

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

Minutes of the Special Meeting  
held April 20, 2020 via teleconference during COVID-19

(Rescheduled Cancelled Meeting from March 23, 2020 – 9:00 A.M.)

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

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

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  
  Mary Turk, Business Operations Analyst  
  Mike Dziuk, Retirement Plan Manager  
  Barbara Teipner-Wargolet, Lead Pension Specialist  
  Jan Wills, Board Stenographer

Others Present: Miriam Horwitz, Patrick McClain, City Attorney's Office; Melissa Fulgenzi, Comptroller's Office; Jim Zalewski, Milwaukee Retiree Association; Terry Siddiqui, DS Consulting, Inc.; three members of the public called in to the meeting.

Mr. Patti acknowledged Mr. Matson as today was his last Board meeting due to his retirement. Mr. Patti thanked Mr. Matson for his service to the Annuity and Pension Board and to the City of Milwaukee.

**Approval of Minutes.**

**Regular Meeting Held February 24, 2020.** Mr. Patti presented the minutes of the Regular Meeting held February 24, 2020. It was moved by Mr. Klusman, seconded by Mr. Bell, and unanimously carried, with the exception of Mr. Klusman requesting to listen to the February 24, 2020 audio regarding the paragraph on the pension reserve fund, to approve the minutes.

Mr. Klusman requested the Chair add an agenda item for the May 26, 2020 meeting regarding the employers' reserve fund issue, also in conjunction with funding going forward and what is going to be done about contributions with the 2023 issue coming and recent developments in the markets and the Allianz issue. Mr. Patti stated he would consider that for an agenda item.

**Chief Investment Officer Report.** Mr. Silber said as of Friday, April 17, 2020, the best estimate of the Fund's return year-to-date is -14.2%, net of fees, and the best estimate of the Fund's market value is \$4.7 billion. He noted the -14.2% translates into year-to-date capital market losses of \$783 million dollars through April 17, 2020. He said the Fund has paid out \$110.8 million dollars in benefits and expenses, which does not include the \$35 million estimated to go out as part of the April benefit payroll. He said the Fund has received \$92.6 million dollars in contributions. Mr. Silber said for the March payroll, \$15 million was withdrawn from the U.S. Agg. Index managed by BlackRock, \$13 million from Reams, and \$6 million from Loomis, at a total of \$34 million dollars, all from Fixed Income managers. He noted this is what typically occurs when stocks decline as much as they have. He stated the Fund went into 2020 in a strong liquidity position. Mr. Silber said the two-page report will be presented at the regularly scheduled April 27, 2020 Board meeting.

**Investment Committee Report.** Mr. Silber gave a re-cap of the March 12, 2020 Investment Committee Meeting since the Special April 20, 2020 Board Meeting was for the rescheduled cancelled meeting from March 23, 2020.

Mr. Silber stated that at its March 12 meeting, the Investment Committee unanimously elected Mr. Tom Klusman as its Vice-Chair. He noted Allianz was supposed to present an update to the Committee on the two strategies they manage for the Fund, but Allianz cancelled its presentation at the last minute. Mr. Silber stated Staff and Callan reported that the two strategies that Allianz manages on behalf of the Fund struggled in February. He commented that Staff and Callan answered a number of questions from the Committee and that the Committee requested that Allianz provide an update to the Committee at a later meeting to explain and evaluate how the strategies performed during this turbulent market. Mr. Silber said next, Callan provided a 2020 Work Plan to the Committee, Staff presented a Due Diligence report on CastleArk management, the Fund's U.S. small cap growth stock manager, and Staff presented the Value Add Analysis. He remarked that as of December 31, 2019, the Value Add Analysis showed the Fund's stock and bond allocations have added \$186 million to the Fund's value over the past 10-years, and \$770 million to the Fund's value over the past 25 years. Mr. Silber said that when Private Equity and Absolute Return were included in the analysis, the added value amounts increased to \$266 million over 10 years and \$849 over 25 years. He commented that after that, Staff provided an update on disaster-recovery preparations related to the investment operations, explained how rebalancing procedures are built into the Statement of Investment Policy and how they would work if the Fund's stock allocation dropped below 38%, and provided a performance update. Mr. Silber said finally, in closed session, the Committee discussed the Side Letter related to Mesirow Financial Private Equity Fund VIII-A. He said the Committee then went into open session to approve the Side Letter. Mr. Silber noted that since this Side Letter was time sensitive given that it provides beneficial terms to ERS if the Fund participates in the first close, Staff utilized its authority to execute an investment-related contract that was approved by the Investment

Committee and met all of the conditions provided under Board Rule VII.G.2.b. Mr. Silber commented that there were no other approval items at this meeting.

**Administration & Operations Committee Report.** Staff said no Administration & Operations Committee was held on March 23, 2020 at 8:30 am since this Committee meeting and the Regular Board meeting at 9:00 a.m. were cancelled due to COVID-19. The next Administration & Operations Committee meeting is April 22, 2020.

### **New Business.**

**Retirements, Death Claims, and Refunds (February).** Staff presented the following activity for the months of February 2020.

Active Death Benefits reported	\$0.00
Duty Death Benefits reported	\$0.00
Ordinary Death Benefits reported	\$0.00
Deferred Death Benefits reported	\$328.62
Retired Death Benefits reported	\$13,182.98
Survivor Death – Termination Benefits reported	\$6,728.98
Refund of Member Contributions paid	\$196,517.96

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

**Conference Requests – March 2020 Board Meeting.** Mr. Silber stated he would be updating the conferences calendar for the April 27, 2020 Board meeting as there are changes and postponements compared to what was put together in early March. Mr. Patti noted most of the conferences have been cancelled until further notice. Mr. Campbell added that NCPERS had sent information on a webinar for its Accredited Fiduciary Program.

### **Medical Reports.**

**All Duty & Ordinary Disability Applications & Re-examinations (February).** Staff presented certifications (February 2020) 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 – Duty</u>	<u>Recommendation</u>
Matthew Schulze	Approval

<u>Police – Re-examinations – Duty</u>	<u>Recommendation</u>
John Fredericks	Approval
Deana Martinez	Approval
Frank Vrtochnick	Approval
<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
Robert Bresette	Approval
James Kronberg	Approval
Maurya Lomen	Approval
Patrick Norton	Approval
<u>GC – New Applications – Ordinary</u>	<u>Recommendation</u>
Camille Cole	Approval
<u>GC – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Kelly Thomas	Approval

It was moved by Mr. Konrad, seconded by Mr. Patti, 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. Mr. McClain noted the medical panel legal opinion is being signed today. Staff noted the Service Request for the Investment Consultant Contract and it has been forwarded to the consultant for review.

**Legislation Requests Pending and Proposed Legislation.** As a matter of information, Staff presented a list of pending requests for legislation. Staff noted there was nothing new 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. As a matter of information, Board members received a report on March 6, 2020 titled “Bridging the Pension Gap: Strong State Plan May Show Milwaukee the Way” from the Wisconsin Public Policy Forum. Board Members also received internet links to the State Legislature – March 10, 2020 Ways and Means Meeting Recordings broadcast by Wisconsin Eye. Also included, were reports from Northern Trust for the employers’ reserve fund. Staff also presented a slide show on how fringe benefit expense is calculated by the Comptroller’s Office, a copy of which by reference is incorporated herein. Discussion ensued.

**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 February 13, 2020.

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. 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 10:00 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.)