

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

Minutes of the Investment Committee Meeting  
held December 9, 2021 via teleconference during COVID-19

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

Committee Members Present: Matthew Bell, Chair  
Joshua Benson  
James Campbell  
Thomas Klusman  
Rudy Konrad  
Nik Kovac

Board Members Not Present: Deborah Ford (arrived 9:03 a.m.)  
Molly King (Excused)

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

Others Present: Brandon Melbye, Seth Toney, UBS; John Jackson, Mike Joecken, Joe McGuane, Callan; Terry Siddiqui, DS Consulting, Inc.; six members of the public called in.

Ms. Ford arrived at 9:03 a.m.

**Chief Investment Officer Report.** As a matter of information, Committee members received the ERS Performance Update. Mr. Silber provided an update as of December 8, 2021 and noted the Fund's market value is \$6.10 billion. He reminded Committee members that at the November Board Meeting, it was reported that the Fund was up 15.8% YTD through October, net of fees. He said there was volatility at the end of November and the Fund ended the month down 1.3%, with about 10 basis points of underperformance. He said the Fund is up 1.5% month-to-date in December, with about 20 basis points of outperformance. Mr. Silber added that as of December 8, the Fund is up 16% net for the year which compares favorably with the benchmark of 11.5%. He said after Thanksgiving, the markets started focusing on the Omicron variant, which resulted in a market pullback toward the end of the month. Mr. Silber mentioned the markets are also closely following the debt ceiling debate and upcoming Federal Reserve meeting. Mr. Silber also gave an update on the Hedge Fund of Funds Search where Callan provided a list of finalists for the Committee to consider back in November. He noted that Callan and Staff are having meetings with the finalists that will be completed before the December 21<sup>st</sup> Board meeting, and at the Board

meeting it will be determined who and how many finalists to interview. He added that the tentative plan is for the finalists approved at the December Board meeting to be interviewed at the February 2022 Investment Committee meeting. He said UBS, the Fund's existing Hedge Fund of Funds manager, would be presenting today to provide an update. Mr. Silber said substantial progress towards implementing the new Fixed Income Structure, approved last month, would be made by the end of the year.

**Approval of Statement of Investment Policy Update.** As a matter of information, Committee members received the redlined copy of changes to approve, clean copy, and entire reference copy of the Statement of Investment Policy. Mr. Silber said the redlined copy shows the Fixed Income target allocations with Passive Fixed Income being reduced from 7.9% to 5.5% and with Core Opportunistic Fixed Income being increased from 14.1% to 16.5%, consistent with the new Fixed Income structure approved in November. He noted verbiage was also updated regarding some of the Minimum and Maximum ranges and for the Real Assets target weights. Mr. Silber said the other piece of the Fixed Income structure was replacing the currently used U.S. Aggregate Bond Index with the U.S. Government Bond Index. He said two pages were eliminated for a manager that was liquidated a couple months ago.

It was moved by Mr. Konrad, seconded by Mr. Benson, and unanimously carried, to approve the Approval of Statement of Investment Policy Update.

**Approval of BlackRock Institutional Trust Company, N.A. Contract Amendment.** Mr. Sauer said the contract was amended to reflect the change from the Barclays U.S. Aggregate Bond Index to the U.S. Government Bond Index. He noted the fee schedule is slightly lower than what was paid for with the Aggregate Index. Mr. Carroll added there were no significant concerns or changes to what was proposed by BlackRock. Mr. Silber noted, if approved by the Committee today, Staff would implement the contract according to Board rules that do not require, under certain conditions, approval at a Board meeting.

It was moved by Mr. Konrad, seconded by Mr. Campbell, and unanimously carried, to approve the Approval of BlackRock Institutional Trust Company, N.A. Contract Amendment.

**2022 Tentative Due Diligence Schedule.** As a matter of information, Committee members received the 2022 Tentative Due Diligence Schedule. Mr. Sauer noted that he hoped the vaccines will be effective against the new variant and that managers will be back in their offices and open to having visitors. He said they planned the schedule to make in-person visits at the managers' offices but that could change depending on conditions at the time. He invited Committee and Board members to attend due diligence meetings for educational purposes. Discussion ensued.

**UBS Hedge Fund Solutions Presentation.** As a matter of information, Committee members received the CMERS' Investment Committee Meeting booklet from UBS Hedge Fund Solutions. Mr. Melbye gave an overview of UBS and noted UBS manages approximately \$430 million of assets under management for the ERS who has been a client for seven years. Mr. Toney commented that UBS

formed in 1994 and manages \$42 billion in client assets, making UBS the second or third largest fund of funds globally. Mr. Toney then gave a presentation to the Committee providing a Business Overview, Outlook, and Monthly Report – October 2021. Discussion ensued.

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: Ms. Ford, Messrs., Benson, Campbell, Klusman, Konrad, Kovac, and Bell. NOES: None.

The Committee convened in closed session at 10:17 a.m.

The Committee reconvened in open session at 10:20 a.m.

**Informational.**

**Callan 3<sup>rd</sup> Quarter 2021 Performance Report.** As a matter of information, Committee members received the CMERS' Investment Measurement Service Quarterly Review from Callan.

There being no further business, Mr. Bell adjourned the meeting at 10:21 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.)