

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

Minutes of the Regular Meeting  
held February 22, 2021 via teleconference during COVID-19

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

Board Members Present:           Matthew Bell  
  James Campbell  
  Deborah Ford  
  Molly King  
  Tom Klusman  
  Rudolph Konrad  
  Nik Kovac  
  Aycha Sawa

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: Scott Brown, Patrick McClain, Jim Carroll, City Attorney's Office; John Barmore, Retired Fire & Police Association; Terry Siddiqui, DS Consulting, Inc.; three members of the public called in to the meeting.

**Regular Meeting.**

**Approval of Minutes.**

**Annual Meeting Held January 25, 2021.** It was moved by Mr. Bell and seconded by Mr. Campbell, and unanimously carried to accept the minutes as corrected to excise the text in the January 25, 2021 meeting minutes regarding a referral of an item to the Legislative Committee as follows: *He said they should not be doing a lot of work on this, as it was a Counsel resolution.*(italics added).

**Appointment of Committees for 2021.**

Administration and Operations Committee.  
Investment Committee.  
Legislative Committee.  
Litigation Committee.

As a matter of information, Board members received the list of “Appointment of Committees for 2021.” Mr. Konrad welcomed those appointed to the committees and thanked them for their service.

**Chief Investment Officer Report.** As a matter of information, Board members received the February 22, 2021 Performance Update. Mr. Sauer noted as of January 31, 2021, the Fund had a value of \$5.56 billion. He said major markets were down slightly in January leading to an estimated Fund return of -5 basis points, gross of fees, which outperformed the blended benchmark by 19 basis points. He said the main driver of the relative outperformance was the Fund’s Style Bias, primarily US Small Cap. He said US Small Caps were up about 5% in the month compared to US Large Caps which were down 0.8%, providing a nice benefit from its Small Cap Bias. Mr. Sauer stated as of February 18, the Fund return is 3.0% in February bringing the year-to-date return up 2.9%. He noted the Fund’s approximate value is \$5.74 billion and 11 out of the Fund’s 16 active managers are outperforming year to date, net of fees. He said Public Equity and Fixed Income asset classes, along with the Total Fund, are exceeding their respective benchmarks year to date, net of fees. He commented that year to date the Fund has generated investment gains of \$164.2 million, paid benefits and expenses of \$38.2 million and received contributions of \$77.9 million. Mr. Sauer said the monthly withdrawals and cash flow movements would be discussed in item III.B.

**Approval of Dimensional Fund Advisors Contract Amendment.** Mr. Sauer said DFA has offered to lower the fees on the U.S. Large Cap Value separate account they manage for CMERS. He said they are lowering the annual fee for the first \$100 million dollars of AUM (Assets Under Management) going from 23 basis points to 19 basis points. For amounts over \$100 million, he said it is going from 18 basis points to 16 basis points. Mr. Sauer said at the current asset level, it comes out to \$50,000 per year in savings. He said Staff recommends approval and Mr. Carroll reviewed and signed off on it, not seeing any problem with the Amendment. It was moved by Mr. Bell, seconded by Ms. Sawa, and unanimously carried, to approve the Dimensional Fund Advisors Contract Amendment.

**Approval of Recommendation regarding Newton Allocation.** Mr. Konrad advised that the Investment Committee may vote to convene in closed session on the following item (B.) 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 Ms. King and seconded by Mr. Campbell that the Board convene in closed session. The motion prevailed by the following roll call vote: AYES: Mses. Ford, King, and Sawa; Messrs. Bell, Campbell, Klusman, Kovac, and Konrad. NOES: None.

The Board convened in closed session at 9:12 a.m.

The Board reconvened in open session at 9:16 a.m.

It was moved by Mr. Campbell, seconded by Mr. Kovac, and unanimously carried, to approve the Recommendation regarding Newton Allocation.

Mr. Silber wanted the Board to know Mr. David Villa, Executive Director and Chief Investment Officer of SWIB, passed away last week at age 66. He remarked that Mr. Villa is credited with having the vision and leadership that turned SWIB into one of the most successful and well-

respected public funds in the United States and the world. Mr. Silber said he was an advocate for public pension funds, particularly in Wisconsin. He said our thoughts were with SWIB and Mr. Villa's friends and family. Mr. Konrad said they did not know him but knew of his accomplishments.

