

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

Minutes of the Regular Meeting
held November 23, 2021 via teleconference during COVID-19

The meeting was called to order at 9:02 a.m.

Board Members Present: Matthew Bell
 Joshua Benson
 James Campbell
 Deborah Ford
 Tom Klusman
 Rudolph Konrad, Chair

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

Retirement System Staff Present: Jerry Allen, Executive Director
 Melody Johnson, Deputy Director
 Daniel Gopalan, Chief Financial Officer
 David Silber, Chief Investment Officer
 Jeff Shober, Chief Technology Officer
 Erich Sauer, Deputy Chief Investment Officer
 Anthony Lubarsky, Pension Investment Analyst
 Gust Petropoulos, Deputy Director Disability
 Mary Turk, Business Operations Analyst
 Jan Wills, Board Stenographer

Others Present: Hannah Ross, Avi Josefson, BLB&G; Chinonso Osuji, Reinhart Boerner Van Deuren S.C.; Andrea Fowler, Patrick McClain, City Attorney's Office; John Barmore, Retired Fire & Police Association; Terry Siddiqui, DS Consulting, Inc., six members of the public called in to the meeting.

Regular Meeting.

Mr. Konrad took the meeting out of order to agenda item VII.A. Pending Litigation Report.

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)(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 and seconded by Mr. Bell to convene in closed session. The motion prevailed by the following roll call vote: AYES: Ms. Ford; Messrs. Bell, Benson, Campbell, Klusman, and Konrad. NOES: None.

The Board convened in closed session at 9:04 a.m.

Ms. King arrived at 9:04 a.m.

The Board reconvened in open session at 9:30 a.m.

Mr. Konrad returned the meeting to agenda item I. Approval of Minutes.

Approval of Minutes.

Regular Meeting Held October 26, 2021. It was moved by Mr. Benson, seconded by Mr. Bell, and unanimously carried, to approve the Minutes of the Regular Meeting Held October 26, 2021.

Mr. Konrad then took the meeting out of order to agenda item III. Investment Committee Report.

Investment Committee Report. Mr. Bell reported that at its November 11th meeting, Callan provided an update on the Fund's Real Estate portfolio, and then the Committee went into closed session to receive an update from Callan regarding the Hedge Fund of Funds Manager search, which was approved in September. He noted the Committee decided to hold over the Approval of Hedge Fund of Funds Manager Search Finalists agenda item to an upcoming meeting. Back in open session, Mr. Bell said Callan provided a Fixed Income Portfolio Structure Study presentation, and after some discussion, the Committee approved, within Callan's Presentation, the Fixed Income Structure identified as Mix 3. He said the new Fixed Income Structure replaces the U.S. Bloomberg Barclays Aggregate Bond Index with the U.S. Government Index, reduces the overall allocation to the Index from 36% to 25% of the Fund's Fixed Income allocation, and increases the allocation to Reams from 32% to 45% of the Fund's Fixed Income allocation. Mr. Bell commented that Loomis Sayles' allocation will be reduced slightly from 32% to 30% of the Fund's Fixed Income allocation. He stated that according to Callan's presentation, the new Mix is expected to reduce tracking error to the Aggregate Index, reduce correlation to Public Equity, increase the information ratio, and provide similar alpha potential, compared to the Fund's current Fixed Income structure. Mr. Bell said Staff presented a routine due diligence report on Abbott Capital, one of the Fund's Private Equity Fund of Funds managers, and then presented the 3rd Quarter performance report. He noted that highlights of the performance report showed that the Fund's market value remains above \$6 billion and the one-year return as of September 30, 2021 is 25.7%, net of fees, representing 7.7% of excess returns above the benchmark. Mr. Bell concluded that the Investment Committee recommends approval of the Approval of Fixed Income Structure (Mix 3).

Approval of Fixed Income Structure. It was moved by Mr. Bell, seconded by Mr. Campbell, and the motion passed, with the exception of Mr. Klusman who recorded a "no" vote.

Mr. Konrad returned the meeting to agenda item II. Chief Investment Officer Report.

Chief Investment Officer Report. Mr. Silber reminded the Board members of the December 9, 2021 Investment Committee Meeting. As a matter of information, Board members received the November 23, 2021 Performance Update. Mr. Sauer noted the Fund as of October 31, 2021, had a value of \$6.12 billion. He said the Fund return of 2.2%, gross of fees, underperformed the blended benchmark by 10 basis points. Mr. Sauer commented that the Fund outperformed in the year-to-date, one-, five-, 10- and 20-year periods, and underperformed in the 15-year period, net of fees. He said the October relative performance drivers were Style Bias, which detracted 24 basis points and Brandes' underperformance, which detracted 13 basis points. He noted the Real Estate

Managers offset some of the Fund's underperformance by adding 21 basis points. Mr. Sauer stated as of November 19, the Fund return was 0.6% in November, bringing the year-to-date return to 16.5%, net of fees. He noted the Fund's approximate value is \$6.16 billion and 11 out of the Fund's 15 active mandates are outperforming year to date, net of fees. Mr. Sauer said the Total Fund, along with all of the Fund's assets classes, are exceeding their respective benchmarks year to date, net of fees. He commented that year-to-date, the Fund has generated investment gains of \$905.4 million, paid benefits and expenses of \$384.0 million and received contributions of \$104.7 million. Mr. Sauer said the monthly withdrawals for November were \$12 million from the NT S&P 500 Index, \$7.5 million from DFA US Small Cap Value, \$5.5 million from Polen, \$4.5 million from Earnest, \$3.5 million from CastleArk, \$3 million from MFS, and \$2 million from DFA US Large Cap Value.

