

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

Minutes of the Regular Meeting
held June 22, 2020 via teleconference during COVID-19

The meeting was called to order at 9:02 a.m.

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

Committee Members Not Present Deborah Ford (arrived at 9:03 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: Larry Langer, Patrice Beckham, Cavanaugh Macdonald Consulting, LLC; Nicholas W. Zuiker, Reinhart Boerner Van Deuren S.C.; Miriam Horwitz, Patrick McClain, Jim Carroll, City Attorney's Office; Dennis Yaccarino, Budget Director; Eric Pearson, Budget Office; Terry Siddiqui, DS Consulting, Inc.; Jim Zalewski, Milwaukee Retiree Association; three members of the public called in to the meeting.

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

Ms. Ford arrived at 9:03 a.m.

Approval of Minutes.

Regular Meeting Held May 26, 2020. Mr. Patti presented the minutes of the Regular Meeting held May 26, 2020.

It was moved by Mr. Campbell, seconded by Mr. Konrad, and unanimously carried with Mr. Klusman's exception to include the following statement in the May 26, 2020 minutes : "Mr. Klusman read from page 177 of the 2020 City of Milwaukee Adopted Budget relating to the Employers' Reserve Fund 'a balance of approximately 30.1 million dollars is in the Employers' Reserve Fund as of August 2019. A contribution of \$8 million dollars to the Reserve Fund is included in the 2020 Budget. Combined, these provide \$38.1 million dollars of revenue.'* Our ERS records of the City Employers' Reserve Fund balance to be approximately \$33.1 million dollars. Mr. Klusman made a motion to audit these inaccuracies."

Chief Investment Officer Report. Mr. Sauer noted the Fund finished the month of May at \$4.89 billion with a return of 3.2%, gross of fees and outperformed the blended benchmark by 98 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 May performance drivers were Private Equity at 46 basis points, William Blair at 23 basis points, Loomis Sayles at 19 basis points, and Polen at 9 basis points. Mr. Sauer noted as of June 18, 2020, the Fund is up 1.7% month-to-date, which brought the Fund's year-to-date return to -8.4%, net of fees, with the Fund's approximate value at \$4.97 billion. He said seven 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 \$465.0 million, paid benefits and expenses of \$180.5 million and received contributions of \$97.7 million. He added that the Fund has a sufficient cash balance as a result of the Liquidity Management Framework approved in April, and will not need to make manager withdrawals in June.

Approval of Neuberger Berman secondary Opportunities Fund V Private Equity Side Letter. Mr. Patti advised that the Annuity and Pension Board may vote to convene in closed session on the following item (II.A.), as provided in Section 19.85(1)(e), Wisconsin State Statutes, to deliberate or negotiate the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session. The Board may then vote to reconvene in open session following the closed session.

It was moved by Mr. Konrad and seconded by Ms. Ford that the Annuity & Pension Board convene in closed session. The motion prevailed by the following roll call vote: AYES: Mses. Ford, Sawa, Messrs. Bell, Campbell, Klusman, Konrad, Kovac, and Patti. NOES: None.

The Committee convened in closed session at 9:09 a.m. It was moved by Mr. Bell, seconded by Mr. Campbell, and unanimously carried, that the Board reconvene in open session.

The Annuity & Pension Board reconvened in open session at 9:20 a.m.

It was moved by Mr. Konrad, seconded by Ms. Sawa, and unanimously carried, to approve the Neuberger Berman secondary Opportunities Fund V Private Equity Side Letter.

Investment Committee Report. At its June 4th meeting, Chairman Konrad reported that Callan presented an Updated 2020 Work Plan, which now includes initiating an Asset-Liability study this

* See minutes dated July 27, 2020 for correction.

year. Callan also discussed how their firm continues to monitor investment managers remotely on our Fund's behalf. Mr. Konrad noted that Staff explained how they continue to conduct due diligence and monitor the Fund's investment managers remotely, since it is not currently advisable for Staff to travel and most of the Fund's investment managers are currently working from home. He said Staff discussed a request made by Polen Capital Management to allow one of their holdings, Microsoft, to increase to 12% of Polen's account value as the existing guidelines cap all holdings at 10%. Mr. Konrad also said Staff discussed some updates that needed to be made to the Statement of Investment Policy as a result of either COVID-19, items the Board approved in April, or the recent termination of Allianz as an investment manager. Both agenda items were approved by the Committee. Mr. Konrad commented the Committee went into closed session regarding the Analysis of Recent Market Losses. He added that Callan provided an update on the Fund's Real Estate allocation, with special attention given to the potential impact of COVID-19 on the real estate market. Mr. Konrad said that Staff concluded the meeting going over the first quarter performance report. Finally, he concluded that the Investment Committee recommended approval of the following items: Approval of Statement of Investment Policy Update; and Approval of Polen Capital Management Guideline Waiver.

Approval of Statement of Investment Policy Update. It was moved by Mr. Konrad, seconded by Mr. Kovac, and unanimously carried, to approve the Statement of Investment Policy Update.

Approval of Polen Capital Management Guideline Waiver. It was moved by Mr. Konrad, seconded by Ms. Ford, and unanimously carried, to approve the Polen Capital Management Guideline Waiver.

