

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

Minutes of the Regular Meeting  
held May 26, 2020 via teleconference during COVID-19

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

Board Members Present:           Matthew Bell  
                                          James Campbell  
                                          Deborah Ford  
                                          Tom Klusman  
                                          Rudolph Konrad  
                                          Aycha Sawa  
                                          Carmelo Patti, Chair

Board Members Not Present:       Nik Kovac (arrived 9:04 a.m.)

Retirement System Staff Present:   Bernard J. Allen, Executive Director  
                                          Melody Johnson, Deputy Director  
                                          Daniel Gopalan, Chief Financial Officer  
                                          Gust Petropoulos, Deputy Director Disability  
                                          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  
                                          Jan Wills, Board Stenographer

Others Present: Miriam Horwitz, Patrick McClain, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc.; Jim Zalewski, Milwaukee Retiree Association; four public call-ins.

Mr. Patti advised meeting participants to mute their phones when not participating and identify yourself when requesting to speak.

Mr. Kovac arrived at 9:04 a.m.

**Approval of Minutes.**

**Special Meeting Held April 20, 2020.** Mr. Patti presented the minutes of the Special Meeting held April 20, 2020.

Mr. Klusman noticed both the April 20, 2020 minutes and the April 27, 2020 referenced approval of the February 24, 2020 minutes. At the April 20, 2020 meeting, Mr. Klusman moved approval of the February 24, 2020 minutes and Mr. Bell seconded, with the exception of Mr. Klusman requesting to listen to the February 24, 2020 audio regarding the paragraph relating to the pension reserve fund.

At the April 27 meeting, Mr. Patti asked for approval of the February 24, 2020 minutes, with the exception of Mr. Klusman's request for further discussion on the pension reserve fund. Mr. Patti said the February 24, 2020 minutes would be on hold until the May 26, 2020 meeting but realized the February 24, 2020 minutes were approved at the April 20, 2020 meeting, with the exception of further discussion on the pension reserve fund.

It was moved by Mr. Kovac, seconded by Mr. Campbell, and unanimously carried, to approve the April 20, 2020 minutes.

**Regular Meeting Held April 27, 2020.** Mr. Patti presented the minutes, with the same objection and for review and clarification at the June meeting, of the Regular Meeting held April 27, 2020. It was moved by Ms. Sawa, seconded by Mr. Konrad, and unanimously carried, to approve the minutes.

**Chief Investment Officer Report.** Mr. Sauer said in April that stocks came back a bit from their low, particularly in the U.S. He noted the Russell 3000 was up 13.2% and international stocks bounced back as well, but not as much. The ACWI excluding U.S. stocks was up 7.6% in April. He noted the Fund finished the month at \$4.77 billion with a return of 5.9%, gross of fees and outperformed the blended benchmark by 45 basis points. Mr. Sauer commented that the Fund's returns underperformed in the year-to-date, one, five, 10, and 15-year periods, and outperformed in the 20-year period, net of fees. Mr. Sauer noted the April performance drivers were mainly manager selection with Reams at 18 basis point, Newton at 12 basis points, UBS A&Q at 11 basis points, and DFA US Small Cap Value at 10 basis points. Mr. Sauer noted as of May 21, 2020, the Fund is up 0.6% month-to-date, which brought the Fund's year-to-date return to -12.1, net of fees, with the Fund's approximate value at \$4.80 billion. He said five of the 16 active managers are outperforming year-to-date, net of fees. Mr. Sauer noted none of the asset classes are exceeding their benchmark year-to-date, net of fees. He said year-to-date, the Fund has generated investment losses of \$671.8 million, paid benefits and expenses of \$145.5 million and received contributions of \$95.2 million. He added that because of the expected proceeds from the Allianz investments, the ERS would not need to make manager withdrawals to cover May benefits. Discussion ensued. Mr. Sauer noted the proceeds from the Agg. 250 Strategy were \$379,790,130 and the proceeds from the 1000 Plus Strategy were \$12,969,106.

