

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

Minutes of the Annual Meeting
held January 26, 2022 via teleconference during COVID-19

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

Board Members Present: Matthew Bell, Chair
James Campbell
Deborah Ford
Molly King
Tom Klusman
Rudolph Konrad
Nik Kovac
Aycha Sawa

Retirement System Staff Present: Jerry Allen, Executive Director
Melody Johnson, Deputy Director
Daniel Gopalan, Chief Financial Officer
David Silber, Chief Investment Officer
Erich Sauer, Deputy Chief Investment Officer
Gust Petropoulos, Deputy Director - Disability
Mary Turk, Business Operations Analyst
Jan Wills, Board Stenographer

Others Present: Hannah Ross, Avi Josefson, BLB&G; Patrick McClain, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc., seven members of the public called in to the meeting.

Annual Meeting.

Mr. Konrad noted the passing last week of former Annuity and Pension Board member Mark Nicolini who was also the City of Milwaukee Budget Director for many years as well as budget director for other public bodies. He noted Mr. Nicolini served on the Annuity and Pension Board from 2013-2018. Mr. Konrad said he did an outstanding job for the Board and acknowledged his service.

Officers for 2022.

Election of Chair. Mr. Konrad asked for nominations for Chair. It was moved by Mr. Campbell and seconded by Ms. King to nominate Mr. Bell for Chair. Mr. Konrad asked three more times for any further nominations. There being no further nominations, nominations were closed and a unanimous vote was cast for Mr. Bell as Chair of the Annuity and Pension Board.

Election of Vice-Chair. Mr. Konrad passed the virtual gavel to Mr. Bell who thanked Mr. Konrad for his service as Chair during the last year. Mr. Bell asked for nominations for Vice-Chair. Ms. King nominated Mr. Campbell for Vice-Chair. It was moved by Ms. King and seconded by Mr. Kovac to nominate Mr. Campbell for Vice-Chair. Mr. Bell asked three more times for any further nominations. There being no further nominations, nominations were closed and a unanimous vote was cast for Mr. Campbell as Vice-Chair of the Annuity and Pension Board.

At this point, Mr. Bell took the meeting out of order to item VII.A. Informational – Pending Litigation Report.

Informational.

Mr. Bell advised that the Annuity and Pension Board may vote to convene in closed session on the following item (A.) as provided in Section 19.85(1)(g), Wisconsin State Statutes, to confer with legal counsel concerning strategy to be adopted by the body with respect to litigation in which it is or is likely to become involved. The Board may then vote to reconvene in open session following the closed session.

A. Pending Litigation Report.

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

The meeting convened in closed session at 9:07 a.m.

The meeting reconvened in open session at 9:16 a.m.

Mr. Bell returned the meeting to agenda item II. Approval of Minutes.

Approval of Minutes.

Regular Meeting Held December 21, 2021. It was moved by Mr. Campbell, seconded by Ms. Ford, and unanimously carried, to approve the Minutes of the Regular Meeting Held December 21, 2021.

Special Meeting Held January 6, 2022. It was moved by Ms. King, seconded by Mr. Konrad, and unanimously carried, to approve the Minutes of the Special Meeting Held January 6, 2022.

Chief Investment Officer Report.

As a matter of information, Board members received the January 26, 2022 Performance Update. Mr. Sauer noted the Fund as of December 31, 2021, had a value of \$6.22 billion. He said the Fund return of 4.0%, net of fees, outperformed the blended benchmark by approximately 147 basis points. Mr. Sauer commented that the Fund outperformed in the one-, five-, 10- and 20-year time periods, while matching the benchmark in the 15-year period, net of fees. He said the primary December relative performance driver was Manager Selection with Private Equity adding 126 basis points. He noted the Fund's Style Bias added 16 basis points during the month from the Fund's Value Bias. Mr. Sauer noted that for the 2021 Summary, the Total Fund and all the asset classes outperformed their respective benchmarks, net of fees. He commented that 14 out of 15 active mandates outperformed, net of fees. He said the Fund had Investment Gains of \$1.029 billion, paid benefits and expenses of \$461.1 million, and received contributions of \$117.2 million. Mr. Sauer said as of January 24, 2022, the Fund return is down 2.7% in January, the Fund's approximate value is \$6.13 billion, and six out of 13 active mandates are outperforming year-to-date. He said the Fund generated an investment loss year-to-date of \$163.4 million and made its first expenses payment of \$1.8 million and has received contributions of \$73.4 million. Mr. Sauer said the monthly withdrawals for January were \$12 million from Brandes, \$10.5 million from

BlackRock Global Alpha Tilts, \$7 million from DFA International, \$6.5 million from MFS, and \$2 million from DFA US Small Cap Value. Discussion ensued.

Mr. Silber reminded the Board members that the Investment Committee Meeting is February 10 when the three Hedge Fund of Funds finalists will be interviewed. He requested the meeting start at 8:45 a.m. so the interviews can begin at 9:00 a.m. Mr. Silber anticipated the meeting concluding by Noon.

New Business.

Authorization to Sign Vouchers. Staff noted the Comptroller's Accounts Director Richard Bare has been added to the list of persons authorized to sign vouchers at the request of the Comptroller, Ms. Sawa.

Retirements, Death Claims, and Refunds (December). Mr. Allen presented the following activity for the month of December 2021.

Active Death Benefits reported	\$0.00
Deferred Death	\$0.00
Deferred Death-Member Only Refund	\$0.00
Ordinary Death Benefits reported	\$468.44
Retired Death Benefits reported	\$28,422.86
Survivor Death – Termination Benefits reported	\$57,878.93
Refund of Member Contributions paid	\$240,778.22

It was moved by Mr. Konrad, seconded by Ms. Sawa, and unanimously carried, to approve the Retirements, Death Claims, and Refunds (December).

