

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

Minutes of the Administration and Operations Committee Meeting
held July 20, 2022 via teleconference during COVID-19

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

Committee Members Present: Molly King
Tom Klusman
Aycha Sawa, Chair

ERS Staff Present: Bernard Allen, Executive Director
Melody Johnson, Deputy Director
Jeff Shober, Chief Technology Officer
Daniel Gopalan, Chief Financial Officer
Erich Sauer, Deputy Chief Investment Officer
Robin Earleywine, Pension Accounting Manager
Mary Turk, Business Operations Analyst

Others Present: Jason Coyle, Darlene Middleman, Baker Tilly; Terry Siddiqui, DS Consulting Partners, Inc., one member of the public called in to the meeting.

Acceptance of Baker Tilly 2021 Financial Audit. As a matter of information, Committee members received the “Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.” Committee members also received as a matter of information the “Reporting and insights from 2021 Audit: Employees’ Retirement System of the City of Milwaukee.” Mr. Coyle discussed the 2021 Fiscal Audit and the three-page opinion that goes into the ERS’ financial statements. Ms. Middleman said they take a look at management’s internal controls of their financial statements and key reporting cycles. She noted Baker Tilly does not audit the internal controls and cannot express an opinion on them. Ms. Middleman said the financial statements look similar to the prior year. She said there was a new auditing standard 134, which impacted the look of the auditing opinion and the auditing opinion is listed first in the report. Ms. Middleman noted that plans, which have alternative investments, amounts, are undervalued by about \$10 million while waiting for the final numbers. Discussion ensued.

It was moved by Ms. King, seconded by Mr. Klusman, and unanimously carried, to accept the Acceptance of Baker Tilly 2021 Financial Audit.

Approval of Annual Comprehensive Financial Report (ACFR) for the Year Ended December 31, 2021. As a matter of information, Committee members received the Annual Comprehensive Financial Report (ACFR) for the Year Ended December 31, 2021. Mr. Gopalan noted there were positive audit results with a clean opinion. He said there were no major audit findings or recommendations. Mr. Gopalan noted the ERS received two awards in 2021 for

financial reporting. One was from the National Conference of Pensions and Employees Retirement System (NCPERS). He said the certificate was for transparency in completing NCPERS' surveys and other data requests. Mr. Gopalan said the ERS also received the Certificate of Achievement in Financial Reporting, which was for the 2020 ACFR. He commented that the 2021 ACFR would also be submitted for award consideration. Mr. Gopalan added that CMERS had a \$140 million legal settlement that was resolved in 2022 and it was accrued as a receivable on the ERS' financial statements. He noted that investment returns in 2021 were 18.9%, which does not include the settlement income but will be reflected in next year's return numbers. He added that for the past 10 years, annualized returns were 10.2%, net of fees, which exceed the benchmark by 45 basis points. Mr. Gopalan mentioned that \$3.7 billion dollars were spent on benefit payments during the last 10 years, while increasing the ERS' fiduciary net position from \$4.4 billion in 2012 to \$6.4 billion in 2021. He said, the funded status in 2018 was 78%, due to a reduction of the discount rate in 2019, and the funded status was at 93.4% as of the end of 2021. Mr. Gopalan said investment income represents 82% of the ERS' asset value. He said in other words every \$1.00 of ERS assets, 82 cents is attributable to investment return and the remaining 18 cents from contributions. Mr. Gopalan concluded that in 2021, \$445 million was spent on benefit payments and \$6.7 million was spent on administrative expenses, which are down \$400,000 from 2018, due to a decrease in IT expenditures in 2021. Discussion ensued.

It was moved by Mr. Klusman, seconded by Ms. King, and unanimously carried, to approve the Approval of Annual Comprehensive Financial Report (ACFR) for the Year Ended December 31, 2021.

Approval of Annual Report of the Annuity & Pension Board 84th Edition, December 31, 2021. Mr. Gopalan said this tri-fold pamphlet is sent to the retirees in August and is a condensed version of the financial statements. He noted it shows some actuarial items and a list of consultants, investment managers, and Board members. Mr. Gopalan also added that the report would be posted on the website.

It was moved by Mr. Klusman, seconded by Ms. King, and unanimously carried, to approve the Approval of Annual Report of the Annuity & Pension Board 84th Edition, December 31, 2021.

Ms. Sawa advised that the Administration and Operations Committee may vote to convene in closed session on the following item (IV.), 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 Committee may then vote to reconvene in open session following the closed session.

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

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

The Committee reconvened in open session at 10:01 a.m.

Selection of Bank for Banking Services. It was determined in closed session to proceed with Staff recommendation.

Organizational/Personnel Update. As a matter of information, Committee members received the “Organizational/Personnel Update” dated July 20, 2022. Ms. Johnson provided an update and stated there is a vacancy in the Accounting Department for the Benefit Services Coordinator position, which will be an internal promotion. She said Mr. Gopalan is currently accepting resumes from the ERS staff through today. Ms. Johnson said the position would be filled in early August. She said there had been a vacancy in the Records Department for a Records Tech. II but the position was filled last week. Ms. Johnson noted that person transferred from the Department of Neighborhood Services. She said when the Benefit Services Coordinator position is filled, it will open a vacancy in another area. Discussion ensued.

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

There being no further business, Ms. Sawa adjourned the meeting at 10:07 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.)