities Fund IV LP Amendment.

Mr. Silber concluded the Chief Investment Officer Report by thanking the Investment Committee's Chair Mr. Petropoulos for his service.

Investment Committee Report. At its November 9 meeting, Chairman Petropoulos reported the Investment Committee heard a presentation from Allianz, one of the Fund's Absolute Return managers. Allianz discussed the Structured Alpha strategy they currently manage for the Fund as well as how they would manage a Portable Alpha strategy if CMERS hired Allianz to do that. He said Callan provided an update on CMERS' Real Estate program, providing a market overview, performance summary, and status update on the restructuring initiative that began earlier this year. Mr. Petropoulos said the Committee approved a one-year extension with Global Trading Analytics, the Fund's transaction cost measurement provider. In addition, he said, staff provided a routine due diligence report on Reams Asset Management, one of the Fund's fixed income managers. Mr. Petropoulos stated staff presented the Fund's 3rd Quarter performance report, which showed the Fund is performing very well. The following item is recommended for approval by the Investment Committee: Approval of Global Trading Analytics Contract.

Approval of Global Trading Analytics Contract. It was moved by Mr. Petropoulos, seconded by Mr. Holland, and unanimously carried to approve the Global Trading Analytics Contract.

Administration & Operations Committee Report. Mr. Barmore reported that at its meeting on November 16, 2017, a contract renewal with DS Consulting was approved and forwarded to the Board for approval. He said the IT Projects Portfolio was received and the IT Reorganization is in progress with DER with a year-end deadline. He said the ERS network re-architecture is in progress. Mr. Barmore said all the Cisco equipment is at end-of-life and is being replaced and the Struts 2 upgrade is in progress. He said the ERS website upgrade is completed with a new look designed for use with mobile devices and member self-services is now fully accessible by mobile devices. He stated the Organizational/Personnel Update was received. Mr. Barmore said the ERS is waiting for DER to approve a salary offer for a candidate for the Chief Financial Officer and a candidate for the Pension Accounting Manager position has been identified from the interviewing process for the CFO. He stated hiring for the insourced IT positions is in progress with DER and reclasses are also in process with DER.

Approval of the DS Consulting Contract Renewal. Mr. Barmore advised that the Annuity and Pension Board may vote to convene in closed session on the following item (IV. A.) 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. It was moved by Mr. Petropoulos and seconded by Mr. Matson to convene in closed session. Mr. Barmore noted a unanimous vote was made to go into closed session at 9:22 a.m.

The Board reconvened in open session at 9:34 a.m. It was moved by Mr. Barmore, seconded by Mr. Petropoulos, and unanimously carried to approve the DS Consulting Contract Renewal.

New Business.

Retirements, Death Claims, and Refunds. Mr. Allen presented the following activity for the month of September 2017.

Active Death Benefits reported	\$0.00
Ordinary Death Benefits reported	\$0.00
Retired Death Benefits reported	\$71,940.34
Survivor Death – Termination Benefits reported	\$6,088.77
Refund of Member Contributions paid	\$233,786.36

Mr. Barmore accepted and placed on file the Retirements, Death Claims, and Refunds.

Conference Requests. Mr. Barmore reported that requests to attend the following conferences had been submitted.

Erich Sauer	Visions Insights & Perspectives (VIP) Americas 2018
Sponsor:	Institutional Real Estate, Inc.
Location:	Dana Point, CA
Date(s):	January 23-26, 2018
Estimated Cost:	\$2,000.00
Thomas Courtright	Callan 2018 National Conference
Sponsor:	Callan Associates
Location:	San Francisco, CA
Date(s):	January 29-31, 2018
Estimated Cost:	\$1,600.00

Approve Paid Time Off for Employee-Elected Trustee to Attend Board Meetings and Board Assigned Travel per Sec. 350-219. Mr. Allen noted that under Sec. 350-219, the Board may request approval from the Finance & Personnel Committee annually for paid time off beyond 32 hours for employee-elected trustees.

It was moved by Mr. Petropoulos, seconded by Mr. Matson, and unanimously carried to request the Finance & Personnel Committee to approve Paid Time for Employee-Elected Trustees to Attend Board Meetings and Board Assigned Travel per Sec. 350-219.

