

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

Minutes of the Regular Meeting
held February 22, 2022 via teleconference during COVID-19

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

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

Board Members Not Present: Molly King

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; Jim Carroll, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc., seven members of the public called in to the meeting.

Regular Meeting.

Appointment of Committees for 2022.

Administration and Operations Committee.
Investment Committee.
Legislative Committee.
Litigation Committee.

Mr. Bell said Ms. Sawa was re-appointed as Chair of the Administration and Operations Committee, Mr. Klusman was appointed Chair of the Investment Committee, and Ms. Ford was re-appointed as Chair of the Legislative Committee. He said a Litigation Committee chair would be appointed when necessary. Discussion ensued.

Ms. King arrived at the meeting at 9:03 a.m.

Approval of Minutes.

Annual Meeting Held January 26, 2022. It was moved by Ms. King, seconded by Mr. Campbell, and unanimously carried, to approve the Minutes of the Regular Meeting Held January 26, 2022.

Minutes of the Special Board Meeting Held February 10, 2022. It was moved by Ms. Sawa, seconded by Mr. Klusman, and unanimously carried, to approve the Minutes of the Special Board Meeting Held February 10, 2022.

At this point, Mr. Bell took the meeting out of order to item V.A. New Business – Update and Consideration of Strategy, Tactics and Potential Resolution Regarding the Allianz Litigation.

New Business.

Update and Consideration of Strategy, Tactics and Potential Resolution Regarding the Allianz Litigation.

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.

It was moved by Mr. Klusman and seconded by Mr. Konrad 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 9:09 a.m.

The meeting reconvened in open session at 10:04 a.m.

Mr. Bell returned the meeting to agenda item III. Chief Investment Officer Report.

Chief Investment Officer Report.

As a matter of information, Board members received the February 22, 2022 Performance Update. Mr. Sauer noted the Fund as of January 31, 2022, had a value of \$6.12 billion. He said the Fund return of -2.1%, gross of fees, outperformed the blended benchmark by approximately 62 basis points. Mr. Sauer commented that the Fund outperformed in all time periods shown, net of fees. He said the January relative performance drivers were Manager Selection with Brandes adding 44 basis points, DFA mandates adding 30 basis points, Real Estate adding 26 basis points, and William Blair which detracted -39 basis points. He commented that nine out of 15 active mandates outperformed. He noted the Public Equity and Absolute Return asset classes, along with the Total Fund, outperformed their respective benchmarks. Mr. Sauer said the Fund had an investment loss of \$132.9 million, paid benefits & expenses of \$39 million, and received contributions of \$73.4 million. He added that withdrawals from investment managers were not necessary in January because of declines in the stock market and the Fund's overweight cash balance, which is more

than enough to cover benefits payments this month. Mr. Sauer also gave an update on due diligence planning for CastleArk, the new Hedge Fund of Fund Managers, and DFA and Brandes. He said it is hoped for the due diligence meetings to be in person.

Mr. Silber noted Staff used its delegated authority granted by the Board to sign a document to receive over \$13 million from one of the remaining non-core Real Estate investments.

Investment Committee Report.

At the February 10 meeting, Chairman Klusman said the Investment Committee interviewed three investment managers as part of the Hedge Fund of Funds Manager search. The investment managers interviewed were Goldman Sachs Asset Management AIMS Aptitude, Blackstone Alternative Asset Management, and Grosvenor Capital Management. Mr. Klusman noted the Committee selected one finalist in closed session and directed the ERS Staff to conduct due diligence and coordinate legal negotiations with the selected finalist. He said the selection is contingent on successful due diligence and contract negotiations.

Please be 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)(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.

Selection of Hedge Fund of Funds Manager. It was moved by Mr. Konrad, seconded by Mr. Campbell, and unanimously carried, to approve the Investment Committee Report.

New Business.

Retirements, Death Claims, and Refunds (January). Mr. Allen presented the following activity for the month of January 2022.

Active Death Benefits reported	\$0.00
Deferred Death	\$0.00
Deferred Death-Member Only Refund	\$1,911.82
Ordinary Death Benefits reported	\$240,846.71
Retired Death Benefits reported	\$252,248.88
Survivor Death – Termination Benefits reported	\$13,305.26
Refund of Member Contributions paid	\$206,596.63

It was moved by Ms. King, seconded by Mr. Konrad, and unanimously carried, to approve the Retirements, Death Claims, and Refunds (January 2022).

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

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 Executive Staff Compensation. It was moved by Ms. King and seconded by Mr. Campbell 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 10:19 a.m.

The meeting reconvened in open session at 11:23 a.m.

Medical Reports.

All Duty & Ordinary Disability Applications & Re-examinations (February). Staff presented certifications (February 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>
Brandon Baranowski	Approval
<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
Pieter Gallagher	Approval
Teresa MacGuire	Approval
William Soderbeck	Approval
Christopher Underwood	Approval
<u>Fire – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Christopher Kietzke	Approval
<u>GC – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Ywanda Bryant	Approval
Renee Gibbs	Approval

It was moved by Mr. Klusman, seconded by Ms. Ford, and unanimously carried, to approve the Duty & Ordinary Disability Applications & Re-examinations (February).

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. Staff noted two Legal Opinions regarding Review of Board Rule II.A.2 and Same Sex Spouse Retirees are awaiting review by the City Attorney's Office. Staff also noted there are two Service Requests for Contract for Banking Services and Contract for Office Space.

Pending Legislation Report. As a matter of information, Board members received the Pending Legislation Report. Staff said there were no new updates on the Pending Legislation Report.

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 2022 YTD.
- 4) Adjusted Quarterly Cost Basis of Equity
- 5) Minutes of the Investment Committee Meeting Held February 10, 2022.

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

- 6) Report on Bills.
- 7) Deployment of Assets.
- 8) Securities Lending Revenue and Budget Report.
- 9) Preliminary Performance Report and Asset Allocation.

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

Mr. Bell adjourned the meeting at 11:32 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.)