

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

Minutes of the Regular Meeting
held April 26, 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, Chair
 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: Avi Josefson, Hannah Ross, BLB&G; Patrick McClain, City Attorney's Office; John Barmore, Retired Fire & Police Association; Jim Zalewski, Milwaukee Retiree Association (MRA); Terry Siddiqui, DS Consulting, Inc.

Regular Meeting.

Approval of Minutes.

Regular Meeting Held February 22, 2021 (as revised).

Regular Meeting Held March 22, 2021.

It was moved by Mr. Klusman, seconded by Ms. King, and unanimously carried, to approve both the Regular Meeting Held February 22, 2021 (as revised) meeting minutes and the Regular Meeting Held March 22, 2021 meeting minutes.

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

Informational.

Mr. Konrad 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)(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.

A. Pending Litigation Report.

It was moved by Mr. Campbell, seconded by Mr. Bell, and unanimously carried, to convene in closed session.

The meeting convened in closed session at 9:05 a.m.

The meeting reconvened in open session at 9:45 a.m.

At this point, Mr. Konrad resumed the meeting in agenda order.

Chief Investment Officer Report. As a matter of information, Board members received the April 26, 2021 Performance Update. Mr. Sauer noted the Fund as of March 31, 2021, had a value of \$5.69 billion. He said the return of 1.5%, net of fees, underperformed the blended benchmark by 96 basis points. Mr. Sauer commented that the Fund's returns outperformed in the year-to-date, one and 20-year periods, and underperformed in the five, 10, and 15-year periods, net of fees. He said the March relative performance drivers were Private Equity at -139 basis points, Brandes at 15 basis points, and DFA US Small and DFA International at 5 basis points each. Mr. Sauer said Private Equity was a detractor because of the way that benchmark works. He added that Private Equity reports at a lag comparing to a benchmark based on the fourth quarter Public Equity market returns which were strong and the fourth quarter Private Equity reports have not been received yet. He commented that the -139 basis points should reverse partially, if not totally, as the Private Equity reports come in during the coming months. He added that Style Bias added 19 basis points, which was Primarily Value exposure. Mr. Sauer stated as of April 22, the Fund return is up 2.0% and the year-to-date return is 5.6%, net of fees. He noted the Fund's approximate value is \$5.81 billion and 12 out of the Fund's 16 active managers are outperforming year to date, net of fees. Mr. Sauer 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 \$313.4 million, paid benefits and expenses of \$117.9 million and received contributions of \$83.1 million. Mr. Sauer said the monthly withdrawals for March were \$8 million from DFA US Small, \$6 million from DFA US Large, \$4 million from Earnest, \$3 million from AQR, and \$2 million each from BlackRock Russell 1000 Value Index, CastleArk, and Polen.

Mr. Silber said Staff is pleased with how the Fund started this year. He remarked that they would discuss Infrastructure, Absolute Return, and Fixed Income at upcoming Investment Committee meetings.

Investment Committee Report. Mr. Bell reported at its April 15, 2021 meeting that Callan provided the Investment Committee with a Real Assets Structure Study Presentation and recommendation. He said that after some discussion, the Committee approved Option C from the presentation, which establishes a new 2.0% allocation to Private Infrastructure. Mr. Bell said Callan is expected to discuss infrastructure implementation recommendations at the next meeting. He commented that Newton Investment Management gave a presentation to the Committee about the Absolute Return strategy they manage for the Fund. Mr. Bell said that Staff then provided a preliminary 1st Quarter performance update, and Staff presented routine due diligence reports on William Blair, Loomis Sayles, Mesirow Financial, UBS Hedge Fund Solutions, and Earnest

Partners. He said in closed session, the Committee approved the Neuberger Berman Consent to Amendment to LPA. Mr. Bell commented that since the deadline to respond to the Consent occurred before the April 26 Board meeting, Staff utilized its authority to execute an investment-related contract that was approved by the Investment Committee as provided under Board Rule VII.G.2.b. He concluded that the Investment Committee recommends approval of the following item: Approval of Real Assets Structure (Option C).

It was moved by Mr. Kovac, seconded by Mr. Campbell, and unanimously carried, to approve the Approval of Real Assets Structure (Option C).

