

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

Minutes of the Regular Meeting
held June 30, 2022 via teleconference during COVID-19

The meeting was called to order at 9:01 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
 Thomas Courtright, Pension Investment Analyst
 Mary Turk, Business Operations Analyst
 Jan Wills, Board Stenographer

Others Present: Aaron Chochon, Patrice Beckham, Larry Langer, Cavanaugh Macdonald; Patrick McClain, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc., five members of the public called in to the meeting.

Regular Meeting.

Chairman Bell began the meeting out of order at New Business with Mr. Langer's presentation.

Presentation by Pat Beckham and Larry Langer of Cavanaugh Macdonald and Acceptance of 2022 Actuarial Valuation Report. As a matter of information, Board members received two booklets from Cavanaugh Macdonald – Results of the January 1, 2022 Actuarial Valuation Report and Actuarial Valuation Report as of January 1, 2022. Mr. Langer and Mr. Chochon provided a presentation on the Actuarial Valuation Report and discussed the following topics: Purpose of the Actuarial Valuation, Actuarial Valuation Process Reserve Funding, Stable Contribution Policy, Events During 2021 Which Impacted the January 1, 2022 Actuarial Valuation Results, Membership Data, Asset Data, Benefit Provisions, Assumptions, Funding Methodology, Historical Asset Returns, Actuarial Value of Assets, Actuarial Accrued Liability, Unfunded Actuarial Accrued Liability, Reconciliation of Unfunded Actuarial Accrued Liability, Reconciliation of the Funded Ratio, Historical Funded Ratio, Employer Normal Cost Rate, Actuarially Determined Employer Contribution, Reconciliation of the Actuarially Determined Employer Rate, Employer Contributions, Projections (Assuming All Assumptions Are Met), Sensitivity Analysis (Alternate Investment Returns for 2022), and Certification. Mr. Langer said

they would be working with Callan to run investment return scenarios with Cavanaugh Macdonald's model in order to set a stable rate. Discussion ensued.

Mr. Bell accepted the Actuarial Valuation Report and placed it on file.

At this point, Mr. Bell returned the meeting to the order of the meeting.

Approval of Minutes.

Regular Meeting Held May 24, 2022. It was moved by Mr. Konrad, seconded by Mr. Campbell, and unanimously carried, to approve the Minutes of the Regular Meeting Held May 24, 2022.

Special Meeting Held June 9, 2022. It was moved by Ms. Ford, seconded by Mr. Klusman, and unanimously carried, to approve the Minutes of the Special Meeting Held June 9, 2022.

Chief Investment Officer Report. As a matter of information, Board members received the June 30, 2022 Performance Update. Mr. Sauer noted the Fund as of May 31, 2022, had a value of \$5.95 billion. He said the May Fund return of 1.1%, gross of fees, outperformed the benchmark by approximately 0.9%. He said the main drivers of the outperformance were manager selection with Private Equity adding 44 basis points to the relative return with the fourth quarter audit reports coming in at the end of May. He said the rest of the drivers were due to value outperforming growth for the month with DFA Mandates adding 20 basis points, Brandes adding 12 basis points and Style Bias adding 16 basis points, primarily from U.S. Value. Mr. Sauer said the Fund outperformed the benchmark in all time periods shown. He commented the Fund return, through June 29th, was estimated to be down -4.4% month-to-date, which brought the Fund return down to -6.8% year to date and the Fund value to approximately \$5.66 billion. He noted eight out of the 15 active mandates are outperforming year to date, with another two mandates matching their benchmarks, year to date. Mr. Sauer stated the Public Equity, Fixed Income, and Absolute Return asset classes, along with the Total Fund, are outperforming their respective benchmarks year to date. Mr. Sauer said the Fund, through June 29, had seen a year-to-date change in the value of its investments of -\$417.2 million, paid benefits & expenses of \$232.6 million, and received contributions of \$89.6 million.

Mr. Silber then noted that since the June 9 Investment Committee meeting, stock markets around the world have dropped quickly. He said with the Fund having a target of 44% of its assets in stocks, the Fund's return also drops when stocks behave as they are. Mr. Silber commented that the S&P 500 is now down 19% and the Fund is down -6.8% as of June 29. Mr. Silber said because the Fund is on a calendar fiscal-year end, there is time for the markets to at least partially recover from the market declines. He said the Fund's portfolio is guided by the Statement of Investment Policy and because the Public Equity allocation fell below 39% as a result of market movements, it set off a series of actions led by Staff to prepare and implement a rebalancing plan, get sign-off from Callan, and work with the applicable investment managers to coordinate raising cash to deposit into Public Equity. Mr. Silber said the goal is to get Public Equity back to the mid-point of a 41.5% allocation. He said Staff has so far withdrawn \$24 million from Real Assets and \$132 million from Fixed Income managers with \$106 million so far being deposited into Public Equity managers, with the balance helping to cover monthly benefit payments. Mr. Silber then concluded

that the candidate for the Pension Investment Analyst-Sr. accepted the position and has an August 1st start date.

