

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

Minutes of the Investment Committee Meeting
held July 28, 2021 via teleconference during COVID-19

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

Committee Members Present: Matthew Bell, Chair
James Campbell
Deborah Ford
Molly King
Thomas Klusman
Rudy Konrad
Nik Kovac
Aycha Sawa

ERS Staff Present: Jerry Allen, Executive Director
David Silber, Chief Investment Officer
Erich Sauer, Deputy Chief Investment Officer
Thomas Courtright, Pension Investment Analyst
Anthony Lubarsky, Pension Investment Analyst
Dan Gopalan, Chief Financial Officer
Gust Petropoulos, Deputy Director Disability
Robin Earleywine, Pension Accounting Manager

Others Present: John Jackson, Mike Joecken, Sally Haskins, Munir Iman, Pete Keliuotis, Sean Lee, Joe McGuane, Jim McKee, Callan; Terry Siddiqui, DS Consulting, Inc.; three members of the public called in.

Callan Infrastructure Implementation Update. As a matter of information, Committee members received the Callan “Infrastructure Implementation Update” memo. Ms. Haskins stated Callan’s recommendation was to put a pause on implementation and defer it until next year. She noted the reason was to continue to track the universe, as there are a handful of funds that are newer funds that are buying assets and growing their portfolios that are likely to become true investable options sometime next year. Ms. Haskins said there should be more options to consider if implementation is deferred until next year. Discussion ensued.

Real Assets Allocation Memo. Mr. Silber reminded the Committee that the Fund’s target allocation to Real Assets recently increased from 11% to 13%, with the additional 2% to go into Infrastructure. He noted it would realistically be a few years before the Infrastructure allocation is invested. Mr. Silber said the actual Real Assets allocation is at 12.2% and is only underweight less than 1%. He said since Private Real Estate is relatively illiquid, Staff and Callan do not recommend making new contributions to Real Assets for the time being. Mr. Silber also said that Staff and Callan recommend offsetting any underweight to Real Assets with an overweight target to Fixed Income for the time being, given that the Fund is currently overweight its Private Equity and Public Equity targets.

Callan Diversifying Assets Education & Absolute Return Structure Study Presentation – Phase 2. Mr. Bell advised that the Investment Committee may vote to convene in closed session on the following items (III. and IV.) as provided in Section 19.85(1)(e), Wisconsin State Statutes,

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

The Committee convened in closed session at 9:15 a.m.

The Committee took a break from 10:31 a.m. to 10:44 a.m.

The Committee re-convened in open session at 11:01 a.m.

Approval of Absolute Return Structure. It was moved by Mr. Bell and seconded by Ms. Sawa to approve the adoption of Mix 2 for the Absolute Return Structure. The motion prevailed by the following roll call vote: AYES: Mses. Ford, King, and Sawa; Messrs. Campbell, Klusman, Konrad, Kovac, and Bell. NOES: None.

BlackRock Due Diligence Report. Mr. Courtright noted that he, Mr. Sauer, and Mr. Lubarsky conducted a virtual meeting with BlackRock on March 23, 2021. He said BlackRock is the Fund's largest manager in terms of assets and manages \$949 million, or 15.8% of the ERS' assets. He commented the assets are in the three strategies of ACWI Alpha Tilts, Russell 1000 Value Index, and the US Aggregate Index.

2nd Quarter 2021 Preliminary Performance Report. Mr. Sauer noted it was a strong quarter for stocks with the ACWI IMI up 7.2%. He commented that bonds did well as interest rates fell and Real Assets did well. He said that Private Equity at a 33.5% return reflects two quarters of data from Q4 2020 and Q1 2021. He stated the CMERS Total Fund for Q2 was up 7.4%. He noted the growth managers Blair and Polen outperformed and the US Value and US Small Cap style biases underperformed. Mr. Sauer commented that Private Equity had a return of 33.4% year-to-date with a benchmark return of 23%. He noted on the Fund Value of Assets, it was the first time a Fund value of over \$6 billion was recorded. Mr. Sauer noted Private Equity is now self-funding as the distributions are exceeding the capital calls. He said the Fund had an estimated value of \$6.04 billion as of July 27, 2021. Mr. Sauer noted the Fund was up 11.2% versus 8.0% for the benchmark through June 2021 and up an estimated 0.4% through July as of the 27th, matching the benchmark. He concluded that year-to-date, the Fund is up approximately 11.7% versus 8.4% for the benchmark and all returns are net of fees.

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

There being no further business, Mr. Bell adjourned the meeting at 11:29 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.)