

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

Minutes of the Investment Committee Meeting
held November 11, 2021 via teleconference during COVID-19

The meeting was called to order at 9:02 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
 Anthony Lubarsky, Pension Investment Analyst
 Dan Gopalan, Chief Financial Officer
 Gust Petropoulos, Deputy Director Disability
 Robin Earleywine, Pension Accounting Manager

Others Present: Munir Iman, John Jackson, Mike Joecken, Sean Lee, Joe McGuane, John Pirone, Callan; Terry Siddiqui, DS Consulting, Inc.; seven members of the public called in.

Callan Real Estate Presentation. As a matter of information, Committee members received the “Real Estate Performance Review” booklet. In open session, Mr. Iman discussed the topics of Market Overview, Portfolio Objectives, Portfolio Summary, Conclusions and Recommendations.

Mr. Bell advised that the Annuity and Pension Board may vote to convene in closed session on the following items (I, II., and III.), 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.

Callan Real Estate Presentation.

Callan Hedge Fund of Funds Manager Search Update.

Approval of Hedge Fund of Funds Manager Search Finalists.

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, and King; Messrs. Bell, Benson, Campbell, Klusman, and Kovac. NOES: None.

The Committee convened in closed session at 9:27 a.m.

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

Mr. Bell noted the “Approval of Hedge Fund of Funds Manager Search Finalists” item would be held over until an upcoming meeting.

Callan Fixed Income Portfolio Structure Study Presentation. As a matter of information, Committee members received the “Fixed Income Portfolio Structure Study” booklet. Mr. Jackson commented that structure reviews are done periodically and the Real Assets Structure and Absolute Return Allocation reviews were done earlier this year. He noted fixed income excluding cash represents 22% of the portfolio on a target basis and the study concentrates on how to allocate the assets within the Fixed Income asset class. He said it is benchmarked to the Bloomberg Aggregate Index. Mr. Pirone noted that the Fixed Income comprises \$1.4 billion of the \$6 billion fund. Mr. Pirone discussed the 2021-2030 Capital Market Assumptions, Current Fixed Income Structure and Considerations, Role of Fixed Income, Fixed Income Diversification with Equity, Strategies, Structure Analysis, Mix Diversification with Equity, Tracking Error of the Mixes, Mix Historical Performance, Summary of Mix Characteristics, and the Case for Each Mix.

Approval of Fixed Income Structure. It was moved by Ms. King, and seconded by Mr. Benson, to approve Mix 3 for the Fixed Income Structure which allocates 45% to Reams, 30% to Loomis, and 25% to the Government Index. The Approval of Fixed Income Structure for Mix 3 was approved by Committee members, with the exception of Mr. Klusman who requested to be recorded as a “No” regarding the approval.

Abbott Capital Due Diligence Report. As a matter of information, Committee members received a memorandum regarding the Abbott Capital Due Diligence Report. Mr. Sauer presented the results of the due diligence virtual meeting he and Mr. Lubarsky had on October 13, 2021. He said Abbott is one of two Fund of Fund managers to provide the core of CMERS’ exposure to Private Equity. Mr. Sauer noted everything is going well with Abbott. He said Abbott’s president will retire with a reduced role in 2023. Mr. Sauer said opportunistic investments will increase to 25% from 20%. He noted that Abbott is growing assets at a measured pace from \$800 million to \$1 billion. Mr. Sauer concluded the Staff is comfortable with the Private Equity allocation to Abbott.

3rd Quarter 2021 Performance Report. Mr. Silber provided a Fund overview and noted three takeaways from the 3rd Quarter Performance Report. He said CMERS had strong outperformance versus the benchmark, strong total net-of-fee performance for longer time periods, and all parts of the Fund are contributing to returns year-to-date. Mr. Silber noted year-to-date through September, the Fund had a return of 13.4%, net of fees. He said very few public funds have attained higher returns than the CMERS Fund during the past year. He added that the Capital Market gain was over \$738 million dollars for the first nine months of the year.

Mr. Campbell left the meeting at 10:29 a.m.

Mr. Sauer discussed Public Equity, Fixed Income, Absolute Return, Private Equity, and provided a recent performance update. Mr. Sauer noted a recent manager event where the Staff worked with the City Attorney's office and Reinhart to complete a Most Favored Nation election related to CMERS' investment in the LaSalle Property Fund. Mr. Sauer stated that the ERS Total Fund Market Value is \$6.17 billion as of November 10, 2021. He concluded that year-to-date through September 2021, the Fund had a 13.4% return versus the benchmark of 8.9%.

Mr. Klusman left the meeting at 11:00 a.m.

Mr. Bell, in honor of Veterans' Day, thanked and appreciated any Staff, Board members, or persons on the phone line for serving in the Armed Forces.

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

There being no further business, Mr. Bell 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.)