Conference Requests – January 2022 Board Meeting. Staff noted there were no requests this month to attend conferences.

Approval of 2021 Securities Lending Budget. Staff noted the ERS' securities lending operation, unique to the ERS Fund, generates some revenue and it is required by the charter ordinance pursuant to the Global Pension Settlement in 2000 to sweep these earnings every year into the Combined Fund. Staff said the earnings amount this year is \$552,798.88. Mr. Gopalan noted the Securities Lending Revenue has decreased from prior years due to ERS' higher collateral requirements than other securities lending programs. He also said there are fewer securities in separate accounts available to lend out. Discussion ensued. Mr. Gopalan added that the amount being swept into the General Fund would be rounded up to \$553,000.00.

It was moved by Ms. King, seconded by Mr. Campbell, and unanimously carried, to approve the Approval of 2021 Securities Lending Budget.

Annual Obligation of Trustees and ERS Officers to Submit Annual Statement of Economic Interests. Staff said Trustees and Officers would need to fill out the form and submit it to the City's Ethics Board by February 28, 2022.

Mr. Bell advised that the Annuity and Pension Board may vote to convene in closed session on the following item as provided in Section 19.85 (1)(c), for considering employment, promotion, compensation or performance evaluation data of any public employe over which the governmental body has jurisdiction or exercises responsibility. The Board may then vote to reconvene in open session following the closed session.

ERS Investment Staff Compensation (Analyst). It was moved by Mr. Kovac and seconded by Mr. Klusman to convene in closed session. The motion prevailed by the following roll call vote: AYES: Ms. Ford, King, and Sawa; Messrs. Bell, Campbell, Klusman, Konrad, and Kovac. NOES: None.

The meeting convened in closed session at 9:53 a.m.

The meeting reconvened in open session at 9:57 a.m.

Medical Reports.

All Duty & Ordinary Disability Applications & Re-examinations (January). Staff presented certifications (January 2022) of the Fire and Police Medical Panel Physicians and the Medical Council relative to Duty & Ordinary Disability Retirement benefits as follows:

<u>Police – Re-examinations – Duty</u>	<u>Recommendation</u>
Vidal Colon	Approval
Dwight Copeland	Approval
Christian Hlavinka	Approval
Joel Kujawa	Approval
Stacy Lopez-Devereaux	Approval
Frank Vrtochnick	Approval
<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
Jerry Allen	Approval
Scott Hoth	Approval
Christine Jacobs	Approval
John Kielpinski	Approval
Robert Smith	
<u>Police – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Dwayne Edwards	Approval
James McNichol	Approval
<u>GC – Applications – Duty Disability</u>	<u>Recommendation</u>

Janine Lee Effective 07/01/21	Approval
<u>GC – Re-examinations – Duty Disability</u>	<u>Recommendation</u>
Gordon Matthews Gladys Williams	Approval Approval
<u>GC – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Kevin Cole Stephan Huber	Approval Approval

It was moved by Mr. Campbell, seconded by Mr. Konrad, and unanimously carried, to approve the Duty & Ordinary Disability Applications & Re-examinations (January).

Duty Death Hearing Findings – Kenyatte Wooden. Mr. Bell presented the findings submitted by Independent Hearing Examiner Dennis Moroney stating “(The) decision to deny Mrs. Wooden’s application for the Accidental Death Benefit was supported by credible evidence in the record, and is thereby affirmed.” Briefs were also filed with the Board from the City Attorney’s Office, dated January 14, 2022 by Mrs. Wooden’s attorney, Emil Ovbiagele, dated December 31, 2021, as well as exhibits and transcript of the hearing. It was moved by Mr. Konrad, seconded by Ms. Sawa, and unanimously carried, to approve the findings of Hearing Examiner Mr. Moroney regarding the Duty Death Hearing Findings – Kenyatte Wooden.

Unfinished Business.

Pending and Legal Opinions and Service Requests Report. As a matter of information, Board members received the Pending Legal Opinions and Service Requests Report. Mr. McClain noted the only outstanding Legal Opinion related to the authority of the Deputy Comptroller to serve in place of the Comptroller as an *ex-officio* member of the Board. Mr. McClain added that the opinion would be completed by the next Board meeting.

Pending Legislation Report. As a matter of information, Board members received the Pending Legislation Report. Staff noted the Mayor signed a substitute resolution authorizing City departments to expend monies appropriated in the 2022 City budget for Special Purpose Accounts, Debt Service Fund, Provisions for Employees’ Retirement Fund, Delinquent Tax Fund, Common Council Contingent Fund, Grant and Aid Fund, and Special Capital Projects or Purposes. Staff added the resolution was signed December 20, 2021.

Executive Director’s Report – Inventory of ERS Projects. As a matter of information, Staff presented a report on the ERS projects and updated the Board on ERS activities, a copy of which is on file with the ERS. Discussion ensued.

Informational.

The following is a list of informational items:

- 1) Pending Litigation Report.
- 2) Conferences.

- 3) Class Action Income 2021.
- 4) Minutes of the Investment Committee Meeting Held December 9, 2021.
- 5) Minutes of the A&O Committee Meeting Held December 15, 2021.
- 6) Copies of the Board Rules and Regulations and ERS Ethics Policy.

The following is a list of activities since the last Board meeting, copies sent with meeting notice and attached to minutes:

- 7) Report on Bills.
- 8) Deployment of Assets.
- 9) Securities Lending Revenue and Budget Report.
- 10) Preliminary Performance Report/Asset and Manager Allocation Pie Charts.
- 11) ERS Holdings Report.

There being no further business to come before the meeting, it was moved by Ms. King and seconded by Ms. Sawa to adjourn the meeting. 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.)