**Investment Committee Report.** Mr. Bell reported at its February 11<sup>th</sup> meeting, the Investment Committee unanimously elected Mr. Rudy Konrad as its Vice-Chair. He said Callan provided a 2021 Work Plan, and after that presented a Real Assets Education that covered Real Estate, Infrastructure, Farmland, and Timberland. Mr. Bell noted that Callan is planning to propose some asset mixes for how to implement the Fund's new 13% target to Real Assets at the April Investment Committee meeting. He said also that Staff presented updates to the Fund's Statement of Investment Policy that incorporate the new asset allocation approved in the recent Asset-Liability-Modeling study. Mr. Bell commented that the effective date for the Fund's new benchmark will be April 1, 2021. He said Staff also discussed guideline change requests made by Dimensional Fund Advisors and MFS. Mr. Bell remarked that the guideline change for the DFA U.S. Small Cap value collective fund that ERS invests in replaces a reference to the median market capitalization being lower than the Russell 2000 Value Index, to now say that at least 80% of the portfolio will be invested in small capitalization companies. He commented that the guideline change for MFS increases the maximum that the portfolio can hold in any single company from 5% to 7%. Mr. Bell also noted Callan provided an update on Loomis Sayles within the context of Dan Fuss' upcoming move to a Senior Advisor role. He said Staff presented a due diligence report on AQR, discussed the Fund's 4<sup>th</sup> Quarter 2020 Performance Report and the annual Value Add Analysis. Mr. Bell said the Committee went into closed session regarding the Newton Due Diligence Report. He noted that the Investment Committee recommended approval of the following items: Approval of Statement of Investment Policy Update, Approval of Dimensional Fund Advisors Guideline Change, and Approval of MFS Guideline Change.

**Approval of Statement of Investment Policy Update.** It was moved by Ms. King, seconded by Ms. Sawa, and unanimously carried, to approve the Statement of Investment Policy Update.

**Approval of Dimensional Fund Advisors Guideline Change.** It was moved by Mr. Bell, seconded by Ms. Ford, and unanimously carried, to approve the Dimensional Fund Advisors Guideline Change.

**Approval of MFS Guideline Change.** It was moved by Mr. Klusman, seconded by Ms. Sawa, and unanimously carried, to approve the MFS Guideline Change.

**Administration & Operations Committee Report.** Mr. Konrad noted on the updated Appointment of Committees for 2021 that he appointed Mr. Klusman to the Administration & Operations Committee Report.

Ms. Sawa reported that the Administration & Operations Committee met at 8:30 this morning. She noted that the one item on the agenda was to approve the contract with American Business Technologies, Inc. dba ABT MAILCOM. She said the item was posted for closed session but Staff said it was routine and an extension of an existing relationship. Ms. Sawa commented that MAILCOM prints Forms 1099R for ERS. She said the Committee voted to recommend extension of the MAILCOM contract.

Please be advised that the Annuity and Pension 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.

The Board did not go into closed session as noticed.

**Approval of Contract with American Business Technologies, Inc. dba ABT MAILCOM.** It was moved by Ms. Sawa, seconded by Ms. King, and unanimously carried, to approve the Contract with American Business Technologies, Inc. dba ABT MAILCOM.

### **New Business.**

**Retirements, Death Claims, and Refunds (January).** Mr. Allen presented the following activity for the month of January 2021.

Active Death Benefits reported	\$0.00
Deferred Death	\$75,876.95
Duty Death Benefits reported	\$0.00
Ordinary Death Benefits reported	\$58,966.63
Retired Death Benefits reported	\$128,871.02
Survivor Death – Termination Benefits reported	\$12,870.58
Refund of Member Contributions paid	\$93,278.21

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

**Conference Requests – February 2021 Board Meeting.** There were no Conference Requests this month.

**Approval of Close out of 2020 Budget.** Staff noted this is a yearly housekeeping item and all the ERS bills are paid by the City of Milwaukee and the ERS remits an estimated monthly amount to the City based on the budget and has to true-up at the end of the year. Staff said almost \$15 million was advanced to the City for the 2020 costs and the ERS owes the City a balance of \$687,835.11. Discussion ensued.