Pension Board Election Results – Retiree Member. Mr. Barmore noted Mr. Klusman prevailed in the recent retiree election for trustee over Mr. Kastern by a margin of 2,768 votes to 1,295 votes.

Pension Board Election Results – Police Member. Mr. Barmore noted in a close police election for trustee that Mr. Campbell had 334 votes and Mr. Patti had 292 votes.

Proposed 2018 Board and Committee Meeting Dates. Mr. Barmore noted the 2018 proposed meeting dates are tentative and not approved yet.

Medical Reports.

All Duty & Ordinary Disability Applications & Re-examinations. Mr. Allen presented certifications of the Fire and Police Medical Panel Physicians and the Medical Council relative to Duty & Ordinary Disability Retirement benefits as follows:

<u>Police – Re-examinations - Duty</u>	<u>Recommendation</u>
Jayne Cler	Approval
Janette Mosley	Approval
<u>Fire – Re-examinations - Duty</u>	<u>Recommendation</u>
Beamon, Jeffery	Approval
Christopher Gauthier	Approval
Teresa MacGuire	Approval
Timothy Newman	Approval
Christopher Underwood	Approval
Hanife Veshi-Heller	Approval
<u>GC New Applications – Duty</u>	<u>Recommendation</u>
Natasha Padgett	Denial 75%
Natasha Padgett	Denial 90%
Bruce Rightmyre	Approval
Effective 11/28/2017	
<u>GC New Applications – Ordinary</u>	<u>Recommendation</u>
Bertha Bentley	Approval
Effective 11/02/2017	
Natasha Padgett	Approval
Effective 07/05/2017	
<u>GC Re-examinations – Duty</u>	<u>Recommendation</u>
John Craney	Approval
<u>GC Re-examinations – Ordinary</u>	<u>Recommendation</u>
Antony Budish	Approval
Hope Dismuke	Approval

Patricia Fischer	Approval
Phillip Holiday	Approval
Tracey King	Approval
John Stanislawski	Approval
	Approval

It was moved by Mr. Bell, seconded by Mr. Nicolini, and unanimously carried, to accept the aforementioned recommendations of the Fire and Police Medical Panel Physicians and the Medical Council.

Unfinished Business.

Legal Opinions and Service Requests Pending and Legal Opinions. Ms. Horwitz said the legal opinion regarding return of accumulated contributions is under consideration. She also stated a number of contract pending renewals are in progress.

Legislation Requests Pending and Proposed Legislation. Mr. Allen said a communication file regarding the elections of Mr. Klusman and Mr. Campbell was placed on file with the Common Council and no action is required. Mr. Allen noted a proposed charter ordinance amendment related to ERS funding policy. Changes recommended by the Board were approved by the Finance & Personnel Committee at its November 28 meeting. He also mentioned the city budget resolution was adopted on November 17 by the Common Council including a \$5,000,000 drawdown of the Employer's Reserve Fund. The Board accepted the report and placed it on file.

Status of contract extension with Conduent, Inc. Mr. Barmore advised that the Annuity and Pension Board may vote to convene in closed session on the following item (VII. C. (i)), 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. It was moved by Mr. Barmore and seconded by Mr. Petropoulos to convene in closed session. Mr. Barmore noted a unanimous vote was made to go into closed session at 9:51 a.m.

The Board reconvened in open session at 10:10 a.m.

Informational.

The following is a list of informational items:

- 1) Report on Claims and Litigation.
- 2) Conferences.
- 3) Class Action Lawsuit Report.
- 4) Adjusted Quarterly Cost Basis of Equity.
- 5) Minutes of the Administration & Operations Committee Meeting Held October 19, 2017.

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

- 6) Report on Bills.
- 7) Deployment of Assets.
- 8) Securities Lending Revenue and Budget Reports.
- 9) Preliminary Performance Report/Asset and Manager Allocation Pie Charts.

It was moved by Mr. Petropoulos, seconded by Mr. Matson, and unanimously carried, to accept and place on file the aforementioned informational items.

There being no further business, Mr. Barmore adjourned the meeting at 10:10 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.)