EMPLOYES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE
ANNUITY AND PENSION BOARD

Minutes of the Annual Meeting held February 04, 2019

The meeting was called to order at 9:05 a.m.

Board Members Present:	Matthew Bell James Campbell Rudolph Konrad Tom Klusman Martin Matson, Chair Carmelo Patti
Board Members Not Present:	Deborah Ford (arrived 9:15 a.m.) Nik Kovac (arrived 9:08 a.m.)
Retirement System Staff Present:	Bernard J. Allen, Executive Director Melody Johnson, Deputy Director Daniel Gopalan, Chief Financial Officer David Silber, Chief Investment Officer Erich Sauer, Deputy Chief Investment Officer Thomas Courtright, Pension Investment Analyst Jason Ren, Pension Investment Intern Mary Turk, Business Operations Analyst Lisa Ory, Administrative Assistant II Jan Wills, Board Stenographer

Others Present: John Barmore, Retired Fire & Police Association; Patrick McClain, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc.; Gust Petropoulos, Adecco.

Introduction of New Board Members. Mr. Matson introduced the newly-elected Board members Matthew Bell, James Campbell, and Carmelo Patti elected in the Special At Large Member Election on December 4, 2018. Mr. Campbell and Mr. Patti had previously served on the Board.

Officers for 2019.

(Mr. Kovac arrived at 9:08 a.m.)

Election of Chair. Mr. Matson passed the gavel to Mr. Konrad for election of Chair. Mr. Konrad asked for any nominations for Board Chair. Mr. Klusman nominated Mr. Matson. Mr. Konrad seconded it. Mr. Konrad asked three more times for any further nominations. There being no further nominations, a unanimous vote, other than Ms. Ford who was not as yet present, was cast for Mr. Matson as Chair of the Annuity and Pension Board. Mr. Konrad passed the gavel to Mr. Matson.

Election of Vice-Chair. Mr. Matson nominated Mr. Konrad as Vice-Chair. Mr. Patti seconded it. Mr. Matson asked three more times for any further nominations. There being no

further nominations, a unanimous vote, other than Ms. Ford who was not as yet present, was cast for Mr. Konrad as Vice-Chair of the Annuity and Pension Board. It was moved by Mr. Matson, seconded by Mr. Kovac, and unanimously carried, to approve the election of Vice-Chair.

Approval of Minutes. Mr. Matson presented the minutes of the Regular Meeting held December 20, 2018. It was moved by Mr. Konrad, seconded by Mr. Kovac, and unanimously carried, to approve the Minutes of the Regular Meeting held December 20, 2018.

Chief Investment Officer Report. As a matter of information, Board members received the February 4, 2019 performance report. Mr. Courtright presented the performance report and said the Fund value as of December 31, 2018 was $4.95 billion dollars. He stated volatility did return to the markets in 2018 and in December 2018, the Fund return was -3.3% which underperformed the benchmark by approximately 60 basis points. Mr. Courtright said for the full year, the Fund return was -2.9%, net of fees, and outperformed the blended benchmark by 36 basis points in 2018. Mr. Courtright said the Fund's return exceeds the benchmark in the 5, 10, 15 & 20 year periods shown, net of fees. The main driver of 2018 returns, Mr. Courtright stated, was an overweight to private equity, contributing 35 basis points for the year. Mr. Courtright stated manager relative performance was positive in equities with Brandes and Polen contributing 41 basis points each, and CastleArk, 24 basis points. He stated Style Bias of US Large Cap Value detracted 28 basis points. He said the Public Equity asset class, along with the Total Fund, outperformed their respective benchmarks, net of fees. Mr. Courtright stated allocations to Private Equity and Real Assets added value to the Fund. He commented that 5 out of 18 active managers outperformed, net of fees. Mr. Courtright noted the Fund had a capital market loss of $135.6 million for 2018, paid benefits and expenses of $411.5 million, and received contributions of $144.1 million for 2018. He stated as of January 31, 2019, the Fund had a return of 4.6%, the Fund's approximate value is $5.21 billion, and nine of 18 active managers are outperforming year-to-date. Mr. Courtright also noted the Fund, as of January 31, 2019, had a capital market gain of $229.2 million, paid benefits and expenses of $35.4 million, and received contributions of $73.2 million. He said due to City and Agency contributions, the ERS did not make any manager withdrawals in January.

