

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

Minutes of the Regular Meeting held May 28, 2019

The meeting was called to order at 9:02 a.m.

Board Members Present:           Matthew Bell  
  James Campbell  
  Tom Klusman  
  Rudolph Konrad  
  Nik Kovac  
  Martin Matson  
  Carmelo Patti

Board Members Not Present:     Deborah Ford (excused)

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  
  Anthony Lubarsky, Pension Investment Analyst  
  Robin Earleywine, Pension Accounting Manager  
  Mary Turk, Business Operations Analyst  
  Lisa Ory, Administrative Assistant II  
  Jan Wills, Board Stenographer

Others Present: John Barmore, Retired Fire & Police Association; Miriam Horwitz, Patrick McClain, Rachel Kennedy, City Attorney's Office; Molly King, Eric Pearson, Budget Office; Terry Siddiqui, DS Consulting, Inc.; Gust Petropoulos, Adecco.

**Approval of Minutes.** Mr. Matson presented the minutes of the Regular Meeting held April 29, 2019. Mr. Klusman asked why Ms. Sawa, Deputy Comptroller was listed as a "Board Member Present" at the April 29 meeting. Mr. Matson noted that in his absence, his Deputy could always sit in his place as a voting member and for a quorum. He said, however, that because he is Chairman of the Board and she does not hold that title, she cannot sit as Chair of the meeting but can only be present as a Board member. Ms. Horwitz added that the Comptroller position on the Board is ex-officio, or by virtue of his or her office, so that position can be covered by a sworn Deputy. Mr. Silber noted in the April 29 minutes, the month should read March instead of February in the phrase "outperformed the blended benchmark by approximately 0.8% in February." It was moved by Mr. Campbell, seconded by Mr. Klusman, and unanimously carried, to approve, as amended, the Minutes of the Regular Meeting held April 29, 2019.

**Chief Investment Officer Report.** As a matter of information, Board members received the May 28, 2019 performance report. Mr. Courtright presented the performance report and said the Fund value as of April 30, 2019 was \$5.36 billion dollars. He noted the Fund return of 1.9%, gross of fees, outperformed the blended benchmark by approximately 0.3% in April. Mr. Courtright said the Fund's return exceeds the benchmark in all time periods shown, net of fees. The main drivers of April performance, Mr. Courtright stated, were manager selection with Loomis Sayles contributing 6 basis points, Real Estate contributing 4 basis points, MFS contributing 4 basis points, and Polen contributing 3 basis points. He noted as of May 27, the Fund return is -1.9% in May and the Fund return is 7.4% year to date, net of fees, with the Fund value at approximately \$5.25 billion. He said 12 out of the 18 active managers are outperforming year to date, net of fees. Mr. Courtright also noted the Fixed Income and Absolute Return asset classes, along with the Total Fund, are exceeding their respective benchmarks year-to-date, net of fees. Mr. Courtright noted the Fund had an investment gain of \$369.8 million, paid benefits and expenses of \$140.9 million, and received contributions of \$84.9 million year to date. He said May withdrawals to pay benefit payments are \$10 million from Loomis Sayles, \$5 million each from BlackRock Bond Index, Reams, and Northern Trust S&P 500.

Mr. Silber added that the next Investment Committee Meeting is Thursday, June 6 and the discussion will center on asset allocation and Callan will be providing a Private Equity education session. He said Callan's 2019 10-year asset class return and risk standard deviation assumptions will demonstrate what the Fund's total risk and return profile look like at different asset allocations.

**Investment Committee Report.** At its May 9<sup>th</sup> meeting, Mr. Patti reported the Investment Committee heard a presentation from AQR Capital Management, the Fund's dedicated emerging markets public equity manager. He said Callan Associates provided the Committee with an update on the Fund's private Real Estate allocation. Mr. Patti said Callan discussed the general Real Estate market, some of the characteristics of the Fund's real estate portfolio, and reported that the Real Estate portfolio continues to outperform its benchmark over most time periods as of December 31, 2018. He commented that Staff presented a 1<sup>st</sup> quarter 2019 performance report and provided a Fund update through May 8, 2019. Mr. Patti noted that a theme of this report was that the Fund's returns for Q1 2019 were very strong; however, they just represented a recovery from the difficult market environment experienced in Q4 2018. He noted that during the 3-, 5-, and 10-year time periods, the Fund both outperformed its discount rate and exceeded its benchmark, net of fees, as of March 31, 2019. Mr. Patti said there were no approval items at this meeting.

**Administration & Operations Committee Report.** Mr. Klusman reported that at the May 28, 2019 meeting, the Committee discussed the Proposed First Amendment to Lease with Two Park Place LLC. He said the committee unanimously recommended to the Board that they approve a five-year extension of the remote office with the direction that in three years, the staff do a market survey, search for options in cost and recommendations, and discuss the options six months in advance. Discussion ensued. It was moved by Mr. Klusman, seconded by Mr. Patti, and unanimously carried, to approve the Proposed First Amendment to Lease with Two Park Place LLC.

