

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

Minutes of the Annual Meeting
held January 25, 2021 via teleconference during COVID-19

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

Board Members Present: Matthew Bell
 James Campbell
 Molly (King) Christianson
 Deborah Ford
 Tom Klusman
 Rudolph Konrad
 Aycha Sawa

Board Members Not Present: Nik Kovac (arrived 9:02 a.m.)

Retirement System Staff Present: Jerry Allen, Executive Director
 Melody Johnson, Deputy Director
 Daniel Gopalan, Chief Financial Officer
 Jeff Shober, Chief Technology 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: Patrick McClain, Jim Carroll, City Attorney's Office; Eric Pearson, Budget Office; John Barmore, Retired Fire & Police Association; Terry Siddiqui, DS Consulting, Inc.; three members of the public called in to the meeting.

Annual Meeting.

Introduction of New Board Member. Mr. Konrad introduced and welcomed the newest Board member Molly (King) Christianson. Ms. King said she appreciated the opportunity. Mr. Konrad thanked her for volunteering to put forth the time required.

Mr. Kovac joined the teleconference at 9:02 a.m.

Officers for 2021.

Election of Chair. Mr. Konrad asked for nominations for Chair. Mr. Campbell nominated Mr. Konrad. Mr. Konrad asked three more time for any further nominations. It was moved by Mr. Campbell and seconded by Mr. Bell to nominate Mr. Konrad for Chair. There being no further nominations, nominations were closed and a unanimous vote was cast for Mr. Konrad as Chair of the Annuity and Pension Board.

Election of Vice-Chair. Mr. Konrad asked for nominations for Vice-Chair. Mr. Konrad nominated Mr. Campbell for Vice-Chair. It was moved by Mr. Konrad and seconded by Ms. (King) Christianson to nominate Mr. Campbell for Vice-Chair. Mr. Konrad asked three more time for any further nominations. There being no further nominations, nominations were closed and a unanimous vote was cast for Mr. Campbell as Vice-Chair of the Annuity and Pension Board.

Mr. Konrad said he would name the Committee Chairs at the next meeting and if anyone was interested in chairing a committee to contact him.

Approval of Minutes.

Regular Meeting Held November 23, 2020. It was moved by Ms. Sawa and seconded by Mr. Campbell to approve the Regular Meeting Held November 23, 2020.

Regular Meeting Held December 17, 2020. It was moved by Mr. Bell and seconded by Mr. Campbell to approve the Regular Meeting Held December 17, 2020.

Chief Investment Officer Report. As a matter of information, Board members received the December 31, 2020 Performance Update. Mr. Sauer noted as of December 31, 2020, the Fund had a value of \$5.53 billion. He said the December Fund return of 4.4%, net of fees, outperformed the blended benchmark by 111 basis points. He said the December relative performance drivers were manager selection with Private Equity adding 38 basis points, UBS adding 16 basis points, Newton adding nine basis points, and Loomis Sayles adding 7 basis points. Mr. Sauer noted Style Bias added 13 basis points, primarily from the Fund's Small Cap Bias, as the Small Caps outperformed in the U.S. and Internationally. He said for 2020, the Private Equity and Real Assets asset classes outperformed their benchmarks, net of fees. He said nine out of the 16 active managers that the Fund had for the entire year outperformed net of fees, in 2020. He said for 2020, the Fund generated investment gains of \$326.4 million, paid benefits and expenses of \$444.3 million and received contributions of \$124.4 million. He said as of January 21, 2021, the Fund return is up approximately 1.9% month-to-date, bringing the Fund's approximate value to \$5.71 billion dollars. Mr. Sauer commented that 8 out of 14 active managers are outperforming year-to-date. He said AQR and UBS have not provided data yet as they report at month-end. He said, in 2021, the Fund has generated investment gains of \$107.7 million, received contributions of 73.9 million, no benefits or expenses have been paid yet, and the City made an \$8 million dollar contribution to the Reserve Fund. Mr. Sauer said the ERS would be withdrawing \$10 million from CastleArk and \$8 million from AQR this month.

Mr. Silber mentioned the next Investment Committee Meeting is February 11. He noted it will be a full agenda and to reach out to him with any investment questions.