Mr. Silber said the next Investment Committee Meeting is February 14 and Board members will receive the 2018 4th Quarter Report. He also noted William Blair, an ERS longtime international growth manager will provide a presentation. Mr. Silber said he is also preparing an educational session for the Board members on asset allocation.

(Ms. Ford arrived at 9:15 a.m.)

Investment Committee Report. Mr. Matson reported that at the January 16 Investment Committee Meeting, Mr. Dan Fuss of Loomis Sayles spoke to the committee and many committee members also attended his speech at the CFA luncheon.

New Business.

Authorization to Sign Vouchers. Mr. Allen stated the Authorization to Sign Vouchers is a certificate of incumbency and signatures are necessary in order for the ERS to do business with banks and other businesses. Mr. Silber noted that Mr. Sauer's name was added due to his new position as Deputy Chief Investment Officer. The Authorization to Sign Vouchers was circulated for signature by authorized signatories.

Retirements, Death Claims, and Refunds. Mr. Allen presented the following activity for the month of December 2018.

Active Death Benefits reported	$0.00
Ordinary Death Benefits reported	$0.00
Deferred Death Benefits reported	$92,344.59
Retired Death Benefits reported	$72,461.03
Survivor Death – Termination Benefits reported	$6,024.04
Refund of Member Contributions paid	$162,495.17

It was moved by Mr. Kovac, seconded by Mr. Bell, and unanimously carried, to approve the Retirements, Death Claims, and Refunds.

Conference Requests – February 2019 Board Meeting. Mr. Matson presented the Conference Requests this month.

Thomas Courtright	CFA Society of Milwaukee Defining Markets Conference
Sponsor:	CFA Society of Milwaukee
Location:	Milwaukee, WI
Date:	January 30, 2019
Estimated Cost:	$150.00
Thomas Courtright	CFA Society of Milwaukee Annual Outlook Dinner
Sponsor:	CFA Society of Milwaukee
Location:	Milwaukee, WI
Date:	February 12, 2019
Estimated Cost:	$30.00
Carmelo Patti	CII Spring 2019 Conference
Sponsor:	Council of Institutional Investors
Location:	Washington, DC
Dates:	March 4-6, 2019
Estimated Cost:	$2,000.00
David Silber, Thomas Courtright	DFA Annual Institutional Symposium
Sponsor:	Dimensional Fund Advisors
Location:	Charlotte, NC
Dates:	May 6-8, 2019
Estimated Cost:	$1,200.00 each

James Campbell	NCPERS Accredited Fiduciary Program (Modules 1&2)
Sponsor:	NCPERS
Location:	Austin, TX
Dates:	May 17-20, 2019
Estimated Cost:	$3,800.00

Mr. Matson suggested the Board put together a list of what conferences Board members should and should not attend. He encouraged Board members to attend a due diligence trip or seminar or conference as internal audit looks at the Board to see what was done. Mr. Matson requested at a future Board meeting to have a discussion on the list of conferences and programs available to Board members. Mr. Klusman added that a standing legal opinion from the City Attorney's office advised against due diligence trips and he asked that the opinion be updated. Mr. McClain noted the Board rules may have been updated since then. Mr. Matson referred Board members to the Board Rule X which states Board members are encouraged to accompany Investment Staff on due diligence visits as part of continuing education to observe how assets in the Fund are invested by investment managers. Mr. Matson stated the Board rule was adopted pursuant to the opinion.

It was moved by Mr. Bell, seconded by Mr. Campbell, and unanimously carried, to approve the Conference Requests ─ February 2019 Board Meeting.

Approval of 2018 Securities Lending Budget. Mr. Allen noted the Global Pension Settlement permits revenues from securities lending be transferred into the Combined Fund on an annual basis. He noted the amount for 2018 was $1,141,000.00. It was moved by Mr. Campbell, seconded by Mr. Patti, and unanimously carried, to approve transfer of the 2018 securities lending revenue to the combined fund and accept and place on file the 2019 securities lending budget.