New Business.

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

| | |
|--|--------------|
| Active Death Benefits reported | \$0.00 |
| Deferred Death | \$187,355.30 |
| Ordinary Death Benefits reported | \$10,790.36 |
| Retired Death Benefits reported | \$214,428.22 |
| Survivor Death – Termination Benefits reported | \$4,743.50 |
| Refund of Member Contributions paid | \$283,625.05 |

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

Conference Requests – November 2021 Board Meeting. Staff noted there were no requests this month to attend conferences.

Pension Board Election Results – At Large Member Election. Staff reported that incumbent Matthew Bell was re-elected to the Annuity and Pension Board at the November 5, 2021 election with 1,279 votes. Opponent Michelle (Mickie) Pearsall had 782 votes.

Proposed 2022 Board and Committee Meeting Dates. Staff said a trustee had conflicts with Board meetings held on the usual fourth Mondays of the month and proposed 2022 dates generally for the fourth Tuesdays of the month with proposed exceptions being the fourth Wednesday of the month in January, June, July and September . Another trustee also asked to start Wednesday meetings earlier, due to his meeting conflicts, if the Board meetings were expected to go past Noon. A third trustee, , had a conflict with an Administration & Operations Committee meeting date with a Finance & Personnel Committee meeting date on June 15th. Staff suggested the Proposed 2022 Board and Committee Meeting Dates be revised to avoid conflicts and returned for discussion at the December 21, 2021 Board meeting

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)(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.

Consider and potentially take action regarding DDR Benefits for Non-compliance with Re-exam Requirements of MCC-36 – DeRonn D. Gillum.

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

The meeting convened in closed session at 9:48 a.m.

The meeting re-convened in open session at 10:02 a.m.

It was moved by Mr. Campbell, seconded by Ms. Ford, and unanimously carried, to suspend the DDR Benefits for Non-compliance with Re-exam Requirements of MCC-36 – DeRonn D. Gillum.

Review of Board Rule II.A.2. As a matter of information, Board members received Board Rule II.A.2. From the Board Rules and Regulations, Membership On The Board. Staff said a trustee asked to review this item and perhaps refer to the Legislative Committee for possible amendment. Rule II.A2. states: “The City Comptroller, ex-officio, or, in case of sickness or absence, his or her deputy.” Staff further said the City Comptroller who was on leave, requested the matter be held over until next month so the Comptroller can participate in the discussion upon her return from leave.

Mr. Konrad then took the meeting out of order to agenda item II.A. Chief Investment Officer Report -- Approval of Abbott Capital Private Equity Investors 2022, L.P. Side Letter.

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)(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 Abbott Capital Private Equity Investors 2022, L.P. Side Letter.

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

The meeting convened in closed session at 10:07 a.m.

The meeting reconvened in open session at 10:16 a.m.

It was moved by Ms. Ford, seconded by Ms. King, and unanimously carried, to approve the Approval of Abbott Capital Private Equity Investors 2022, L.P. Side Letter.

At this point, Mr. Konrad returned the meeting to agenda item V. Medical Reports.

Medical Reports.

All Duty & Ordinary Disability Applications & Re-examinations (November). Staff presented certifications (November 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> |
| Bryan Norberg | Approval |
| Jill Riley | Approval |
| <u>Fire – Re-examinations – Duty</u> | <u>Recommendation</u> |
| Nicholas Adamski | Approval |
| Mark Ashworth | Approval |
| Kyle Dannies | Approval |
| <u>Fire – Re-examinations – Ordinary</u> | <u>Recommendation</u> |
| Dennis Kowalski | Approval |
| <u>GC – Re-examinations – Ordinary</u> | <u>Recommendation</u> |
| Valerie Chapman | Approval |
| Bonnie Heikkinen | Approval |
| Edward Nelson | Approval |

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

Unfinished Business.

Pending and Legal Opinions and Service Requests Report. As a matter of information, Board members received the Pending Legal Opinions and Service Requests Report.

Pending Legislation Report. As a matter of information, Board members received the Pending Legislation Report. Staff noted a communication transmitting the report of the Mayor’s Task Force on the City of Milwaukee’s Pension System has been assigned to the Finance & Personnel Committee and placed on file.

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 November 11, 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.

It was moved by Mr. Klusman and seconded by Mr. Bell to adjourn the meeting. Mr. Konrad adjourned the meeting at 10:44 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.)