Administration & Operations Committee Report. Chairperson Ms. Sawa reported on activities of the April 21, 2021 Administration & Operations Committee meeting. She noted the only item on the agenda was the Draft ERS 2022 City Budget Request. Ms. Sawa remarked that there was an increase of \$1.2 million dollars and the Committee did recommend the Board approve it.

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

Legislative Committee Report. Mr. Allen reported on the one agenda item, which was a draft amendment to Board Rule XVII (g) which the Committee discussed and voted to place on file.

New Business.

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

Active Death Benefits reported	\$0.00
Deferred Death	\$0.00
Duty Death Benefits reported	\$0.00
Ordinary Death Benefits reported	\$87,235.16
Retired Death Benefits reported	\$96,973.38
Survivor Death – Termination Benefits reported	\$18,735.40
Refund of Member Contributions paid	\$164,072.56

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

Conference Requests – April 2021 Board Meeting. Staff stated there were no Conference Requests this month. Staff said NCPERS is not holding their annual public safety conference due to the pandemic and the conference is being rescheduled for 2022. Staff noted the possibility of NCPERS' pension plan funding conference in August and it has not yet been determined if that will be in person or via videoconference.

Mr. Konrad advised that the Annuity and Pension Board may vote to convene in closed session on the following item as provided in Section 19.85(1)(f), Wisconsin State Statutes, for considering financial, medical, social or personal histories or disciplinary data of specific persons, preliminary consideration of specific personnel problems or the investigation of charges against specific persons except where par. (b) applies which, if discussed in public, would be likely to have a substantial adverse effect upon the reputation of any person referred to in such histories or data, or involved in such problems or investigations.

Request by DDR Beneficiary to Waive Annual Re-Examinations by the Medical Panel pursuant to City of Milwaukee Charter Ordinance 36-05-3.c-1-b. – Kurt Lacina.

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

The meeting convened in closed session at 10:00 a.m.

The meeting reconvened in open session at 10:46 a.m.

Medical Reports.

All Duty & Ordinary Disability Applications & Re-examinations (March). 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>
Jasmine Lewis	Approval
Matthew Schulze	Approval
<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
James Kronberg	Approval
Andrew Weigel	Approval
<u>Police – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Angela Algee-Cotton	Approval
Edward Sturino	Approval
<u>GC – Re-examinations – Duty</u>	<u>Recommendation</u>
Daren Andrysczyk	Approval
Sahagian Grimes	Approval

GC – Re-examinations – OrdinaryRecommendation

Jill Bondar
Camille Cole

Approval
Approval

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

Unfinished Business.

Pending and Legal Opinions and Service Requests Report. As a matter of information, Board members received Mr. McClain’s opinion regarding “Annuity & Pension Board Discretion Relating to Plan Sponsor Efforts to Seek State Legislation Relating to Employer Contributions.” Mr. McClain thanked the Chair for an additional item relating to City prohibition on Board lobbying which does not change the opinion in considerations facing the Board but it does provide helpful guidance on the limitations imposed on the slate of options the Board has before it. Discussion ensued. Mr. McClain said the Board has options of “no action” ranging to “open advocacy.” Mr. Klusman said, “I recommended back in January that the City just stop this lobbying and that will moot this whole point and I would still like to see that happen.” Mr. Konrad said the Board can lobby the City itself to take the item out of the Legislative package. Mr. Allen said there is an effort now to remove the item from the Legislative package. Mr. Klusman requested this item be listed on the May 2021 agenda.

Pending Legislation Report. Staff said the only Legislative Committee item since the Board last met was the Outside Earnings Test and the disability outside earnings capacity amendment (RR XVII.G) was placed on file by the Committee.

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.

Informational.

The following is a list of informational items:

- 1) Pending Litigation Report.
- 2) Conferences.
- 3) Class Action Income 2021 YTD.
- 4) Minutes of the Investment Committee Meeting Held February 11, 2021
- 5) Minutes of the Administration & Operations Committee Meeting Held March 17, 2021.
- 6) Minutes of the Legislative Committee Meeting Held March 24, 2021.

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

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

Mr. Campbell acknowledged that Mr. Bell completed the NCPERS Accredited Fiduciary Classes 1 and 2 and is the newest accredited fiduciary on the Board and noted he deserved some recognition.

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

There being no further business, Mr. Konrad adjourned the meeting at 11:20 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.)