

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

Minutes of the Administration and Operations Committee Meeting
held April 21, 2021 via teleconference during COVID-19

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

Committee Members Present: Molly King
Tom Klusman
Aycha Sawa, Chair

ERS Staff Present: Bernard Allen, Executive Director
Melody Johnson, Deputy Director
Jeff Shober, Chief Technology Officer
Daniel Gopalan, Chief Financial Officer
David Silber, Chief Investment Officer
Erich Sauer, Deputy Chief Investment Officer
Mary Turk, Business Operations Analyst
Jan Wills, Board Stenographer

Others Present: Terry Siddiqui, DS Consulting Partners, Inc.

Approval of Draft ERS 2022 City Budget Request. As a matter of information, Committee members received a memo from Mr. Gopalan, Chief Financial Officer, regarding the 2022 Budget Request to be submitted to the City by May 12, 2021. Committee members also received a summary of the 2022 Draft Budget Request as compared to the 2021 Adopted Budget and 2020 Actual Expenditures. Mr. Allen introduced Mr. Gopalan who went through the 2020 Draft Budget Request.

He noted salaries were increased by \$28,000 due to a couple re-classes. Mr. Gopalan said he built in a 3% salary increase. Ms. King noted the increases need to be passed by the Budget Office and the Mayor. Mr. Gopalan commented he put in the increases on a contingent basis. Mr. Klusman asked if the actuary used a salary projection every year as well as the consumer price index. Mr. Gopalan said a salary inflation rate of 2.5% is used. Mr. Klusman inquired about bonus programs for the Staff but Ms. Sawa said everything is determined by the salary ordinance.

Mr. Gopalan then discussed the fringe benefit line item, which, he said, is based on the gross fringe benefit rate set at 46% for 2022 by the Budget Office.

Discussion ensued.

Mr. Gopalan then talked about all of the Operating Expenditures. He said the General Office Expense went up by \$18,000 for an increase in postage and mailings to members, the Operating Supplies stayed the same at \$5,000 for laptops and other items, and Facility Rent & Property Services went down by \$46,000, due to reduced amount of common area maintenance costs charged by the landlord such as property taxes and maintenance. Discussion ensued. He said the Non-vehicle Equipment Rental increased by \$2,000 for copy machines. Mr. Gopalan said Professional Services increased by \$1,664,000 for a projected increase in investment manager fees due to higher asset levels. He said the request for Information Technology Services decreased by \$274,000 due to the software renewal cycle and IT costs go up and down from year to year. For Other Operating Services, Mr. Gopalan added \$1,433,300 for doing more training in 2022 and for cyber insurance.

Mr. Gopalan next discussed Equipment Purchases and said that went down by \$277,000 based on where the ERS is on the IT Infrastructure cycle.

He said overall that the budget would be increased by \$1.2 million dollars.

Mr. Klusman mentioned that some professional fees like the actuary and auditors are fixed but noted investment manager fees are tied to earnings and inquired if the increase was based on better earnings and it is costing more because some managers are doing better now and we are paying out higher fees. Mr. Gopalan said there is an increase in investment manager fees because it is based on assets under management and the ERS has more assets under management and there are more costs involved.

Mr. Sauer stated that they are projecting the Fund will be worth more money so that is for the managers that have a fixed fee that is a percentage of their assets so those fees are higher because the asset base is higher. He noted one manager in particular, the DFA Small Cap Value, is able to earn a performance fee and because they are off to a good start this year, a higher performance fee needs to be budgeted for than in past budgets. Mr. Sauer said it is a combination of higher asset values, fixed fees on higher asset values, and potentially good performance for managers that are able to earn a performance fee.

Discussion ensued.

It was approved by Mr. Klusman, seconded by Ms. King, and unanimously carried, to approve the Approval of Draft ERS 2022 City Budget Request.

Ms. King asked about the 2022 Non-Trust Recommendations for the City Budget and Mr. Allen stated those items are billed to the City. He also said the PABF Payroll is the old police plan for officers on the force before 1948. Mr. Gopalan said there are eight survivors left and the last original member passed away in 2020. The 2022 Budget Request is \$78,000.00 for the PABF Payroll.

Ms. King stated the City would pay what the actuary recommends.

There being no further business, Ms. Sawa adjourned the meeting at 9:34 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.)