

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

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

The meeting was called to order at 9:31 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 at 9:40 a.m.)

Retirement System Staff Present: Jerry 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
 Gust Petropoulos, Deputy Director Disability
 Mary Turk, Business Operations Analyst
 Jan Wills, Board Stenographer

Others Present: Miriam Horwitz, Patrick McClain, City Attorney's Office; Molly King, Eric Pearson, Budget Office; John Barmore, Retired Fire & Police Association; Jim Zalewski, Milwaukee Retiree Association; Terry Siddiqui, DS Consulting, Inc.; three members of the public called in to the meeting.

Regular Meeting.

Approval of Minutes.

Regular Meeting Held September 28, 2020. Mr. Campbell had a correction for the September 28, 2020 minutes to list police officers Christian Hlavinka and Tracy Martinez in the Police Duty Re-examinations instead of the Fire Duty Re-examinations listing. It was moved by Mr. Campbell, seconded by Ms. Sawa, and unanimously carried, as corrected, to approve the Regular Meeting minutes held September 28, 2020.

Chief Investment Officer Report. As a matter of information, Board members received the October 26, 2020 Performance Update. Mr. Sauer noted the month of September was a reversal in the Public Equity markets of the trade where large growth stocks outperformed off the March lows, which led to the Fund having a return of -0.6%, net of fees for the month, bringing the Fund value to \$5.08 billion. The Fund return underperformed the blended benchmark by 1.3% which was

primarily due to Private Equity. Mr. Sauer said Private Equity detracted 108 basis points in the manager selection category and 29 basis points in the overall allocation category, which was a result of the Fund being underweight the 10% long-term target. The reversal in the Public Equity markets detracted 12 basis points with Style Bias partially offsetting that with US Large Cap Value adding 15 basis points. Mr. Sauer said the Fund return is up 1.9% in October bringing the year-to-date return to a negative 2.1% net of fees with the Fund value at \$5.17 billion. He said 10 out of the 16 active managers are outperforming year to date on a net of fee basis. Mr. Sauer commented that the Private Equity asset class is outperforming year to date, net of fees. He said that is 7.4% for Private Equity versus 6.8% for the benchmark year to date. He said the Fund has generated investment losses of \$128.1 million, paid benefits and expenses of \$332.2 million and received contributions of \$112.6 million. He noted that this month the amounts withdrawn would be \$9 million each from the S&P 500 and Polen, \$6 million each from Earnest and MFS, and \$4 million from CastleArk. Discussion ensued.

Mr. Silber reminded Board members of the next Investment Committee Meeting on November 12. He said Callan would present Phase II of the Asset Liability Modeling Study. Mr. Silber said the ERS' 3rd Quarter Performance Report would also be presented.

Mr. Patti asked if Mr. Silber wanted to comment on Allianz since some of the information is out in public. Mr. Silber said the complaint was filed on October 16 and can be found online. He said he was not aware of any recent developments since the complaint was filed.

(Mr. Kovac joined the meeting at 9:40 a.m.)

Administration & Operations Committee Report. Chairman Bell noted the Committee met that morning prior to the Board meeting. He said they discussed the selection of the internal audit firm and reached a recommendation to fulfill the selection of an internal audit firm beginning in 2021.

Selection of Internal Audit Firm. Mr. Patti advised that the Annuity and Pension Board may vote to convene in closed session on this item 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. Bell, and seconded by Mr. Campbell, that the Board convene in closed session on this item. The motion prevailed by the following roll call vote: AYES: Messes. Ford and Sawa; Messrs. Bell, Campbell, Klusman, Konrad, Kovac, and Patti.

The Board convened in closed session at 9:46 a.m. The Board reconvened in open session at 9:50 a.m.

New Business.

Retirements, Death Claims, and Refunds (September). Mr. Allen presented the following activity for the months of September 2020.

Active Death Benefits reported	\$0.00
Duty Death Benefits reported	\$0.00
Ordinary Death Benefits reported	\$58,117.97
Retired Death Benefits reported	\$83,653.86
Survivor Death – Termination Benefits reported	\$11,627.65
Refund of Member Contributions paid	\$206,878.35

It was moved by Mr. Bell, seconded by Mr. Klusman, and unanimously carried, to approve the Retirements, Death Claims, and Refunds (September).

Conference Requests – October 2020 Board Meeting. Mr. Allen noted there were no conference requests this month. Last month's NCPERS conference for Mr. Patti and himself was cancelled and the ERS was issued credits.

Medical Reports.**All Duty & Ordinary Disability Applications & Re-examinations (October).**

<u>Police – New Applications – Duty</u>	<u>Recommendation</u>
Kurt Lacina Effective 03/21/2013	Approval
<u>Police – Re-examinations – Duty</u>	<u>Recommendation</u>
Anthony Bialecki	Approval
Willie Huerta	Approval
<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
Mark Ashworth	Approval
Claude Hunter	Approval
Thomas Ptak	Approval
John Schmaelzle	Approval

<u>Police – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Kara Ketterhagen	Approval
Sherry Rowsey-Brown	Approval
<u>Fire – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Samuel Uribe	Approval
<u>GC – New Applications – Ordinary</u>	<u>Recommendation</u>
Kelly Pope	Approval
Effective 07/23/2020	
Sherry Tomasello	Approval
Effective 07/28/2020	
<u>GC – Re-examinations – Duty</u>	<u>Recommendation</u>
Lynette Lowery-Cowser	Approval
<u>GC – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Valerie Chapman	Approval
Edward Hamilton	Approval
Mark Laska	Approval

Discussion ensued regarding the duty disability provision.

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

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 said they are up to date on the legal opinions from the City Attorney’s office and a couple of opinions have been referred out. She said one opinion is on the agenda today and said the author Mr. McClain would discuss. Mr. McClain discussed a legal opinion regarding whether member deaths from COVID-19 could satisfy the eligibility criteria for the accidental death benefit under 36-05-5-a. He said the conclusion was “yes,” but there were caveats related to practical evidentiary barriers for approval of those applications. He said Chapter 36 does not define the term accident and it is an unrestricted use of the term. Authorities would find the plain meaning of the term to include deaths from infectious disease. Mr. McClain noted ERS Staff already drafted an application, based upon a legal opinion months ago, for the duty death benefit that complies with the requirements of the charter ordinance and would do equally well for any application with a COVID-19 death. He said any applications related to COVID-19 deaths should go to the Medical Council first to see if it occurred in the line of duty and then the Medical Council would make a recommendation to the Board. Discussion ensued.

Legislation Requests Pending and Proposed Legislation. Staff said there were no new items to report from the Legislation 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. Mr. Allen acknowledged Ms. Horwitz's service retirement in November and thanked her for her work, dedication, objectivity, and diligence put into the job as general counsel for the Annuity and Pension Board. He noted she has been very responsive and done a terrific job. Messrs. Kovac, Konrad, Campbell, Patti, and Ms. Ford also extended their congratulations to Ms. Horwitz.

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 September 3, 2020.
- 5) Minutes of the Administration and Operations Committee Meeting Held September 23, 2020.

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

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

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

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

There being no further business, Mr. Patti adjourned the meeting at 10:50 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.)