

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

Minutes of the Legislative Committee Meeting
held September 23, 2019

The meeting was called to order at 12:00 p.m.

Committee Members Present: Deborah Ford
 Tom Klusman
 Rudolph Konrad, Chair

ERS Staff Present: Bernard J. Allen, Executive Director
 Melody Johnson, Deputy Director
 David Silber, Chief Investment Officer
 Erich Sauer, Deputy Chief Investment Officer
 Mary Turk, Business Operations Analyst
 Jan Wills, Board Stenographer

Others Present: Patrick McClain, City Attorney's office; Martin Matson, Board Chair and Comptroller, City of Milwaukee.

The Committee did not convene in closed session as noticed. Messrs. Allen and Konrad determined that it was not necessary to convene in closed session for items I. and II.

Consider Proposed Amendment To Board Rule XXI. Appeal. Mr. Allen noted this proposed amendment to Board Rule XXI.B.7. was a suggestion from Mr. Konrad about the appeal procedure to make sure both parties have enough time to file a brief. Mr. Allen stated Mr. McClain drafted some suggested, language to this end. It was moved by Mr. Klusman, seconded by Ms. Ford, and unanimously carried, to recommend adoption of the Proposed Amendment To Board Rule XXI. Appeal to the Annuity & Pension Board.

Consider Board Rule Regarding Investment Placement Agents. As a matter of information, Committee members received from Callan Associates, ERSs' independent investment consultant, a copy of the New York State Common Fund "Policy Regarding Use Of Placement Agents by Investment Managers." Mr. Allen noted this item has to do with the integrity of the ERS investment process as an independent fiduciary acting solely in the interests of ERS members and beneficiaries. He said there have been reports in the trade press about certain placement agents who have been known to lobby elected officials and engage in unethical practices to circumvent fiduciary due diligence processes in order to obtain investment mandates for their clients. He noted the ERS has a vigorous and well-defined process and the Staff and independent Investment Consultant are the initial gatekeepers for firms asking to be considered by the ERS Board to manage portfolio assets solely on behalf of the interests of the ERS members and beneficiaries. Mr. Allen said investment managers who retain placement agents to try to improperly influence elected officials, Board members, and Staff to circumvent fiduciary due diligence processes have by their actions demonstrated a lack of alignment of interest with the members and beneficiaries of the Fund. He said possible approaches to address this include banning the use of placement

agents or requiring disclosure. Mr. Allen mentioned state law regarding the Uniform Prudent Investor Act, also incorporated in the City Charter and ERS Investment Policy, which requires investment managers be hired based solely on merit relating to risk and return considerations, and no other. Discussion ensued. The Committee proposed to approve an amendment to the Investment Policy and Board Rules to require that a) ERS only considers investment managers recommended by ERS' independent Investment Consultant, and b) any investment manager recommended to ERS by its independent Investment Consultant must disclose whether or not they utilize a placement agent. Mr. Allen stated a draft would be prepared by the City Attorney's office and Staff for the Committee to review.

There being no further business, it was moved by Ms. Ford, seconded by Mr. Klusman, and unanimously carried, to adjourn the meeting.

Mr. Konrad adjourned the meeting at 12:52 p.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.)