Mr. Silber noted they received the final proceeds for the Agg. 250 Strategy on May 11. He said they set aside about \$190 million in short-term treasury bills to pay benefits over the next few months, consistent with the Liquidity Management Framework the Board approved in April. Mr. Silber said the remaining \$190 million was invested into the Fund's Fixed Income allocation, with \$55 million going into Reams and \$135 million going into the BlackRock U.S. Agg. Bond Index. He added that the next investment meeting is June 4.

**New Business.**

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

Active Death Benefits reported	\$0.00
Duty Death Benefits reported	\$0.00
Ordinary Death Benefits reported	\$0.00
Deferred Death Benefits reported	\$30,978.42
Retired Death Benefits reported	\$17,475.97
Survivor Death – Termination Benefits reported	\$4,345.63
Refund of Member Contributions paid	\$72,859.36

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

**Conference Requests – May 2020 Board Meeting.** Staff noted there are currently no conference requests as most meetings are postponed or cancelled but Board members can make requests for later in the year.

**Employers’ Reserve Fund.** As a matter of information, Board members received in their packet a slide from the valuation presentation from 2019 showing the employer contribution amounts for all employers for 2018, 2019 and 2020; the contributions from General, Policemen, and Fireman as of January 1, 2019; and the Monthly Reporting Asset Summary. Mr. Klusman noted from the City budget that \$30.1 million is in the Employers’ Reserve Fund as of August 2019 with a contribution of \$8 million dollars to the reserve fund in the 2020 budget with a combined \$38.1 million in reserves. He noted \$33 million is in reserves and said \$5 million is missing. He noted Mr. Matson had said it was a receivable. Mr. Klusman made a motion and requested an audit for the last several years. Discussion ensued at length.

**Medical Reports.**

**All Duty & Ordinary Disability Applications & Re-examinations (April).** Staff presented certifications (April 2020) 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>
Angel Alderman	Approval
Graham Kunisch	Approval
Kurt Lacina	Approval
Christopher Manney	Approval

<u>Police – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Ruby Esqueda	Approval
<u>Fire – New Applications – Duty</u>	<u>Recommendation</u>
Christopher Kietzke	Denial
<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
Robert Hehn	Approval
<u>Fire – New Applications – Ordinary</u>	<u>Recommendation</u>
Christopher Kietzke Effective 01/22/20	Approval
<u>GC – New Applications – Duty</u>	<u>Recommendation</u>
Sahagian Grimes Effective 01/10/20	Approval
<u>GC – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Henty Gonzalez	Approval

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

**Disability Findings – Dennis Kowalski.** Mr. Patti presented the findings submitted by Hearing Examiner Wasielewski whose Decision states “Based upon the foregoing, I recommend approval of the Decision of the Annuity & Pension Board denying Duty Disability Retirement benefits to Mr. Kowalski.”

It was moved by Mr. Bell, seconded by Mr. Klusman, and unanimously carried, to accept the recommendations of Hearing Examiner Wasielewski.

### **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 acknowledged City Attorney Grant Langley’s retirement and his signing of his final legal opinion. She congratulated Mr. McClain for doing an excellent job on the “Questions Pertaining to Medical Council Referrals and Workers’ Compensation Offsets for Duty Disability Retirement Benefits” opinion. Mr. McClain noted the opinion addressed the extent to which the Medical Panel can conduct an investigation and make referrals under Board Rule III(C) as well as the offset rule governing workers’ compensation. Staff noted two Service

Requests for the Investment Consultant Contract and the Neuberger Berman Investment Agreement.

**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.

**Informational.**

The following is a list of informational items:

- 1) Report on Claims and Litigation.
- 2) Conferences.
- 3) Class Action Income 2020 YTD.
- 4) Adjusted Quarterly Cost Basis of Equity.
- 5) Minutes of the Investment Committee Meeting Held March 12, 2020.
- 6) Minutes of the Investment Committee Meeting Held April 16, 2020.
- 7) Minutes of the Administration & Operations Committee Meeting Held April 22, 2020.

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

- 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) Mayor's Proclamation.

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

There being no further business, Mr. Patti adjourned the meeting at 10:22 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.)