

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

Minutes of the Regular Meeting held July 22, 2019

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

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

Board Members Not Present: Rudolph Konrad (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: Carla Gogin, Jason Coyle, Baker Tilly; Miriam Horwitz, City Attorney's Office; Eric Pearson, Budget Office; John Barmore, Retired Fire & Police Association, Joseph Haasch, Vice President, Local 215, Milwaukee Professional Fire Fighters; Terry Siddiqui, DS Consulting, Inc.; Gust Petropoulos, Jason Ren, Adecco.

Approval of Minutes. Mr. Matson presented the minutes of the Regular Meeting held June 24, 2019. It was moved by Mr. Kovac, seconded by Mr. Campbell, and unanimously carried, to approve the Minutes of the Regular Meeting held June 24, 2019.

Chief Investment Officer Report. As a matter of information, Board members received the July 22, 2019 performance report. Mr. Courtright presented the performance report and said the Fund value as of June 30, 2019 was \$5.37 billion dollars. He noted the Fund return of 4.1%, net of fees, underperformed the blended benchmark by 68 basis points. Mr. Courtright said the Fund's return exceeds the benchmark in all other time periods shown, net of fees. The main drivers of June performance, Mr. Courtright stated, were Private Equity at negative 79 basis points, Brandes at negative 9 basis points, Loomis Sayles at 10 basis points, Allianz Structured Alpha at 8 basis points, and Newton at 4 basis points. He noted as of July 19, the Fund return is positive

0.3% in July and the Fund return is positive 11.4% year to date, net of fees, with the Fund value at approximately \$5.38 billion dollars. 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 \$566.2 million dollars, paid benefits and expenses of \$211.8 million dollars, and received contributions of \$90.9 million dollars year to date. He said July withdrawals to pay benefit payments are \$12 million from MFS, \$10 million from BlackRock 1000 Value, \$8 million from Polen, \$5 million from DFA U.S. Large Cap Value, and \$4 million from William Blair.

Mr. Silber added the Investment Staff is pleased with the year-to-date performance of 11.1% through June 30. He said since 1993, it is the fourth best start to a calendar year. He added that two of the four private equity managers, Private Advisors and Neuberger Berman, will be presenting at the July 25 Investment Committee meeting.

Administration & Operations Committee Report. Mr. Klusman reported that at the July 22, 2019 meeting, the A&O Committee met at 8:30 a.m. before the Board meeting and heard one item they are recommending approval of to the Board. He said they received a report from Staff that they resolved two open questions outlined in the City Attorney's July 11 letter to the Committee regarding concerns about the CenturyLink contract. Mr. Klusman stated the Committee passed a unanimous recommendation to the Board to approve the item. It was moved by Mr. Klusman, seconded by Mr. Campbell, and unanimously carried, to approve the Second Amendment To The Contract Between The Employees' Retirement System Of The City Of Milwaukee And CenturyLink.

New Business.

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

Active Death Benefits reported	\$0.00
Duty Death Benefits reported	\$1,124.16
Ordinary Death Benefits reported	\$99,430.33
Deferred Death Benefits reported	\$11,695.33
Retired Death Benefits reported	\$43,411.10
Survivor Death – Termination Benefits reported	\$6,050.17
Refund of Member Contributions paid	\$201,281.72

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

Conference Requests — July 2019 Board Meeting. Mr. Matson noted the agenda item was a placeholder as there were no conference requests listed or made at the July 2019 Board Meeting.

Acceptance of Baker Tilly 2018 Financial Audit. Ms. Gogin and Mr. Coyle of Baker Tilly went over the ERS' financial results for 2018. He said Baker Tilly did not find any problems to report in connection with ERS' internal controls. Mr. Coyle said no new accounting policies were implemented this year but in a couple years there will be a new GASB (Governmental Accounting Standards Board) requirement related to fiduciary funds. He noted the ERS has a small fiduciary fund, the Policemen's Annuity and Benefit Fund, which will be evaluated regarding the presentation of it. Mr. Coyle said there were no proposed audit adjustments or past adjustments. He also discussed the Comprehensive Annual Financial Report and said it provides transparency with the transmittal letter, financial section, investment section, actuarial section, and statistical section. Ms. Gogin said the report would be voluntarily submitted to the GFOA (Government Finance Officers Association) and a certificate of achievement of excellence in financial reporting received once a determination is made that standards for are met. Discussion ensued. It was moved by Mr. Klusman, seconded by Mr. Patti, and unanimously carried, to approve the Baker Tilly 2018 Financial Audit.

Approval of Annual Report of the Annuity & Pension Board 81st Edition, December 31, 2018. It was moved by Mr. Patti, seconded by Mr. Kovac, and unanimously carried, to approve the Annual Report of the Annuity & Pension Board 81st Edition, December 31, 2018.

Drena McCord – Revocation of Ordinary Disability Benefits (non-compliance). Mr. Petropoulos noted Ms. McCord had informed him that she was no longer disabled and requested to be separated from the benefit. Discussion ensued. It was moved by Mr. Campbell, seconded by Ms. Ford, and unanimously carried, to approve the Revocation of Ordinary Disability Benefits (non-compliance).