Approval of Amendment for a Name Change from Enterprise Services LLC to Perspecta State & Local Inc. Mr. Allen noted this company was previously known as Hewlett-Packard, one of the ERS' main IT vendors and recently had another corporate transaction. Mr. Matson noted this would normally go to the A&O Committee first. Mr. Matson requested that Board members let him know what Committees they would like to serve on so the Committees can then select their Vice Chairs. He stated Committees consist of Administration & Operations, Legislative, as well as a Litigation Committee which is *ad hoc*. It was moved by Mr. Klusman, seconded by Mr. Patti, and unanimously carried, to approve the Amendment for a Name Change from Enterprise Services LLC to Perspecta State & Local Inc.

Annual Obligation of Trustees and ERS Officers to Submit Annual Statement of Economic Interest. Mr. Allen stated the Annual Statement of Economic Interest is for the Ethics Board, it is a public record, and he requested Board members to complete it by the end of the month. Mr. Patti stated they had filled out the 2018 one within 10 days of taking oath and he noted the Statement of Economic Interest needs to be done each calendar year.

Medical Reports.

All Duty & Ordinary Disability Applications & Re-examinations. Mr. Allen presented certifications (November 2018) of the Fire and Police Medical Panel Physicians relative to Duty Disability Retirement benefits as follows:

Police – Re-examinations – Duty	Recommendation
Deana Martinez	Approval
Janette Mosley	Approval
Natasha Padgett	Approval

Fire – Re-examinations – Duty	Recommendation
Brett Michalowski	Approval
William Soderbeck	Approval

GC – New Applications – Ordinary	Recommendation
Sharodnick Brown	Approval
Silvia Glenn	Approval
Chara Morris	Approval

GC – Re-Examinations – Ordinary	Recommendation
Kathy Wilder	Approval

It was moved by Mr. Patti, seconded by Mr. Konrad, and unanimously carried, to approve the Duty & Ordinary Disability Applications & Re-examinations.

Disability Findings.

Melanie Beasley. Hearing Examiner Wasielewsi concludes in his decision, "I recommend approval of the Decision of the Annuity and Pension Board denying Ordinary Disability benefits to Melanie Beasley." Both parties have filed a brief in response to the Hearing Examiner's decision.

Harold Cross. Hearing Examiner Hogan concludes in his decision, "It is recommended that the Board affirm the findings of the Medical Council and Judge Manion's independent review and find that Mr. Cross is not entitled to duty disability." Neither party has filed a brief in response to the Hearing Examiner's decision.

Kathy M. Windham. Hearing Examiner Kessler concludes in his decision, "The application of Kathy Windham for Ordinary Disability is denied." Neither party has filed a brief in response to the Hearing Examiner's decision.

Mr. Allen noted that Ms. Beasley's attorney did submit a second reply brief but it was past the due date required by Board Rule XXI so it was not included as it was outside the time parameter and there is no provision for a reply brief in any case.

It was moved by Mr. Campbell, seconded by Mr. Patti, and unanimously carried, to approve the Disability Findings.

Unfinished Business.

Legal Opinions and Service Requests Pending and Legal Opinions. Mr. McClain reported that a number of opinion requests are in their final stages of drafting and will be ready before the next Board meeting. He noted Ms. Fowler is managing the service requests related to the contracts.

Legislation Requests Pending and Proposed Legislation. Mr. Allen said there was nothing new to report since the last Board meeting.

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

Informational.

The following is a list of informational items:

1) Report on Claims and Litigation.
2) Conferences.
3) Class Action Income 2018.
4) Minutes of the Investment Committee Held January 16, 2019.
5) Copies of the Board Rules and Regulations and ERS Ethics Policy.

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 Report.
9) Preliminary Performance Report/Asset and Manager Allocation Pie Charts.
10) ERS Holdings Report.

Mr. Patti noticed in the Board Rules that the quorum requirement was at the previous set number. Mr. McClain said they just completed the City Attorney approval of a file to return it to the pre-2013 state and a City Attorney opinion issued previously noted all the rule changes needed to take place.

Mr. Matson placed the aforementioned items on file.

There being no further business, Mr. Matson adjourned the meeting at 9:50 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 Employes' Retirement System, 789 N. Water Street, Suite 300.)