

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

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

The meeting was called to order at 9:01 a.m.

Board Members Present: Matthew Bell
 James Campbell, Vice-Chair
 Deborah Ford
 Tom Klusman
 Nik Kovac
 Aycha Sawa

Board Members Not Present: Molly King (arrived at 9:04 a.m.)
 Rudolph Konrad (excused)

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, City Attorney's Office; Eric Pearson, City of Milwaukee Budget Office; John Barmore, Retired Fire & Police Association; Jim Zalewski, Milwaukee Retiree Association (MRA); Terry Siddiqui, DS Consulting, Inc.; 29 members of the public called in to the meeting.

Regular Meeting.

Approval of Minutes.

Regular Meeting Held February 22, 2021.

(Ms. King joined the meeting at 9:04 a.m. following her previous meeting - per Mr. Campbell.)

It was moved by Mr. Klusman, seconded by Mr. Bell, and unanimously carried, to hold the February 22, 2021 minutes pending a requested revision until the April 26, 2021 meeting.

Chief Investment Officer Report. As a matter of information, Board members received the March 22, 2021 Performance Update. Mr. Sauer commented that February was an interesting month in financial markets as it became clearer there would be more fiscal stimulus coming as well as an increased pace of the distribution of the Covid-19 vaccine that caused interest rates to rise and caused leadership in the stock market to accelerate to small and value stocks. He noted

this was beneficial for the Fund as of February 28, 2021, the Fund had a value of \$5.65 billion. He said the return of 2.1%, gross of fees for the month, outperformed the blended benchmark by 120 basis points. He said the main driver of outperformance was manager selection as all three of the DFA strategies outperformed, which added up to a total of 27 basis points, Brandes added 15 basis points to returns, and UBS added 14 basis points of returns, which was primarily driven by managers that had some negative returns in January but had nice bouncebacks in the UBS portfolio in February. He added that Style Bias added 43 basis points to returns, primarily from Value and Small Cap. Mr. Sauer stated as of March 18, the Fund return is 1.5% in March, the year-to-date return is 3.6%, net of fees. He noted the Fund's approximate value is \$5.74 billion and 10 out of the Fund's 16 active managers are outperforming year to date, net of fees. He said Public Equity, Fixed Income, and Absolute Return 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 \$201.6 million, paid benefits and expenses of \$76.7 million and received contributions of \$80.3 million. Mr. Sauer said the monthly withdrawals for March were \$9 million from DFA US Small Cap Value, \$5 million from DFA Large Cap Value, and \$4 million from CastleArk.

Administration & Operations Committee Report. Chairperson Ms. Sawa reported on activities of the March 17, 2021 Administration & Operations Committee meeting. Ms. Sawa reported that Ms. King was elected Vice-Chair of the Administration & Operations Committee. She stated that the Committee voted to go into closed session to receive the annual financial auditor's, which is Baker Tilly, communication for the start of the financial audit. She noted the Committee also voted to go into closed session to receive the IT Vulnerability Operational Audit report which was the last report issued by the Jefferson Wells firm. Ms. Sawa stated they reconvened in open session for the IT Projects Portfolio report presented by the Chief Technology Officer Jeff Shober and the Organizational/Personnel Update presented by Deputy Director Melody Johnson. Ms. Sawa stated those items were the only matters discussed. Mr. Campbell accepted and placed the report on file.

New Business.

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

Active Death Benefits reported	\$0.00
Deferred Death	\$10,832.53
Duty Death Benefits reported	\$0.00
Ordinary Death Benefits reported	\$62,759.35
Retired Death Benefits reported	\$25,288.33
Survivor Death – Termination Benefits reported	\$9,391.43
Refund of Member Contributions paid	\$78,482.30

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

Conference Requests – March 2021 Board Meeting. Staff stated there were no Conference Requests this month. Mr. Campbell asked when NCPERS conferences would go live again. Staff said the Executive Director of NCPERS said they would have a funding conference in September and all Executive Directors of the membership were asked their preference if they would attend in person or via videoconference. Staff said survey results were not known yet

Fiduciary Training Presented by Assistant City Attorney Patrick McClain. Mr. McClain stated his presentation would run about 40 minutes and asked if the Board preferred to hear his presentation at the end of the meeting. Mr. Campbell stated if there were no objections, it would be held to the end of the meeting.

At this point, Mr. Campbell took the meeting agenda out of order.

Medical Reports.

All Duty & Ordinary Disability Applications & Re-examinations (February). Staff presented certifications (February 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>
April Hoffman	Approval
<u>GC – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Hope Dismuke	Approval
Darvin McKnight	Approval
Victor Perez	Approval
Duane Rondorf	Approval
Ronald Watson	Approval

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

Unfinished Business.

Legal Opinions and Service Requests Pending and Legal Opinions. Mr. McClain stated they were caught up on the listed items. He noted the draft fiduciary opinion was completed last week and is under review by Mr. Spencer and awaiting his signature. Mr. McClain said it is a lengthy opinion for review, but would be ready for the next meeting.

Legislation Requests Pending and Proposed Legislation. Staff presented the Legislation Requests and Pending Legislation Report. Staff commented that a Legislative Meeting would be held Wednesday, March 24, 2021 and the Committee would discuss the Outside Earnings provision of the Charter. Staff noted the Trustees are also welcome to attend the videoconference.

Executive Director’s Report – Inventory of ERS Projects. As a matter of information, Staff presented a report on the ERS projects and updated the Board on ERS activities, a copy of which is on file with the ERS.

Mr. Klusman noted the Plan Sponsor issue lobbying the State was referred to the Legislative Committee but was not listed on the Legislative Committee's Wednesday meeting and wondered if there was a reason for that. Mr. Allen commented that once the City Attorney opinion on point was released, there would be another Legislative Committee meeting scheduled. Mr. Klusman asked Mr. Allen for a copy of the request for that opinion. Mr. Klusman asked for the opinions in advance of the meeting.

Informational.

The following is a list of informational items:

- 1) Report on Claims and Litigation.
- 2) Conferences.
- 3) Class Action Income 2021 YTD.
- 4) Minutes of the Administration & Operations Committee Meeting Held February 22, 2021.

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

- 5) Report on Bills.
- 6) Deployment of Assets.
- 7) Securities Lending Revenue and Budget Report.
- 8) Preliminary Performance Report/Asset and Manager Allocation Pie Charts.

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

At this point, Mr. Campbell returned the meeting to item IV.C.

Fiduciary Training Presented by Assistant City Attorney Patrick McClain.

Mr. McClain gave a presentation to the Board regarding fiduciary duty, a copy of which is on file with the ERS and by reference is incorporated in the minutes of the meeting.

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

There being no further business, Mr. Campbell adjourned the meeting at 10:39 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.)