

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

Minutes of the Regular Meeting
held June 21, 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: Larry Langer, Aaron Chochon, Cavanaugh Macdonald; Patrick McClain, City Attorney's Office; Jim Zalewski, Milwaukee Retiree Association (MRA); Terry Siddiqui, DS Consulting, Inc., 12 members of the public called in to the meeting.

Regular Meeting.

Approval of Minutes.

Regular Meeting Held May 24, 2021. It was moved by Mr. Campbell, seconded by Mr. Bell, and unanimously carried, to approve the Regular Meeting Held May 24, 2021.

Chief Investment Officer Report. As a matter of information, Board members received the June 21, 2021 Performance Update. Mr. Sauer noted the Fund as of May 31, 2021, had a value of \$5.95 billion. He said the return of 3.0%, net of fees, outperformed the blended benchmark by 211 basis points. Mr. Sauer commented that the Fund's returns outperformed in the year-to-date, one-, five-, and 20-year periods, and underperformed in the 10- and 15-year periods, net of fees. He said the May relative performance drivers were Private Equity at 152 basis points, DFA Strategies at 18 basis points, Brandes at 15 basis points, and Style Bias, which was primarily Value at 22 basis points. Mr. Sauer stated as of June 17, the Fund return is up 0.4% in June, and the year-to-date return is 9.9%, net of fees. He noted the Fund's approximate value is \$5.98 billion and 11 out of the Fund's 16 active mandates 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 \$552.1 million, paid benefits and expenses of \$191.1 million and received contributions of \$88.1 million. Mr. Sauer said the monthly withdrawals for May were \$15.5 million from Brandes, \$8 million from DFA US Small Cap, \$7.5 million from DFA International, \$5 million from Blair, \$4.5 million from Earnest, and \$3.5 million from CastleArk. Discussion ensued.

Investment Committee Report. Mr. Bell reported that at its June 10th meeting, Callan gave a presentation to the Investment Committee on the Fund's existing Real Estate allocation, and provided a status update on the Infrastructure implementation steps that have taken place since the Committee's April meeting. He noted Callan also presented a Diversifying Assets and Absolute Return education. Mr. Bell stated Callan is planning to provide the Committee with various asset class structure considerations for how to implement the Fund's 10% target allocation to Absolute Return at its July investment meeting. He commented Staff provided a routine due diligence report on Polen. Mr. Bell said Staff also presented the 1st Quarter performance report. He said finally, in closed session, the Committee approved an Amendment to the P.A. Small Company Private Equity Fund IX Limited Partnership Agreement. Mr. Bell said since the deadline to respond to the Amendment occurred before today's June 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. Mr. Bell noted there were no other approval items at this meeting.

Administration & Operations Committee Report. Ms. Sawa reported that at its June 16 meeting, two items were approved by the A&O Committee and require approval from the Board. She said the first item is for approval to issue an RFP for Network Infrastructure Security Consulting Services. Ms. Sawa noted the RFP is for a vulnerability assessment that the Chief Technology Officer requested in addition to regular internal audits to examine the cybersecurity and IT vulnerabilities. She said the second approval item is for the A&O Committee Audit Charter and Internal Audit Charter. Ms. Sawa noted there were no changes from the 2020 Audit Charters.

Request for Approval to Issue RFP for Network Infrastructure Security Consulting Services. It was moved by Mr. Bell, seconded by Ms. King, and unanimously carried, to approve the Request for Approval to Issue RFP for Network Infrastructure Security Consulting Services.

Approval of A&O Committee Audit Charter and Internal Audit Charter. It was moved by Ms. King, seconded by Mr. Klusman, and unanimously carried, to approve the A&O Committee Audit Charter and Internal Audit Charter.

New Business.

Permission for Milwaukee Professional Fire Fighters Association Local 215 and the Milwaukee Police Association to Engage the Actuary for Collective Bargaining and Lobbying Purposes. Milwaukee Professional Firefighters Local #215 and the Milwaukee Police Association submitted a written request to engage the retirement system's independent actuary for collective bargaining and lobbying purposes. Discussion ensued. Mr. McClain stated in the Board Rules, the bargaining unit can be required to submit the type of information they are seeking from the Board in order for the Board to approve it. Mr. Allen said Mr. Bongiorno, President, Milwaukee Professional Fire Fighters Association, texted him during the discussion to say they would assist the City in lobbying the legislature in support of the City's sales tax proposal. It was moved by Ms. King, seconded by Mr. Bell, and unanimously carried, to approve Permission for Milwaukee Professional Fire Fighters Association Local 215 and the

Milwaukee Police Association to Engage the Actuary for Collective Bargaining and Lobbying Purposes.

