

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

Minutes of the Investment Committee Meeting held March 12, 2020

The meeting was called to order at 9:03 a.m.

Committee Members Present: Matthew Bell  
James Campbell  
Thomas Klusman  
Rudy Konrad, Chair  
Martin Matson  
Carmelo Patti

Committee Members Not Present: Nik Kovac (arrived at 9:11 a.m.)  
Deborah Ford (arrived at 9:15 a.m.)

ERS Staff Present: Bernard J. Allen, Executive Director  
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  
Katrina Bailey, Administrative Assistant II  
Jan Wills, Board Stenographer

Others Present: Mike Joecken, Callan Associates; Miriam Horwitz, Jim Carroll, City Attorney Office; Eric Pearson, Budget Office.

**Election of Vice Chair.** Mr. Konrad asked for nominations for Vice Chair. It was moved by Mr. Patti and seconded by Mr. Matson to nominate Mr. Klusman for Vice Chair. Mr. Konrad asked three more times for nominations for Vice Chair. There being no further nominations, nominations were closed and a unanimous vote was cast for Mr. Klusman as Vice Chair of the Investment Committee.

**Approval of Mesirow Financial Private Equity VIII-A, L.P. Side Letter.** Mr. Konrad advised that the Investment Committee 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 Investment Committee may then vote to reconvene in open session following the closed session.

It was moved by Mr. Campbell and seconded by Mr. Bell that the Committee convene in closed session. The motion prevailed by the following roll call vote: AYES: Messrs. Bell, Campbell, Klusman, Konrad, Matson, and Patti. NOES: None.

The meeting convened in closed session at 9:05 a.m.

(Mr. Kovac arrived at 9:11 a.m.)

(Ms. Ford arrived at 9:15 a.m.)

Mr. Konrad asked if there were any objections to reconvene in open session.

There being none, the meeting reconvened in open session at 9:20 a.m.

It was moved by Mr. Matson, seconded by Mr. Campbell, and unanimously carried, to approve the Mesirow Financial Private Equity VIII-A, L.P. Side Letter.

**Allianz Global Investors Presentation.** Mr. Silber reported that the person from Allianz who was scheduled to present had e-mailed around 6 a.m. that morning to say he needed to cancel due to illness. He noted that Staff asked Allianz if someone else could dial-in to present to the Committee but Allianz didn't make anyone else available. Mr. Silber noted that the Fund has a 2.5% target allocation to the Allianz 1000 Plus Strategy and a 9.4% target allocation to the Allianz U.S. Fixed Income 250 Strategy. He stated the ERS has been invested in the 1000 Plus Strategy since July, 2014. He said the Allianz 1000 Plus Strategy reported an approximately 23% decline in February. On a March 3 call with Allianz, Mr. Silber said Allianz told Staff that about 4% of February's decline in the Allianz 1000 Plus Strategy is realized loss and the remainder is unrealized loss. Mr. Silber said the Allianz U.S. Fixed Income 250 Strategy reported an approximately 3% decline in February. Discussion ensued. 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.

**Callan 2020 Work Plan.** Mr. Joecken said investments would be reviewed starting at a high level with Capital Market Projections and an Asset Allocation Review in April; a Real Estate Performance Review as well as Fiduciary Education in June; a Public Equity Structure Review in July; a Private Equity Pricing Review in September; another Real Estate Performance Review and a Real Assets Structure Review in November; and a Callan Performance Reporting Overview in December.

**CastleArk Management Due Diligence Report.** As a matter of information, Committee members received in their meeting packet a copy of a report from Mr. Courtright on the due diligence visit he and Messrs. Sauer and Lubarsky made to CastleArk on December 17, 2019. His report stated CastleArk manages a U.S. Small Cap Growth Equity mandate of approximately \$93.4 million, or 1.7% of the CMERS Fund. Mr. Courtright noted some highlights from the visit including that the investment team remains in place with the same philosophy and process, another research analyst was hired to bring that team to three, and CastleArk continues to show improvement in strategy trading costs compared to prior quarters. He noted assets under management are down slightly due to some clients leaving but it does not rise to the level of being a major concern, and is being monitored. Discussion ensued.

**Value Add Analysis.** Mr. Silber discussed the Historical Value Add from 1995-2019. He presented two separate reports, one which included CMERS Public Equity and Fixed Income only, and one which included everything except Real Estate and Real Assets. 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. 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.

**CIO Report.** Mr. Silber noted that the investment department was working diligently with the rest of the ERS organization to ensure that they could work remotely if necessary. This included setting up processes that allow Staff to work remotely with Northern Trust to fund capital calls for Private Equity and Real Estate and ensure monthly benefit payments are made to beneficiaries. He also provided a performance update and 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%.

**Informational.**

- a. Callan 4<sup>th</sup> Quarter 2019 Performance Report.

As a matter of information, Committee members received Callan's 4<sup>th</sup> Quarter 2019 Performance Report

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

There being no further business, Mr. Konrad adjourned the meeting at 10:17 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.)