

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

Minutes of the Investment Committee Meeting  
held September 2, 2021 via teleconference during COVID-19

The meeting was called to order at 9:00 a.m.

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

Board Members Not Present: Rudy Konrad (Excused)

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: Mike Joecken, Joe McGuane, Gary Robertson, Callan; Terry Siddiqui, DS Consulting, Inc.; three members of the public called in.

**Approval of Hedge Fund of Funds Manager Search and Candidate Profile.** As a matter of information, Committee members received the Callan Hedge Fund of Funds Manager Search and Candidate Profile. Mr. Joecken stated at the Absolute Return Structure Study in July, it was decided to hire an additional Hedge Fund of Funds manager to diversify the UBS exposure in the portfolio. Mr. Joecken talked about the candidate profile and said Callan would look to its Hedge Funds of Funds database to identify appropriate candidates. He noted a list of half a dozen would be presented to Callan's Alternative Review Committee, made up of a dozen Callan senior consultants. Mr. Joecken said that near the end of the year, the Investment Committee would be presented with a selection of finalists. Mr. McGuane then identified the qualities and characteristics Callan is looking for in an Absolute Return Manager with limited directional exposure. He noted the return expectation is T-bills + 4%, with similarity to a Fixed Income-like standard deviation. Mr. McGuane talked more about the candidate profile and answered questions. Discussion ensued.

It was moved by Ms. Sawa and seconded by Ms. King, and unanimously carried, to approve the Hedge Fund of Funds Manager Search and Candidate Profile.

**PA Capital Due Diligence Report.** As a matter of information, Committee members received the PA Capital Due Diligence Memo from Mr. Lubarsky regarding the virtual meeting she and Mr. Silber had with PA Capital, formerly Private Advisors, on May 18, 2021. Mr. Lubarsky noted PA

Capital was hired in 2014 as part of a search for a Small Buyout Private Equity Fund of Funds Manager. He said PA Capital's strategic focus is in the lower mid-market with a primary focus on buyout managers. Mr. Lubarsky said as of December 31, 2020, the ERS has committed \$95 million across Funds VI, VII, VIII, and IX, with an additional \$15 million approved for Fund X subject to legal review, which is expected to launch in early 2022. He said PA Capital announced a strategic partnership under the New York Life Alternatives umbrella, and a few shifts were observed in the team structure, product offerings, and personnel responsibilities. Discussion ensued.

**Callan Private Equity Pacing and Reinvestments 2022 Presentation.** As a matter of information, Committee members received the Callan Private Equity Pacing and Reinvestments 2022 Presentation dated September 2, 2021. Mr. Robertson stated the program has been in progress 12 years, initially with a 5% allocation target, but increased to 8% and then 10% in recent years. He noted the Private Equity portfolio appreciated 61% in 2020. He said as a young portfolio, only 55% of capital has been called. Mr. Robertson discussed the CMERS Private Equity Manager and Vehicle Detail, Manager Commitment Summary, CMERS Funded Level Projection, and Abbott Capital Management Reinvestment and Performance. He noted the recommendation today would be to make a commitment of \$35 million to Abbott's new vehicle.

Mr. Kovac left the meeting at 9:27 a.m. to attend another meeting.

**Approval of 2022 Private Equity Commitment Recommendation.** It was moved by Ms. King, seconded by Mr. Campbell, and unanimously carried, to approve the 2022 Private Equity Commitment Recommendation to reinvestment \$35 million into Abbott Capital's Annual Program 2022 (AP 2022).

**Asset Allocation Memo.** Mr. Bell advised that the Investment Committee may vote to convene in closed session on the following items (V.) 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 Investment Committee may then vote to reconvene in open session following the closed session.

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

The Committee convened in closed session at 9:36 a.m.

The Committee re-convened in open session at 9:57 a.m.

**Approval of Statement of Investment Policy Update.** As a matter of information, Committee members received the Statement of Investment Policy Update dated September 2, 2021. Mr. Bell noted changes consisted of increasing the maximum allocation allowed in Fixed Income from 26% to 30%, decreasing the minimum allocation allowed in Absolute Return from 7% to 6%, and updating language that Staff relies on when making cash flow decisions to permit Staff to consider the Public Equity and Fixed Income weights within the Asset Allocation Memo. It was moved by Ms. King, seconded by Mr. Campbell, and unanimously carried, to approve the Approval of Statement of Investment Policy Update.

**Chief Investment Officer Report.** Mr. Silber gave a performance update and said the Fund was up 0.8% in July, with 23 basis points of outperformance. He said the preliminary estimate for

August has the Fund up between 1.2% and 1.3%, generating another roughly 20 basis points of outperformance. Mr. Silber noted that YTD through September 1, 2021, the Fund is up approximately 13.7% net of fees. He said the Funds market value as of September 1, 2021 is approximately \$6.08 billion dollars, which translated into approximately \$756 million in investment gains.

**Callan Fiduciary Education.** As a matter of information, Committee members received the Callan Fiduciary Education booklet. Mr. Joecken discussed the definition of a Fiduciary, the Four Central Duties of a Fiduciary, Types of Institutional Fiduciary Funds, Who are the Fiduciaries, and Recommendations for Fiduciary Conduct.

**Informational.**

July Performance Report/Asset and Manager Allocation Pie Charts.

Q1 2021 Private Equity Summary.

Class Action Income 2021 YTD.

Adjusted Quarterly Cost Basis of Equity.

Callan 2<sup>nd</sup> Quarter 2021 Performance Report.

CMERS 2<sup>nd</sup> Quarter 2021 Performance Update – Appendix.

As a matter of information, committee members received the above Informational documents, which Chairman Bell accepted and placed on file.

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

There being no further business, Mr. Bell adjourned the meeting at 10:32 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.)