

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

Minutes of the Regular Meeting
held April 27, 2022 via teleconference during COVID-19

The meeting was called to order at 8:30 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
 Daniel Gopalan, Chief Financial Officer
 David Silber, Chief Investment Officer
 Erich Sauer, Deputy Chief Investment Officer
 Thomas Courtright, Pension Investment Analyst
 Gust Petropoulos, Deputy Director - Disability
 Mary Turk, Business Operations Analyst
 Jan Wills, Board Stenographer

Others Present: Patrick McClain, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc., eight members of the public called in to the meeting.

Regular Meeting.

Approval of Minutes.

Regular Meeting Held March 29, 2022. It was moved by Mr. Campbell, seconded by Mr. Konrad, and unanimously carried, to approve the Minutes of the Regular Meeting Held March 29, 2022.

Chief Investment Officer Report. As a matter of information, Board members received the April 27, 2022 Performance Update. Mr. Sauer noted the Fund as of March 31, 2022, had a value of \$6.16 billion. He said the March Fund return was 0.3%, net of fees. The fund outperformed in all time periods shown except for March. He noted 10 out of 15 active mandates are outperforming year to date through March. Mr. Sauer stated the Fixed Income and Absolute Return asset classes, along with the Total Fund, are outperforming their respective benchmarks year to date through March. Mr. Sauer said the Fund, through March 31, had seen a year-to-date change in the value of its investments of -\$27.1 million, paid benefits & expenses of \$115.6 million, and received contributions of \$81.2 million. He noted the Fund is down approximately 3.6% month to date through April 26th, bringing the year-to-date return down to 4.0% with the value of the Fund at

\$5.9 billion. He added that the majority of benefit payments would come from the Fund's Cash Balance with \$9 million being withdrawn from Principal for benefit payments.

Mr. Silber added some additional market commentary and context, and emphasized that while the global markets are down 7%+ month-to-date in April, it is especially important in times like this to remember that CMERS is a long-term investor and is performing relatively well so far in this volatile market.

Investment Committee Report. At its April 14 meeting, Chairman Klusman noted the Investment Committee unanimously elected Mr. Kovac as its Vice-Chair. Mr. Klusman said Staff then discussed with the Committee two requested investment manager Guideline changes and one Statement of Investment Policy Update. He said the Committee approved the investment manager Guideline changes which involved two items: changing the UBS Hedge Fund Solutions' benchmark from 1-Year LIBOR plus 4% to SOFR plus 4%, effective March 1, 2022, and changing the weights of Principal's benchmark components to match the changes Principal recently notified the Fund about, effective April 1, 2022. Mr. Klusman commented that the Committee also approved the Statement of Investment Policy Update that changes the Fund's 3.9% blended benchmark weight to Principal to match Principal's guideline change, also effective April 1, 2022. He said Callan then provided a 2022 Work Plan, and discussed their most up-to-date capital market assumptions and how the assumptions impact the Fund's 10-year expected rate of return and standard deviation. Callan also spent some time presenting Phase 1 of the Fund's Public Equity Structure Review, and wrapped up by providing the Committee with an update regarding their Investment Manager Due Diligence efforts on the Fund's investment managers. Mr. Klusman noted that Staff provided a routine due diligence report on Reams Asset Management, and Staff provided a Fund update on performance and upcoming initiatives. Mr. Klusman concluded that the Investment Committee recommends approval of the following items: Approval of UBS Hedge Fund Solutions Guideline Change, Approval of Principal Global Investors Guideline Change, and Approval of Statement of Investment Policy Update.

Approval of UBS Hedge Fund Solutions Guideline Change. It was moved by Mr. Konrad, seconded by Ms. King, and unanimously carried, to approve the Approval of UBS Hedge Fund Solutions Guideline Change.

Approval of Principal Global Investors Guideline Change. It was moved by Mr. Konrad, seconded by Ms. Sawa, and unanimously carried, to approve the Approval of Principal Global Investors Guideline Change.