Approval to Suspend Disability Benefits for Non-Compliance with Outside Earnings Limitation. Mr. Matson stated benefits are suspended until the persons comply with providing their outside earnings and once they comply, the benefits are reinstated and they receive the checks they had not gotten due to non-compliance in submitting their documents. Discussion ensued. Mr. Matson requested an update in Mr. Allen's Executive Director Report to note for the October Board meeting whether any of the persons had complied. It was moved by Mr. Patti, seconded by Mr. Bell, and unanimously carried, to approve the Suspend Disability Benefits for Non-Compliance with Outside Earnings Limitation.

Request for Waiver of Medical Panel Re-examination – April B. Hoffman. Mr. Petropoulos stated she retired on a 75% disability, applied for a 90% disability, was granted it and requested a waiver of re-exam from the Board at that time. Ms. Hoffman was not granted a waiver at the time of her initial request in 2017. Ms. Hoffman submitted a second written request to the Board dated July 15, 2019 for waiver of re-exam by the Medical Panel. Discussion ensued. Ms. Ford and Mr. Patti requested additional information regarding previous requests from others on 90% disability for waiver of re-exam. Following discussion, Mr. Matson requested Ms. Hoffman's request be held until the September Board meeting. It was moved by Mr. Klusman,

seconded by Mr. Patti, and unanimously carried, to hold the Request for Waiver of Medical Panel Re-examination – April B. Hoffman.

Approval of August Resolution. Mr. Matson stated since there are no August meetings, the resolution gives the Executive Director the authority to carry out the Board’s business. He also noted there would be more reports to approve at the September meeting. It was moved by Mr. Patti, seconded by Mr. Kovac, and unanimously carried, to approve the August Resolution.

Chief Investment Officer Performance Review. Mr. Matson took the meeting out of order at this point and moved the closed session item IV. I. to the end of the meeting in order to adjourn from closed session.

Medical Reports.

All Duty & Ordinary Disability Applications & Re-examinations. Mr. Allen presented certifications (June 2019) 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>
Anthony Bialecki	Approval
Dwight Copeland	Approval
April Hoffman	Approval
<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
James Kopp	Approval
<u>Police – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Laticia Robinson	Approval
<u>GC – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Bonnie Heikkinen	Approval
Wendylu Cox	Approval
Marcia Friske	Approval

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

Disability Findings.

Patrick Gatton. Mr. Matson presented the findings submitted by Hearing Examiner Manian who wrote the following decision, “Upon testimony of Mr. Gatton, records and evidence presented, the undersigned is satisfied that the decision of the Medical Council and Annuity and

Pension Board and the final decision by Independent Person Dennis Maroney is correct and is affirmed.” Mr. Matson stated neither party has filed a brief in response to the Hearing Examiner’s decision.

It was moved by Mr. Bell, seconded by Mr. Klusman, and unanimously carried, to approve the decision as it stands.

Samuel Uribe. Mr. Matson presented the findings submitted by Hearing Examiner Wasielewski who wrote the following decision, “Based upon the foregoing, I recommend approval of the Decision of the Annuity and Pension Board denying Duty Disability Retirement benefits to Samuel Uribe and recommend approval of his application for Ordinary Disability Retirement.” Mr. Matson stated both parties have filed briefs, which are included, in response to the Hearing Examiner’s decision.

It was moved by Mr. Patti, seconded by Mr. Kovac, and unanimously carried, to approve the hearing examiner’s affirmation of denying Duty Disability and approval of application for Ordinary Disability.

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. Ms. Horwitz referred to the legal opinion in the Board members’ packet regarding eligibility retirement date for Mr. James E. Miller. She also said there were no outside legal opinions, there are some ongoing service requests, and there is an outside legal counsel service request concerning the Northern Trust Custody Contract.

It was moved by Ms. Ford, seconded by Mr. Campbell, and unanimously carried, to approve the Legal Opinions and Service Requests Pending and Legal Opinions.

Legislation Requests Pending and Proposed Legislation. As a matter of information, Mr. Allen presented a list of pending requests for legislation. He noted there are no pending charter ordinances for Common Council action and no pending changes to the Rules & Regulations. He said there are two pending Legislative Committee referrals.

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. Mr. Allen noted the 4th floor conference room will become vacant due to a company move but the ERS currently has use of it through 2022. 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) Minutes of the Administration and Operations Committee Meeting Held June 24, 2019.

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/Asset and Manager Allocation Pie Charts.

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

Mr. Matson called for a break at 10:20 a.m. and resumed the meeting at 10:29 a.m.

Ms. Ford left the meeting at 10:20 a.m.

Mr. Matson returned to agenda item IV. I.

Chief Investment Officer Performance Review. Mr. Matson advised that the Annuity and Pension Board may vote to convene in closed session on the following item (IV. I.), as provided in Section 19.85 (1)(c), for considering employment, promotion, compensation or performance evaluation data of any public employe over which the governmental body has jurisdiction or exercises responsibility. The Board may then vote to reconvene in open session following the closed session. It was moved by Mr. Patti, and seconded by Mr. Klusman, that the Board convene in closed session of these items. The motion prevailed by the following roll call vote: AYES: Messrs. Bell, Campbell, Klusman, Kovac, Patti, and Matson. NOES: None.

The Board convened in closed session at 10:30 a.m.

There being no further business, Mr. Matson adjourned the meeting from closed session at 11:06 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.)