Presentation by Pat Beckham and Larry Langer of Cavanaugh Macdonald and Acceptance of 2021 Actuarial Valuation Report. As a matter of information, Board members received both the CMERS' Results of the January 1, 2021 Actuarial Valuation presentation booklet and the Actuarial Valuation Report Prepared as of January 1, 2021. In his introductory remarks, Mr. Langer commented that because the plan was so well funded, there was a significant amount of contributions volatility from year to year. He also noted the City adopted a Stable Contribution Policy in 2013 that set the employer contribution rate as a percentage of pensionable wages for a five-year period with the objective of reducing the volatility of annual employer contributions while maintaining total employer contributions at or above the level they would otherwise have been over the five year period. He noted the primary purpose of the valuation is monitoring the plan assumptions and the employer contribution policy for advance indications of adjustments needed for the January 1, 2023 re-set of the Stable Contribution percentage of pensionable wages. He said valuations are also done every year to satisfy accounting and audit requirements. The topics Mr. Langer covered were Purpose of the Actuarial Valuation, Actual Valuation Process Reserve Funding, Stable Contribution Policy, Events During 2020 Which Impacted the January 1, 2021 Actuarial Valuation Results, Membership Data, Asset Data, Benefit Provisions, Assumptions, Funding Methodology, Historical Asset Returns, Actuarial Value of Assets, Actuarial Accrued Liability, Unfunded Actuarial Accrued Liability, Reconciliation of Unfunded Actuarial Accrued Liability, Reconciliation of the Funded Ratio, Historical Funded Ratio, Employer Normal Cost Rate, Actuarially Determined Employer Contribution, Reconciliation of the Actuarially Determined Employer Rate, Employer Contributions, Projections, Sensitivity Analysis, Certification, and Appendix. Discussion ensued. Mr. Konrad noted the consensus of the Board was to accept the report and place it on file.

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

Active Death Benefits reported	\$0.00
Deferred Death	\$176,209.89
Deferred Death-Member Only Refund	383.82
Ordinary Death Benefits reported	\$48,759.86
Retired Death Benefits reported	\$15,086.56
Survivor Death – Termination Benefits reported	\$5,329.34
Refund of Member Contributions paid	\$138,855.60

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

Conference Requests – June 2021 Board Meeting.

Patrick McClain	NAPPA 2021 Virtual Legal Education Conference
Sponsor:	NAPPA
Location:	Online
Date:	June 22-24, 2021
Estimated Cost:	\$499.00

Aycha Sawa	Callan Institute 2021 National Conference
Sponsor:	Callan Institute
Location:	Online
Date:	July 19-21, 2021
Estimated Cost:	No charge to clients

It was moved by Mr. Klusman, seconded by Ms. Ford, and unanimously carried, to approve the Conference Requests – June 2021 Board Meeting.

Approval of At Large Member Election Bulletin No. 195. Mr. Allen noted Election Bulletin No. 195 is for a seat expiring December 31, 2021 and this election is open to all active members of the City. Mr. Konrad noted at least 100 but no more than 150 signatures are required by each candidate in order to be on the ballot. He noted the bulletin was updated with a four-week window, according to Board Rules, for candidates to collect signatures. Mr. Klusman suggested that the incumbent be listed on the election bulletin. It was moved by Mr. Campbell, and also with a modified motion by Mr. Campbell, to include the name of the incumbent on the election bulletin, seconded twice by Mr. Klusman, and unanimously carried, to approve the At Large Member Election Bulletin No. 195.

Approval of Retired Member Election Bulletin No. 196. Mr. Konrad also noted Election Bulletin No. 196 was updated with the same four-week time period to collect signatures. It was moved by Mr. Bell, seconded by Ms. Ford, and unanimously carried, to approve the Retired Member Election Bulletin No. 196.

Medical Reports.

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

<u>Police – Application – Duty Death</u>	<u>Recommendation</u>
Kenyatte Wooden	Denial
<u>Police – Re-examinations – Duty</u>	<u>Recommendation</u>
Deana Martinez	Approval
<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
Andrew Garncarz	Approval

<u>Police – Re-examinations – Ordinary</u>	<u>Recommendation</u>
David Slawnikowski	Approval
Tommy Wilson	Approval
<u>GC – New Applications – Ordinary</u>	<u>Recommendation</u>
Sheila Hampton	Approval
<u>GC – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Henry Gonzalez	Approval

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

Unfinished Business.

Pending and Legal Opinions and Service Requests Report. As a matter of information, Board members received Mr. McClain’s Pending Legal Opinions and Service Requests Report. Mr. Allen noted there were no Legal Opinions to report but mentioned a Service Request made to the City Attorney’s office for review of the lease for 789 North Water Street. Mr. Allen commented that the landlord sent a 60-day notice to the ERS to cancel its lease for the fourth floor classroom because it is being leased to a new tenant. He said they were meeting with the landlord that afternoon to look at other fourth floor space available to the ERS. Mr. Allen noted other spaces available for retirement seminars are located at the MMSD and the Central Library.

Pending Legislation Report. As a matter of information, Board members received the Pending Legislation Report where Staff said there were no new items to report.

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. 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.

It was moved by Mr. Campbell and seconded by Ms. King 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 11:05 a.m.

The meeting reconvened in open session at 11:14 a.m.

It was moved by Mr. Campbell, seconded by Mr. Bell, and unanimously carried, to deny the 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.

Informational.

The following is a list of informational items:

Please be advised that the Annuity and Pension Board may vote to convene in closed session on the following item (1)), 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.

The Board did not convene in closed session.

- 1) Pending Litigation Report.
- 2) Conferences.
- 3) Class Action Income 2021 YTD.

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

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

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 11:19 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.)