

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

Minutes of the Investment Committee Meeting
held June 4, 2020 via teleconference during COVID-19

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

Committee Members Present: Matthew Bell
Deborah Ford
Thomas Klusman
Rudy Konrad, Chair
Nik Kovac
Carmelo Patti
Aycha Sawa

Committee Members Not Present: James Campbell (excused)

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
Gust Petropoulos, Deputy Director Disability
Dan Gopalan, Chief Financial Officer
Robin Earleywine, Pension Accounting Manager
Jan Wills, Board Stenographer

Others Present: John Jackson, Mike Joecken, Jonathan Gould, Callan Associates; Tearman Spencer, Miriam Horwitz, City Attorney Office; Molly King, Budget Office; Terry Siddiqui, DS Consulting, Inc.; five members of the public called in to the meeting.

Analysis of Recent Market Losses. Mr. Konrad advised that the Investment Committee may vote to convene in closed session on the following item (I.) as provided in Section 19.85(1)(g), Wisconsin State Statutes, to confer with legal counsel concerning strategy to be adopted by the body with respect to litigation in which it is or is likely to become involved. The Investment Committee may then vote to reconvene in open session following the closed session.

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

The Committee convened in closed session at 9:05 a.m. and reconvened in open session at 9:34 a.m.

Callan Updated 2020 Work Plan. As a matter of information, Committee members received a copy of the Callan Updated 2020 Work Plan. Mr. Jackson went over the timeline for the 2020 Work Plan which includes the Real Estate Performance and Market Review, Asset Liability

Study – Phase 1, Fiduciary Education, Private Equity Pricing Review, Asset Liability Study – Phase 2, Real Estate Performance Review, and Callan Performance Reporting Overview.

Callan Memo on Due Diligence during the COVID-19 pandemic. As a matter of information, Committee members received a copy of the Callan Memo on Due Diligence during the COVID-19 pandemic. Mr. Joecken discussed how Callan conducted over 250 manager calls from mid-March to mid-May via video or teleconference calls. He said Callan is compiling a survey from 200 managers regarding office reopening, timelines for return to work, percentage of workforce anticipated to work remotely, anticipating timeframe for travel and accepting visitors in the office, and how meetings will be conducted.

Staff Memo on Monitoring Fund’s investment managers during the COVID-19 pandemic. As a matter of information, Committee members received a Staff Memo on Monitoring Fund’s investment managers during the COVID-19 pandemic. Mr. Sauer said they continue to monitor the Fund’s investment managers and they have many examples of having more access to the managers since most, if not all, of the investment managers began working from home. He said the formal due diligence every other year would be conducted via Zoom or Webex until onsite meetings can occur again.

Approval of Statement of Investment Policy Update. As a matter of information, Committee members received the Approval of Statement of Investment Policy Update. Mr. Silber noted the proposed updates relate to at least one of the following: the Board’s approval of the Interim Fixed Income and Absolute Return Structure Targets in April 2020, the Board’s approval of the Liquidity Management Framework in April 2020, COVID-19, or the recent termination of Allianz as an investment manager.

It was moved by Mr. Klusman, seconded by Mr. Patti, and unanimously carried, to approve the Statement of Investment Policy Update.

Approval of Polen Capital Management Guideline Waiver. As a matter of information, Committee members received a copy of the Polen Capital Management Guideline Waiver. Mr. Sauer noted that Polen is requesting a waiver to the investment guidelines, which would allow Microsoft’s position in the portfolio they manage for the ERS to appreciate above the 10% guideline limit, to a maximum of 12%. He said Microsoft has done well during the pandemic and Polen is requesting to hold the stock above the 10% limit if it appreciates in value, but Polen is not buying additional Microsoft stock.

It was moved by Mr. Patti, seconded by Mr. Bell, and unanimously carried, to approve the Polen Capital Management Guideline Waiver.

Callan Real Estate presentation. As a matter of information, Committee members received a copy of the Callan Real Estate presentation. Mr. Gould discussed the Market Overview, Portfolio Objectives, Conclusions and Recommendations. He also discussed the COVID-19 Impact on the Real Estate Market. Discussion ensued. The Callan Real Estate presentation was marked for closed session but the Committee determined it was not necessary to go over or discuss the aspects of the Fund’s Real Estate portfolio that would have required going into closed session.

1st Quarter 2020 Performance Report. As a matter of information, Committee members received the 1st Quarter 2020 Performance Report. Mr. Sauer discussed the performance of the asset classes in the Fund Overview and noted the Fund was down 17.5% in the first quarter. Mr. Silber discussed the Fund's Public Equity allocation and noted the wide dispersion of returns with respect to Value and Growth factors, as well as Small and Large Capitalization factors. Mr. Sauer concluded the presentation by covering the Fund's Fixed Income and Absolute Return allocations, and providing a Fund performance update as of June 3, 2020. As of June 3, 2020, the Fund's estimated market value was \$4.99 billion and the estimated YTD return was -8.0%.

Informational.

Callan 1st Quarter 2020 Performance Report. As a matter of information, Committee members received the Callan 1st Quarter 2020 Performance Report.

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

There being no further business, Mr. Konrad adjourned the meeting at 10:54 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.)