

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

Minutes of the Annual Meeting held January 27, 2020

The meeting was called to order at 9:03 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 (arrived at 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
Thomas Courtright, Pension Investment Analyst
Anthony Lubarsky, Pension Investment Analyst
Mary Turk, Business Operations Analyst
Jan Wills, Board Stenographer

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

Officers for 2020. Mr. Matson, noted his upcoming retirement in April 2020, thanked the Board for having elected him as Board Chair in the past and noted he enjoyed serving on the Board.

Election of Chair. Mr. Matson asked for a motion for nominations for Chair. It was moved by Mr. Klusman and seconded by Mr. Konrad to nominate Mr. Patti for Chair. Mr. Matson asked three more times for any further nominations. There being no further nominations, nominations were closed and a unanimous vote of Board members present was cast for Mr. Patti as Chair of the Annuity and Pension Board.

Election of Vice-Chair. Mr. Matson asked for a motion for nominations for Vice-Chair. It was moved by Mr. Patti and seconded by Mr. Campbell to nominate Mr. Konrad for Vice-Chair. Mr. Matson asked three more times for any further nominations. There being no further nominations, nominations were closed and a unanimous vote of Board members present was cast for Mr. Konrad as Vice-Chair of the Annuity and Pension Board.

(Ms. Ford arrived at 9:08 a.m.)

Approval of Minutes. Mr. Klusman asked that the minutes be revised to state that at the January 27, 2020 Board meeting that he requested Public Safety personnel as well as General City personnel have retirement workshops. It was moved by Mr. Matson, seconded by Mr. Bell, and unanimously carried, to approve the minutes, as amended.

Chief Investment Officer Report. As a matter of information, Board members received the January 27, 2020 performance report. Mr. Courtright presented the performance report and said the Fund value as of December 31, 2019 was \$5.53 billion dollars. He noted the Fund return of 2.2%, net of fees, outperformed the blended benchmark by 23 basis points in December. He noted the Fund return was up 18.4%, net of fees, for 2019, and outperformed its blended benchmark by 2.1%. Mr. Courtright said the Fund's return exceeded the benchmark in all time periods shown, net of fees. The main drivers of December relative performance, Mr. Courtright stated, were Loomis Sayles at nine basis points, Private Equity at eight basis points, and UBS at seven basis points. In 2019, he said the asset classes of Public Equity, Fixed Income, Absolute Return, and Private Equity, along with the Total Fund, outperformed their respective benchmarks, net of fees. Mr. Courtright noted 10 of the 18 active managers outperformed, net of fees. Mr. Courtright noted the Fund in 2019 had an investment gain of \$904.8 million dollars, paid benefits and expenses of \$425.5 million dollars, and received contributions of \$108.0 million dollars. He commented as of January 24, 2020, the Fund return is up 0.6% month to date, with the Fund value at approximately \$5.64 billion dollars. He said six of the 14 active managers outperformed year to date. He said year-to-date for 2020, the Fund had a Capital Market Gain of \$34.9 million dollars, expenses of \$1.7 million dollars, contributions of \$83.5 million dollars, and a reserve transfer of 5.0 million dollars. Discussion ensued.

Mr. Silber directed the Board members to the Preliminary Performance Report/Asset and Manager Allocation Pie Charts report in their Board packets and noted 2019 was likely the first calendar year where the Fund had investment gains over \$900 million dollars. He also noted the investment manager cash flows that were taken and/or planned for January. Mr. Silber noted on January 10, 2020, Staff consented to a request from real estate manager Almanac to be bought out by Neuberger Berman. Mr. Silber commented that Callan advised them to consent. Mr. Silber reminded the Board of the Investment Committee Meeting on February 13 where they will be diving into the Q4 Performance Report. He also noted the ERS received four responses for the Consultant RFP and the consultant evaluation team has been reviewing the RFPs and will provide thoughts on the evaluation.

Investment Committee Report. Before the Investment Committee Report, Board Chairman Patti asked Board members to let him know after the meeting if someone would be interested in chairing the Investment Committee meetings. Investment Committee Chairman, Mr. Patti, reported on the Committee's January 15th meeting. Mr. Fuss of Loomis Sayles provided the Committee with his insights on the current global investment environment, geopolitics, interest rates, climate change, evolving supply chains of companies, and liquidity (or lack of) in the bond market. He noted Mr. Fuss mixed in both optimistic views as well as notes of caution throughout his presentation. Mr. Patti commented there were no approval items at this meeting.

Administration & Operations Committee Report. Mr. Klusman reported on the Committee's January 27 Administration & Operations Committee Meeting held immediately before today's Board meeting. The two contract extension items for United Mailing Services and LexisNexis were unanimously approved.

It was moved by Mr. Klusman, seconded by Mr. Campbell, and unanimously carried, to approve the United Mailing Services First Amendment.

It was then moved by Mr. Klusman, seconded by Mr. Bell, and unanimously carried, to approve the Agreement with LexisNexis.

Legislative Committee Report. Mr. Konrad reported at its December 19, 2019 Legislative Committee Meeting, the Committee recommended approval of proposed amendments to the Board Rules.

It was moved by Mr. Konrad, seconded by Ms. Ford, and unanimously carried, to recommend approval of amendments to Board Rules IV.A. Committees Of The Board Investment Committee, VII.E. Board Members/Areas Of Responsibility Selection Of Consultants/Investment Managers/Advisors, and II.C.6.i. Membership On The Board Duties And Responsibilities Of Officers and Employees Chief Investment Officer for: copies of which are on file with the Board Secretary, publically posted online, and by reference are incorporated as a part hereof.

New Business.