Investment Committee Report. Mr. Konrad reported at its January 14 meeting that Dan Fuss of Loomis Sayles provided the Committee with his insights on the global investment environment, geopolitics, and climate change. He noted that Mr. Fuss also mentioned that March 1 is his 45th year anniversary at Loomis Sayles and he will move into a Senior Advisor role at that time. Mr. Konrad said Mr. Fuss mixed in both optimistic views as well as notes of caution throughout his presentation. He commented that Mr. Fuss introduced Mr. Brian Kennedy, who is one of the three other experienced and long-tenured Portfolio Managers who works on the bond strategy the Fund invests in. Mr. Konrad said Mr. Fuss also emphasized how special it has been to manage money for the City of Milwaukee ERS over the years. Mr. Konrad concluded that there were no approval items at this meeting.

Administration & Operations Committee Report. Mr. Bell reported at its December 17, 2020 8:30 a.m. meeting prior to the Board meeting, he and Ms. Sawa had a discussion in closed session regarding the approval of the CLA Contract. The Board did not go into closed session as noticed. Mr. Bell said at the A&O meeting, the committee decided to go forward with the approval of the CLA contract. Mr. Klusman pointed out the contract referenced two addresses for CLA, a Milwaukee address and a correct Wauwatosa address in the CLA. Mr. Carroll noted the addresses were not discussed but they should be corrected. Mr. Carroll said they could approve the contract if it wishes, subject to that important, but relatively minor, technical correction.

Please be advised that the Board may vote to convene in closed session on the following item (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.

Approval of CLA Contract. Mr. Konrad stated the motion is to approve the CLA Contract subject to correction of the location of the office in terms of the municipality it is located in and the correct location would be Wauwatosa.

It was moved by Mr. Bell to approve the motion with “that minor technical change,” seconded by Mr. Klusman, and unanimously carried, to approve the CLA Contract subject to the technical correction noted above.

New Business.

Authorization to Sign Vouchers. Staff noted due to the Covid emergency, the “Authorization to Sign Vouchers” documents would be circulated for the signatures for the custodian. It was moved by Mr. Kovac, seconded by Ms. Ford, and unanimously carried, to approve the Authorization to Sign Vouchers.

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

Active Death Benefits reported	\$0.00
Deferred Death	\$0.00
Duty Death Benefits reported	\$0.00
Ordinary Death Benefits reported	\$57,758.70
Retired Death Benefits reported	\$90,421.21
Survivor Death – Termination Benefits reported	\$10,389.47
Refund of Member Contributions paid	\$118,947.75

It was moved by Mr. Campbell, seconded by Ms. Sawa, and unanimously carried, to approve the Retirements, Death Claims, and Refunds (December).

Conference Requests – January 2021 Board Meeting. Staff presented the Conference Requests this month.

David Silber	Ben Inker, CFA: Value: If Not Now, When?
Sponsor:	CFA Society Chicago
Location:	Online
Date:	January 26, 2021
Estimated Cost:	\$20.00

It was moved by Ms. King, seconded by Ms. Sawa, and unanimously carried, to approve the Conference Requests – January 2021 Board Meeting.

Mr. Silber announced a presentation on February 10 by the CFA Society Milwaukee -- “Fireside Chat with Dan Fuss.” He said to let him or Mr. Allen know if Board members would like to attend.

Approval of 2020 Securities Lending Budget. Staff noted this is a routine housekeeping item where the prior year Securities Lending revenue gets swept into the Combined Fund as required by the terms of the Global Pension Settlement. Staff noted the amount this year is \$798,000. Discussion ensued. It was moved by Mr. Bell, seconded by Ms. Sawa, and unanimously carried, to approve the Approval of 2020 Securities Lending Budget.

Annual Obligation of Trustees and ERS Officers to Submit Annual Statement of Economic Interests. Mr. Konrad noted this is a reminder to the Trustees and ERS Officers that their Annual Statement of Economic Interests is due on February 28. Staff noted there is a \$50.00 per day fine for not completing it by February 28.