**New Business.**

**Retirements, Death Claims, and Refunds.** Mr. Allen presented the following activity for the month of April 2019.

|  |              |
|--|--------------|
| Active Death Benefits reported                 | \$0.00       |
| Ordinary Death Benefits reported               | \$0.00       |
| Deferred Death Benefits reported               | \$0.00       |
| Retired Death Benefits reported                | \$39,767.46  |
| Survivor Death – Termination Benefits reported | \$8,001.88   |
| Refund of Member Contributions paid            | \$193,208.56 |

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

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

|                                |                                      |
|--------------------------------|--------------------------------------|
| David Silber,<br>Tony Lubarsky | Reams Asset Management Due Diligence |
| Sponsor:                       | Reams Asset Management               |
| Location:                      | Columbus, IN                         |
| Date:                          | August 5-6, 2019                     |
| Estimated Cost:                | \$700.00 per person                  |

|   |   |
|---|---|
| David Silber,<br>Thomas Courtright,<br>Matthew Bell | Abbott Capital & Neuberger Berman Due Diligence |
| Sponsor:  | Abbott Capital & Neuberger Berman               |
| Location:   | New York, NY                                    |
| Date:   | September 15-17, 2019                           |
| Estimated Cost:                                     | \$1,500.00 per person                           |

It was moved by Mr. Bell, seconded by Mr. Kovac, and unanimously carried, to approve the Conference Requests – May 2019 Board Meeting.

**Medical Reports.**

**All Duty & Ordinary Disability Applications & Re-examinations.** Mr. Allen presented certifications (May 2019) of the Fire and Police Medical Panel Physicians relative to Duty Disability Retirement benefits as follows:

| <u>Police – Re-examinations – Duty</u>      | <u>Recommendation</u> |
|---|-----------------------|
| Vidal Colon                                 | Approval              |
| Christian Hlavinka                          | Approval              |
| Dexter Love                                 | Approval              |
| Justine Schmidt                             | Approval              |
| <u>Fire – Re-examinations – Duty</u>        | <u>Recommendation</u> |
| Monica Blazekovic                           | Approval              |
| Pieter Gallagher                            | Approval              |
| Chad Hendricks                              | Approval              |
| Claude Hunter                               | Approval              |
| Martin Kozlowski                            | Approval              |
| James Merchant                              | Approval              |
| Todd Schultz                                | Approval              |
| Robert Hehn                                 | Approval              |
| Anthony Wichman                             | Approval              |
| Phillip Quigley                             | Approval              |
| <u>Police – New Applications – Ordinary</u> | <u>Recommendation</u> |
| Tommy Wilson<br>Effective 08/25/2018        | Approval              |
| <u>Fire – Re-examinations – Ordinary</u>    | <u>Recommendation</u> |
| Craig Weiss                                 | Approval              |
| <u>GC – New Application– Ordinary</u>       | <u>Recommendation</u> |
| Debra Tabaka<br>Effective 05/31/18          | Approval              |

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

### **Disability Findings.**

**Valerie Chapman.** Mr. Matson presented the findings submitted by Hearing Examiner Gerlach whose Decision states “I recommend that the decision of the Annuity & Pension Board denying Ms. Chapman’s request for duty disability benefits be affirmed.” He noted neither party filed a brief in response to the Hearing Examiner’s decision.

It was moved by Mr. Konrad, seconded by Mr. Campbell, and unanimously carried, to approve the Disability Findings – Valerie Chapman.

**Michael Jasso.** Mr. Matson presented the findings submitted by Hearing Examiner Moroney whose Decision states “Based upon the medical record, the decision of the Medical Council and the Annuity and Pension Board is supported by the preponderance of the credible and substantial evidence which has not been overcome at hearing. It is recommended to the Annuity and Pension Board that it deny the duty disability application made by the Applicant...” Mr. Matson commented that briefs from both parties were attached.

It was moved by Mr. Campbell, seconded by Mr. Klusman, and unanimously carried, to approve the Disability Findings – Michael Jasso.

### **Unfinished Business.**

**Legal Opinions and Service Requests Pending and Legal Opinions.** As a matter of information, Mr. Allen presented a list of pending requests for legal opinions and service requests made to the City Attorney. Mr. Horwitz stated they do have an opinion ready for release on the Retirement Eligibility Date. She said the Calculation of Retirement Allowance opinion is almost ready. Ms. Horwitz said the Service Requests are fairly up-to-date and the Northern Trust Custody Contract is being monitored. Mr. Allen stated that Ice Miller gave the ERS a favorable review for the Compliance Review Service Request. Mr. Klusman requested that the Board members receive legal opinions in advance when possible.

**Legislation Requests Pending and Proposed Legislation.** As a matter of information, Mr. Allen presented a list of pending requests for legislation and said there were no new additional items to report.

**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. Discussion ensued.

### **Informational.**

The following is a list of informational items:

- 1) Report on Claims and Litigation.
- 2) Conferences.
- 3) Class Action Income 2019 YTD.

- 4) Adjusted Quarterly Cost Basis of Equity.
- 5) Minutes of the Administration and Operations Committee Meeting Held April 18, 2019.
- 6) Minutes of the Investment Committee Meeting Held May 9, 2019.

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

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

Mr. Matson accepted and placed the aforementioned items on file.

There being no further business, Mr. Matson adjourned the meeting at 9:40 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.)