Investment Committee Report. At its June 9 meeting, Mr. Klusman stated that Callan provided an update on the Fund's Real Estate portfolio. He said the Committee approved a guideline change to its investment managed by UBS Hedge Fund Solutions that will permit up to 5% of the mandate to be invested in strategies categorized as direct trading. Mr. Klusman noted that one of the expected benefits of this change is that it will allow UBS to implement co-investments within the mandate in a more diversified manner. He commented that the Committee also made a few changes to its Real Estate Investment Policy Statement where the main change was to remove the minimum and maximum permissible range around the Fund's Private Real Estate allocation to focus solely on managing the overall Real Assets allocation within the existing 10%-16% range going forward. Mr. Klusman said the Fund's Statement of Investment Policy was also updated to be consistent with the changes to the UBS guideline and the Real Estate Investment Policy. He added that Staff provided a Fund update on performance and upcoming initiatives. Mr. Klusman noted the Committee also went into closed session to discuss and approve an item related to its investment in the Bryanston Retail Opportunity Fund. He concluded that the Investment Committee recommended approval of the following four items: Approval of UBS Hedge Fund Solutions Guideline Change, Approval of Recommendation regarding investment in Bryanston Retail Opportunity Fund, L.P., Approval of Real Estate Investment Policy Update, and Approval of Statement of Investment Policy Update.

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

Approval of Recommendation regarding investment in Bryanston Retail Opportunity Fund, L.P. It was moved by Mr. Campbell, seconded by Mr. Konrad, and unanimously carried, to approve the Approval of Recommendation regarding investment in Bryanston Retail Opportunity Fund, L.P.

Approval of Real Estate Investment Policy Statement Update. It was moved by Ms. King, seconded by Ms. Sawa, and unanimously carried, to approve the Approval of Real Estate Investment Policy Statement Update.

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

Administration & Operations Committee Report. Ms. Sawa reported that the A&O Committee met on June 16 and discussed the RFP on banking services and will make a decision at the Committee's July meeting. She said they also discussed the approval of the A&O Committee Audit Charter and Internal Audit Charter. Ms. Sawa said the discussion centered around whether the internal auditor CliftonLarsonAllen (CLA) is abiding by this charter or signed off on it. Staff said the City Attorney's office recommended that CLA sign an amendment to the agreement. Staff said the charter is included in the contract with CLA and affirms they abide by the specifics of the Charter.

Approval of A&O Committee Audit Charter and Internal Audit Charter. Ms. Sawa asked for an approval, subject to CliftonLarsonAllen signing the amendment to the agreement. It was moved by Mr. Bell, seconded by Ms. King, and unanimously carried, to approve the Approval of A&O Committee Audit Charter and Internal Audit Charter.

New Business.

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

Active Death Benefits reported	\$0.00
Deferred Death	\$24,057.11
Deferred Death-Member Only Refund	\$1,391.55
Ordinary Death Benefits reported	\$0.00
Retired Death Benefits reported	\$29,727.31
Survivor Death – Termination Benefits reported	\$8,363.26
Refund of Member Contributions paid	\$334,030.85

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

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

Erich Sauer,	William Blair Due Diligence
Thomas Courtright	
Sponsor:	William Blair
Location:	Chicago, IL
Date:	August 23, 2022
Estimated Cost:	\$250.00 total

It was moved by Ms. Sawa, seconded by Mr. Kovac, and unanimously carried, to approve the Conference Requests – June 2022 Board Meeting.

Approval of At Large Member Election Bulletin No. 197. Staff noted this election is for the Trustee seat expiring December 31, 2022, which is currently the seat of Captain James Campbell. Staff said the election will be held November 4, 2022 and persons who pick up nomination papers must be actively employed and a member of the Plan. Staff noted nomination papers, in addition to being available at the Election Commission, would also be available online at www.cmers.com.

It was moved by Mr. Klusman, seconded by Ms. King, and unanimously carried, to approve the Approval of At Large Member Election Bulletin No. 197.

Medical Reports.

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

<u>Police – Application – Duty</u>	<u>Recommendation</u>
Albert Greene	Denial
<u>Police – Application – Ordinary</u>	<u>Recommendation</u>
Albert Greene	Denial
Gail Thiede	Approval
Effective 03/31/2022	
<u>Police – Re-examinations – Duty</u>	<u>Recommendation</u>
Alejandro Arce	Approval
Angela July	Approval
Graham Kunisch	Approval
<u>Police – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Yoron Whitfield	Approval
<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
Jeffery Beamon	Approval
Denise Bekeris	Approval
Robert Bresette	Approval
James Kronberg	Approval
Timothy Newman	Approval
<u>Fire – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Michael Jasso	Approval
<u>GC – Application – Duty</u>	<u>Recommendation</u>
Joseph Kaminsky	Denial
<u>GC – Application – Ordinary</u>	<u>Recommendation</u>

Joseph Kaminsky Effective 01/07/2022	Approval
<u>GC – Re-examinations – Duty</u>	<u>Recommendation</u>
Sahagian Grimes	Approval
<u>GC – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Henry Gonzalez	Approval
Sharon Turner-Young	Approval

It was moved by Mr. Klusman (with the amendment to list Not Applicable on the Medical Panel report where the duty disability persons for re-examinations are not subject to doctors' approvals because of their ages), seconded by Ms. Ford, and unanimously carried, to approve the Duty & Ordinary Disability Applications & Re-examinations (June).

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 same-sex legal opinion will be moved forward, but is delayed due to other time-sensitive matters related to ongoing litigation.

Pending Legislation Report. As a matter of information, Board members received the Pending Legislation Report. Staff said there were no new updates on the 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) Minutes of the Investment Committee Meeting Held June 9, 2022.
- 5) Minutes of the A&O Committee Held June 16, 2002.

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 Ms. King and seconded by Mr. Kovac to adjourn the meeting.

Mr. Bell adjourned the meeting at 10:55 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.)