Authorization to Sign Vouchers. A certificate of incumbency form was circulated for execution to certify ERS' authorized signers for the custodian and others when distributions and expenditures are authorized from the Fund.

Retirements, Death Claims, and Refunds (December). Staff presented the following activity for the months of December 2019.

Active Death Benefits reported	\$0.00
Duty Death Benefits reported	\$0.00
Ordinary Death Benefits reported	\$0.00
Deferred Death Benefits reported	\$9,717.21
Retired Death Benefits reported	\$36,398.42
Survivor Death – Termination Benefits reported	\$2,992.51
Refund of Member Contributions paid	\$82,906.22

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

Conference Requests – January 2020 Board Meeting. Mr. Patti presented the conference requests this month and also reminded the Board of the investment due diligence calendar issued last year and to speak with Mr. Sauer to coordinate due diligence visits with investment managers.

David Silber,	CFA Society of Milwaukee Annual Outlook Dinner – CFA
Thomas Courtright	Society Event
Sponsor:	CFA Society of Milwaukee
Location:	Milwaukee, WI
Date:	February 5, 2020
Estimated Cost:	\$30.00 per person

Thomas Courtright CFA Society of Milwaukee – “A Case for the Lower Middle Market PE” – CFA Society Event
 Sponsor: CFA Society of Milwaukee
 Location: Milwaukee, WI
 Date: February 19, 2020
 Estimated Cost: \$15.00

Erich Sauer, Brandes and DFA Due Diligence
 Tony Lubarsky,
 James Campbell
 Sponsor: Brandes and DFA
 Location: San Diego and Santa Monica, CA
 Date: March 30 – April 1, 2020
 Estimated Cost: \$1,650.00 per person

Matthew Bell NCPERS Accredited Fiduciary (NAF) Program and NCPERS Annual Conference
 Sponsor: NCPERS
 Location: Las Vegas, NV
 Date: May 9 – 14, 2020
 Estimated Cost: \$4,000.00

It was moved by Mr. Matson, seconded by Mr. Klusman, and unanimously carried, to approve the Conference Requests — January 2020.

Approval of 2019 Securities Lending Budget. Staff presented the annual securities lending revenue report for the Board to consider authorizing a sweep of the securities lending revenue into the Combined Fund pursuant to the terms and conditions of the Global Pension Settlement.

It was moved by Mr. Bell, seconded by Mr. Matson, and unanimously carried, to approve the 2019 Securities Lending Budget authorization.

Mr. Matson noted that at some point the annual exercise of sweeping securities lending revenue into the Combined Fund should be re-evaluated. Discussion ensued. Staff explained that prior to the GPS, earnings from securities lending funded the Board’s activities for meetings and conferences. Subsequent to the adoption of the GPS, there was an inter-agency agreement between the City and the ERS providing that securities lending earnings would fund ERS operations. Staff estimated approximately 15 persons are in the old retirement fund. Mr. Konrad questioned if these were the non-consenting persons and Staff confirmed they are. Staff noted that pursuant to the inter-governmental agreement, ERS sweeps the securities lending earnings into the ERS cash account.

Annual Obligation of Trustees and ERS Officers to Submit Annual Statement of Economic Interests. Staff reminded the Board members to submit their Annual Statement of Economic Interests for 2019 to the Ethics Board by February 28, 2020.

Medical Reports.

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

<u>Police – New Applications – Extended Life</u>	<u>Recommendation</u>
Ronald Handeland	Denial
<u>Police – Re-examinations – Duty</u>	<u>Recommendation</u>
Stacy Lopez-Devereaux	Approval
Janette Mosley	Approval
<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
Brett Michalowski	Approval
William Soderbeck	Approval
Hanife Veshi-Heller	Approval
<u>GC – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Sharodnick Brown	Approval
Ronald Werner	Approval
Maurice Nicholson	Approval
Arthur Ray	Approval
Ronald Werner	Approval

Staff explained that an Extended Life application is for persons who apply after becoming eligible for normal retirement and because Mr. Handeland is still actively serving as a police officer, his application was recommended for denial by the Medical Council. Mr. Campbell questioned whether Mr. Handeland applied for duty or ordinary disability. Staff responded that it was duty disability and his application was for Extended Life due to attaining eligibility for normal retirement.

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

Unfinished Business.

Legal Opinions and Service Requests Pending and Legal Opinions. As a matter of information, Staff presented a list of pending requests for legal opinions and service requests made to the City Attorney. Ms. Horwitz stated there was only one unfinished request. She added that the Assistant City Attorneys working for the Board have done an excellent job in their diligence and good work.

Legislation Requests Pending and Proposed Legislation. As a matter of information, Staff presented a list of pending requests for legislation and noted the Common Council adopted a resolution relating to studying the impacts of employee turnover on pension funding and

liabilities. Staff also noted a five-year experience study is required by MCC-36 and is compiled by the independent actuary to assess all ERS economic and demographic assumptions. Discussion ensued.

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 2020 YTD.
- 4) Minutes of the Investment Committee Meeting Held December 12, 2019.
- 5) Minutes of the Administration and Operations Committee Meeting Held December 19, 2019.
- 6) Minutes of the Legislative Committee Meeting Held December 19, 2019.

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

- 7) Copies of the Board Rules and Regulations and ERS Ethics Policy.
- 8) Report on Bills.
- 9) Deployment of Assets.
- 10) Securities Lending Revenue and Budget Report.
- 11) Preliminary Performance Report/Asset and Manager Allocation Pie Charts.
- 12) ERS Holdings Report

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

It was moved by Mr. Campbell, seconded by Ms. Ford, and unanimously carried, to adjourn the meeting.

There being no further business, Mr. Patti adjourned the meeting at 10:08 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.)