Approval of Resolution for Annuity & Pension Board Chair and Board Member Sergeant Carmelo Patti. Mr. Allen read Mr. Patti’s resolution:

A RESOLUTION

WHEREAS, Sgt. Carmelo J. Patti, Trustee of the Annuity and Pension Board, conscientiously served in the above capacity from February 2019 through December 2020 and represented this System during his tenure of office; and

WHEREAS, Sgt. Patti’s knowledge of pension benefits, and his prior service on the Annuity and Pension Board, enabled him to make a valuable contribution to the Annuity and Pension Board and the well-being of the Employees’ Retirement System of the City of Milwaukee and its thousands of participants; and

WHEREAS, Sgt. Patti, served diligently as the Chair of the Annuity and Pension Board from January 2020 through December 2020, and served as a member of the Administration and Operations Committee of the Annuity and Pension Board from February 2020 through December 2020, during which time he oversaw the continued successful operations of the ERS, especially during the COVID-19 pandemic; and

WHEREAS, Sgt. Patti served on the Investment Committee of the Annuity and Pension Board throughout his tenure, assisting in the prudent development and implementation of the Employees’ Retirement System’s highly successful Investment Policy which has generated several

billions of dollars of returns for the exclusive benefit of the System’s Members and Beneficiaries; and

WHEREAS, Sgt. Patti’s departure will be a great loss to the Annuity and Pension Board and the members of the Employees' Retirement System; therefore, be it

RESOLVED, By the Annuity and Pension Board that it hereby expresses its sincere appreciation for the valuable and conscientious service of Sgt. Patti; and be it

FURTHER RESOLVED, That this resolution be recorded in the permanent records of this Board and that a suitably engrossed copy be forwarded to Sgt. Patti.

ADOPTED JANUARY 25, 2021
Annuity and Pension Board

CHAIR

_____	_____
_____	_____
_____	_____
_____	_____
_____	CHIEF INVESTMENT OFFICER
_____	_____
DEPUTY DIRECTOR	EXECUTIVE DIRECTOR

It was moved by Ms. Ford, seconded by Ms. King, and unanimously carried, to approve the Approval of Resolution for Annuity & Pension Board Chair and Board Member Sergeant Carmelo Patti.

Referral to Legislative Committee for Consideration of Annuity & Pension Board Position Regarding Resolution Adopted by the Common Council Requesting State Legislation Regarding ERS Required Employer Contributions. As a matter of information, Board Members received the City of Milwaukee 2021-22 State Legislative Priorities document. Mr. Allen noted that at the December Board Meeting, Mr. Klusman stated that a resolution was adopted by the City of Milwaukee, Common Council regarding the City’s annual legislative priorities package. Mr. Allen thanked Mr. Klusman for his attention to those details. Mr. Allen referred Board Members to the exhibit referencing the item Mr. Klusman noted. Mr. Klusman noted, the city is seeking to pay less than the actuarial required contribution. Mr. Kovac thought it should go through the Legislative Committee and said it was the “biggest question we will have in front of us in the next couple of years and probably ever in the existence of this Board.” He said as fiduciaries, “we’re all committed to all recipients of the system in doing everything we can to insure the payments continue to be made.” He stated, “if there’s an existential threat to the City, then there’s an existential threat to the pension system.” Mr. Kovac said “if we are actuarially obligated to cite a number and we don’t know yet what that number will be in 2023, but if that number is high enough, it’s an existential threat to ourselves and I think we need to be realistic

that there are risks in both directions and I think most would agree with me on that and I just want to state that for the record.” Mr. Konrad said the better way to phrase the legislative request is to ask for assistance in funding the pension fund. He said he understands the request is to refer the matter to the Legislative Committee so the Committee can keep track of this and keep us informed. Mr. Klusman said the Board cannot watch as the city lobbyists go to Madison and lobby to underfund our system. Mr. Kovac stated as fiduciaries they have to consider all types of risk and what would happen to the City if that number were really high. Mr. Klusman requested fiduciary training for the Board at the beginning of the year instead of October. Mr. McClain will provide the training in the next two months, and, Mr. Kovac, requested to include any commentary on risks to consider and whether the fiscal solvency of the Sponsor is part of the Board’s fiduciary responsibility as well as the range of opinion on that topic. A request for a City Attorney opinion in connection with this matter has been made. Discussion ensued.