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

Administration & Operations Committee Report. Ms. Sawa said that at its April 20, 2022 Administration & Operations Committee Meeting, the Committee has two items for Board approval – the Contract Extension (with fee structure change) through August 31, 2025 for Managed Medical Review Organization, Inc., the Disability Claims Vendor and the Approval of Draft ERS 2023 City Budget Request. Ms. Sawa said the total ERS budget went up 10%, with a part of that related to salaries, which is related to a DER salary study. She noted the Committee

voted to approve both items. Mr. Gopalan added that there is a \$1.4 million increase for IT equipment for infrastructure upgrades and software. Discussion ensued.

Approval of Contract Extension for Managed Medical Review Organization, Inc. (MMRO) – Disability Claims Vendor. As a matter of information, Board members received the Contract Extension for Managed Medical Review Organization, Inc. (MMRO) – Disability Claims Vendor materials. It was moved by Mr. Konrad, seconded by Ms. Ford, and unanimously carried, to approve the Approval of Contract Extension for Managed Medical Review Organization, Inc. (MMRO) – Disability Claims Vendor.

Approval of Draft ERS 2023 City Budget Request. As a matter of information, Board members received the Draft ERS 2023 City Budget Request materials. It was moved by Mr. Campbell, seconded by Mr. Konrad, and unanimously carried, to approve the Approval of Draft ERS 2023 City Budget Request.

New Business.

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

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| Active Death Benefits reported | \$0.00 |
| Deferred Death | \$111,383.04 |
| Deferred Death-Member Only Refund | \$0.00 |
| Ordinary Death Benefits reported | \$230,580.03 |
| Retired Death Benefits reported | \$23,175.50 |
| Survivor Death – Termination Benefits reported | \$14,388.28 |
| Refund of Member Contributions paid | \$222,228.71 |

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

Conference Requests – April 2022 Board Meeting. Staff presented the Conference Requests this month.

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|-----------------|--|
| David Silber | Roundtable for Consultants & Institutional Investors |
| Sponsor: | Institutional Investor |
| Location: | Chicago, IL |
| Date: | June 20-22, 2022 |
| Estimated Cost: | \$1,000.00 |

Mr. Allen also requested to attend an investor conference by the Markets Group in Chicago at \$50.00 for transportation expenses.

It was moved by Mr. Konrad, seconded by Ms. Ford, and unanimously carried, to approve the Conference Requests – April 2022 Board Meeting.

Medical Reports.

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

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|--|-----------------------|
| <u>Police – Re-examinations – Duty</u> | <u>Recommendation</u> |
| De Ronn Gillum | Approval |
| <u>Police – Application – Ordinary</u> | <u>Recommendation</u> |
| Amy Skenadore Effective 08/04/2021 | Approval |
| <u>Fire – Re-examinations – Duty</u> | <u>Recommendation</u> |
| Julie Hall | Approval |
| Maurya Lomen | Approval |
| Scott Van Roo | Approval |
| <u>GC – Re-examinations – Duty</u> | <u>Recommendation</u> |
| Joseph Alferi | Approval |
| <u>GC – Application – Duty</u> | <u>Recommendation</u> |
| Dewayne Brown | Denial |
| <u>GC – Application – Ordinary</u> | <u>Recommendation</u> |
| Dewayne Brown Effective 7/22/2021 | Approval |
| <u>GC – Re-examinations – Ordinary</u> | <u>Recommendation</u> |
| Sharodnick Brown | Approval |
| Camille Cole | Approval |
| Darvin McKnight | Approval |

Jewel Springfield
Demertha Wilder

Approval
Approval

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

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 presented an update to a legal opinion originally issued in 1959. He noted the opinion reaffirms the authority of the Deputy Comptroller to serve in the place of the Comptroller as a voting member of the Board. Discussion ensued. Staff noted the 1959 legal opinion would be sent to the Board members.

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

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:

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)(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.

- 1) Pending Litigation Report.
- 2) Conferences.
- 3) Class Action Income 2022 YTD.
- 4) Minutes of the A&O Committee Held March 17, 2002.

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

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

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

Mr. Bell adjourned the meeting at 9:15 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.)