It was moved by Ms. King, seconded by Mr. Campbell, and unanimously carried, to approve the Close out of 2020 Budget.

### **Medical Reports.**

**All Duty & Ordinary Disability Applications & Re-examinations (January).** Staff presented certifications (January 2021) of the Fire and Police Medical Panel Physicians and the Medical Council relative to Duty & Ordinary Disability Retirement benefits as follows:

<u>Police – Re-examinations – Duty</u>	<u>Recommendation</u>
Michael Pendergast	Approval
<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
Brett Michalowski	Approval
Timothy Newman	Approval
William Soderbeck	Approval
<u>Police – Applications – Ordinary</u>	<u>Recommendation</u>
Chad Steppke	Approval
<u>Fire – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Rodney De Pass	Approval
<u>GC – Applications – Duty</u>	<u>Recommendation</u>
Sandrah Crawford	Denial
<u>GC – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Sharodnick Brown	Approval
Sharon Turner-Young	Approval
Karen Wozniak	Approval

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

### **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 reported the City Attorney's office is fairly well caught up on opinions. He said they would get the fiduciary question opinion to the Board next month along with the requested fiduciary training. Mr. McClain then discussed the opinion regarding the Global Pension Settlement (GPS), particularly the provisions governing the Firemen's and Policemen's Survivorship Fund and the closing of that fund and what was offered as part of the settlement. He said the GPS took effect January 1, 2000. He said there was a police officers' class that began February 1, 2000 and the recruits' effective date of employment was one month after the effective date of the Global Pension Settlement. He stated that the charter ordinance provisions that put the Global Pension Settlement into effect did not become finalized until approximately a year later and had a retroactive effect back to January 1. He said that class executed consent forms entering into the GPS and there was a question whether they were eligible for the bonuses associated with

the closing of the survivorship fund. He said this class was subject to the GPS, they consented to it, they waived any objection to the settlements, terms, and conditions and the GPS makes eligibility for the survivorship fund bonuses dependent upon the individual being in active service as of January 1, 2000. Mr. McClain said that since these members were not hired until February 1, 2000, they are not eligible for the bonuses either under the GPS itself or the Chapter 36 provisions that were created pursuant to that agreement. Mr. Campbell stated he was in that class which actually started February 21 so it was roughly two months after January 1, 2000. Mr. Campbell said if it did become an action item, he would recuse himself since he was one of the class members of 30 or more that might be involved. Mr. McClain apologized for the typo in his handwritten notes and said the opinion has the correct date. Mr. Konrad noted the law is what the judge says it is and this is an informed, logical opinion but there may be litigation if the parties decide to contest it.

**Legislation Requests Pending and Proposed Legislation.** Staff presented Legislation Requests and Pending 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.

### **Informational.**

Mr. Konrad advised that the Annuity and Pension Board may vote to convene in closed session on the following item (A. Part 4.), 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 Board may then vote to reconvene in open session following the closed session. Mr. Konrad said they could also adjourn from closed session. It was moved by Mr. Bell and seconded by Ms. King that the Board convene in closed session. The motion prevailed by the following roll call vote: AYES: Mses. Ford, King, and Sawa; Messrs. Bell, Campbell, Klusman, Kovac, and Konrad. NOES: None.

The Board convened in closed session at 9:59 a.m.

The following is a list of informational items:

- 1) Report on Claims and Litigation.  
Part 4. ERS Litigation through Outside Legal Counsel.
- 2) Conferences.
- 3) Class Action Income 2021 YTD.
- 4) Adjusted Quarterly Cost Basis of Equity.
- 5) Minutes of the Investment Committee Report Held December 10, 2020.
- 6) Minutes of the Investment Committee Meeting Held January 14, 2021.
- 7) Minutes of the Administration & Operations Committee Meeting Held January 25, 2021.

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.

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

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

There being no further business, Mr. Konrad adjourned the meeting at 10:18 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.)