It was moved by Mr. Klusman, seconded by Mr. Bell, and unanimously carried, to approve the Referral to Legislative Committee for Consideration of Annuity & Pension Board Position Regarding Resolution Adopted by the Common Council Requesting State Legislation Regarding ERS Required Employer Contributions.

Medical Reports.

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

<u>Fire – Applications – Duty Death</u>	<u>Recommendation</u>
Darrin Jones	Denial
<u>Police – Re-examinations – Duty</u>	<u>Recommendation</u>
Nicole Belmore	Approval
Jayne Cler	Approval
Angela July	Approval
Robert Kendziorski	Approval
<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
Christopher Underwood	Approval
<u>Police – Applications – Ordinary Disability</u>	<u>Recommendation</u>
Jason Rodriguez	Denial
<u>GC – Applications – Duty Disability</u>	<u>Recommendation</u>
Gordon Matthews	Approval
<u>GC – Applications – Duty Death</u>	<u>Recommendation</u>
Hugo Rojas	Denial

GC – Applications – OrdinaryRecommendation

Christopher Neldner

Denial

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

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. Mr. McClain stated the Firemen’s and Policemen’s Survivorship Fund Dissolution Bonus Legal Opinion is complete and signed but due to its signing and release date, the opinion would be presented at the next meeting. He also said there is a pending opinion concerning the Board’s fiduciary obligations in relation to Plan Sponsor funding,

Legislation Requests Pending and Proposed Legislation. Mr. Allen stated the Common Council Action authorizing the expenditures from the 2021 budget is a routine budget item to put the budget into effect for 2021. He said the Common Council adopted it on December 15, 2020. Mr. Allen discussed the Communication from the City Comptroller relating to the Audit of the ERS Data Center Controls. He said the Administration & Operations Committee discussed the audit and the ERS received a clean report, except for an out-of-date fire extinguisher. He also discussed the Communication from the Employees’ Retirement System and the Department of Administration – Budget and Management Division relating to the status of the City of Milwaukee’s pension plan. He commented that the Finance and Personnel Committee met with the Budget Director to request that the administration put together a plan to address the looming pension contribution increase in 2023. Mr. Allen said he requested the ERS presentation of the closed session meeting to be in open session for the sake of transparency. As a matter of information, Board members received a copy of the ERS’ January 13, 2021 presentation to the Finance & Personnel Committee. He noted the Fund went from a -22% loss in the early spring to an over 6% gain for 2020 and congratulated the Board for sticking with the discipline of its Investment Policy. Mr. Allen stated that Mr. Langer the actuary was present and gave the actuarial funding projections from their latest valuation. He commented that Mr. Langer gave an example of how limiting employer contributions to the Fund would not result in ever paying down the unfunded liability over the long term and would not be in keeping with actuarial standards of practice as required by the city charter. As a matter of information, Board members received a copy of Ald. Murphy’s September 18, 2020 letter to the Budget Director Mr. Yaccarino requesting the Administration’s plan regarding the pension funding. Discussion ensued.

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.

- 4) Minutes of the Investment Committee Report Held November 12, 2020.
- 5) Minutes of the Administration & Operations Committee Meeting Held November 23, 2020.
- 6) Minutes of the Administration & Operations Committee Meeting Held December 23, 2020.
- 7) Copies of the Board Rules and Regulations and ERS Ethics Policy.

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

- 8) Report on Bills.
- 9) Deployment of Assets.
- 10) Securities Lending Revenue and Budget Report.
- 11) Preliminary Performance Report/Asset and Manager Allocation Pie Charts.
- 12) ERS Holdings Report.

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

Mr. McClain added they had two favorable court decisions since the last Board meeting. He said they received a favorable published court decision from the Court of Appeals about the appropriate duty disability standard to be applied for firefighters and police officers and he said it is the first published decision in over a decade. Mr. McClain also said they received a favorable Circuit Court opinion concerning the statutory presumption of respiratory disease for firefighters that is still subject to appeal.

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

There being no further business, Mr. Konrad adjourned the meeting at 10:35 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.)