Administration & Operations Committee Report. At its June 22, 2020 Administration & Operations Committee meeting, Chairman Bell reported that the Committee met this morning to discuss approval of the A&O Committee Audit Charter and Internal Audit Charter. He noted there was some discussion and the two items are reviewed yearly but there are not any changes to them. Mr. Bell said the Committee approved both charters.

Approval of A&O Committee Audit Charter and Internal Audit Charter. It was moved by Ms. Sawa, seconded by Mr. Bell, and unanimously carried, to approve the A&O Committee Audit Charter and Internal Audit Charter.

New Business.

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

Active Death Benefits reported	\$0.00
Duty Death Benefits reported	\$0.00
Ordinary Death Benefits reported	\$0.00
Deferred Death Benefits reported	\$0.00

Retired Death Benefits reported	\$8,637.05
Survivor Death – Termination Benefits reported	\$5,354.78
Refund of Member Contributions paid	\$61,712.00

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

Conference Requests – June 2020 Board Meeting. Staff noted there are currently no conference requests.

Presentation by Pat Beckham and Larry Langer of Cavanaugh Macdonald and Acceptance of 2020 Actuarial Valuation Report. Pat Beckham and Larry Langer of Cavanaugh MacDonald presented the results of the actuarial valuation as of January 1, 2020. Discussion ensued. The report was accepted and placed on file.

Approval of At Large Member Election Bulletin 194. It was moved by Mr. Kovac, seconded by Ms. Sawa, and unanimously carried, to approve the At Large Member Election Bulletin 194.

Approval of conducting future Annuity & Pension Board by video conference pursuant to the Moving Milwaukee Forward Plan. The Board discussed how best to conduct its meetings during the COVID-19 pandemic emergency. It was moved by Mr. Campbell, seconded by Ms. Ford, and unanimously carried, to conduct future Annuity & Pension Board by video conference throughout the COVID-19 pandemic emergency pursuant to the Moving Milwaukee Forward Plan, a copy of which is on file with the ERS.

Employers’ Reserve Fund. As a matter of information, Board members received in their packets a timeline of various payments into the Employers’ Reserve Fund for the last few years, as well as schedules from Northern Trust and the 2020 actuarial valuation report which indicate the payments into the Employers’ Reserve Fund and amounts contributed into the pension trust from the Employers’ Reserve Fund. Board members also received the GASB 67 report prepared by the Actuary which shows the contributions to the Employers’ Reserve Fund made by the employers for the last 10 years. Mr. Klusman requested that this item be on next month’s agenda.

Medical Reports.

All Duty & Ordinary Disability Applications & Re-examinations (May). Staff presented certifications (May 2020) of the Fire and Police Medical Panel Physicians and the Medical Council relative to Duty & Ordinary Disability Retirement benefits as follows:

<u>Fire – New Applications – Duty</u>	<u>Recommendation</u>
John Wetzel	Denial

Police – Re-examinations – DutyRecommendation

Justine Schmidt

Approval

Fire – Re-examinations – DutyRecommendation

James Kopp

Approval

Walter Price

Approval

Bruce Rightmyre

Approval

Thomas Scholz

Approval

Todd Schultz

Approval

GC – New Applications – DutyRecommendation

Lisa Skenandore

Denial

GC – New Applications – OrdinaryRecommendation

Lisa Skenandore

Approval

Effective 12/16/19

GC – Re-examinations – OrdinaryRecommendation

Scott Geiger

Approval

Delbert Orr

Approval

Debra Tabaka

Approval

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

Disability Findings – Tammi Wesley. Mr. Patti presented the findings submitted by Hearing Examiner Gerlach whose Decision states “I recommend that the decision of the Annuity & Pension Board denying Ms. Wesley’s request for duty disability benefits is affirmed.”

It was moved by Mr. Campbell, seconded by Mr. Kovac, and unanimously carried with the exception of Ms. Ford abstaining, to accept the recommendations of Hearing Examiner Gerlach.

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. Staff said there were no new items on Legal Opinions or Service Requests.

Legislation Requests Pending and Proposed Legislation. As a matter of information, Staff presented a list of pending requests for legislation. Staff noted Ms. Ford, Mr. Konrad, and Mr. Kovac were re-appointed for two-year terms by the Common Council. Chairman Patti

congratulated the Trustees on their re-appointments. Mr. Klusman asked if the Executive Director is reviewed on an annual basis. Mr. Allen said a report on ERS goals and objectives, as well as his own personal goals and objectives, for the preceding and following years are reviewed every January. Mr. Konrad noted the review of the Executive Director was not listed as an agenda item and Mr. Patti said it would have to be added as an agenda item. Ms. Horwitz said Mr. Klusman would have to request it as an agenda item so it is properly noticed.

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.

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

- 4) Report on Bills.
- 5) Deployment of Assets.
- 6) Securities Lending Revenue and Budget Report.
- 7) Preliminary Performance Report/Asset and Manager Allocation Pie Charts.

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

It was moved by Mr. Bell, seconded by Mr. Kovac, and unanimously carried, to adjourn the meeting.

There being no further business, Mr. Patti adjourned the meeting at 11:16 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.)