

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

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

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

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

Board Members Not Present: James Campbell (excused)

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
 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 June 30, 2022. It was moved by Ms. Sawa, seconded by Mr. Konrad, and unanimously carried, to approve the Minutes of the Regular Meeting Held June 30, 2022.

Chief Investment Officer Report. As a matter of information, Board members received the July 27, 2022 Performance Update. Mr. Sauer noted the Fund as of June 30, 2022, had a value of \$5.63 billion. He said June was a month with a lot of inflation as well as recession fears, which led to a risk-off environment causing the Fund to decline 4.8%, net of fees, which underperformed the benchmark by approximately 0.5%. He said the primary relative performance drivers were Real Estate, which detracted 59 basis points and is a result of the way Real Estate is reported. For the full quarter, Real Estate matched the benchmark and is doing quite well. Mr. Sauer said Loomis Sayles detracted 17 basis points, while Private Equity offset some of the underperformance by adding 27 basis points. He said the Fund's overall allocation added 13 basis points due primarily

to the Fund being underweight in stocks going in to a risk-off month where stocks went down quite a bit. Mr. Sauer commented the Fund outperformed the benchmark in all other time periods shown. He said the Fund return, through July 26th, was up 1.7% month-to-date, which brought the year-to-date return to -5.6% year to date and the Fund value to approximately \$5.74 billion. He noted nine out of the Fund's 15 active mandates are outperforming year to date, and the Public Equity, Fixed Income, and Absolute Return asset classes, along with the Total Fund, are outperforming year to date. Mr. Sauer said the Fund has seen a year-to-date change in the value of its investments of -\$343.3 million, paid benefits & expenses of \$234.6 million, and received contributions of \$94.9 million. He said \$32.8 million was received from Prologis in July according to the redemption put in which is approximately 90% of the amount requested and which will be trued up once the second quarter report is finalized.

Mr. Silber commented that constructing a portfolio that has the ability to outperform its benchmark net of fees in different types of market environments is very difficult. Even though it's very hard to do, he said that they have been able to succeed in outperforming in different markets during the past 18 months, first by exceeding the benchmark by over 600 basis points, net of fees, in 2021 when stock markets went up a lot, and now in a year like 2022 when the Fund has outperformed materially year-to-date even though stocks are down 15% to 20% so far. He said that at the upcoming September 8th Investment Committee meeting, Staff will be presenting the 2nd Quarter Performance Report that will show about 150 basis points, net of fees, of outperformance during the second quarter. Mr. Silber also said that Public Equity, Absolute Return, Private Equity, and Real Assets would all show outperformance during the 2nd quarter. Mr. Silber also discussed withdrawals and said they sold some stocks in January before the markets tanked. He said all the benefit payments since then have come from withdrawals from the Fixed Income and Real Assets allocations. He said at the next Investment Committee Meeting, Callan plans to have three deliverables covering topics such as Public Equity, Private Equity, and Real Estate. Mr. Silber also said they plan to have reports on due diligence trips, as well as the hedge fund of fund's manager contract for the Committee's consideration. He concluded that the new Investment employee would be starting on August 1. Discussion ensued.

Administration & Operations Committee Report. Ms. Sawa reported that the A&O Committee met on July 20 and said the Committee's first item of business was the acceptance of the 2021 external Financial Audit by Baker Tilly. She said there was an unqualified opinion and no findings. Ms. Sawa said Mr. Gopalan did a nice presentation on the Annual Comprehensive Financial Report (ACFR), which the Committee approved. She said the Committee also approved the Annual Report of the Annuity & Pension Board, which goes out to the pension members. She concluded that the other agenda items were the Organizational/Personnel Update and proceeding with Staff recommendation for the Banking Services selection.

Acceptance of Baker Tilly 2021 Financial Audit. It was moved by Mr. Bell, seconded by Ms. Ford, and unanimously carried, to approve the Acceptance of Baker Tilly 2021 Financial Audit.

Approval of Annual Comprehensive Financial Report (ACFR) for the Year Ended December 31, 2021. It was moved by Mr. Klusman, seconded by Mr. Konrad, 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. It was moved by Mr. Konrad, seconded by Mr. Klusman, and unanimously carried, to approve the Approval of Annual Report of the Annuity & Pension Board 84th Edition, December 31, 2021.

New Business.

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

Active Death Benefits reported	\$0.00
Deferred Death	\$0.00
Deferred Death-Member Only Refund	\$0.00
Ordinary Death Benefits reported	\$17,685.69
Retired Death Benefits reported	\$9,025.64
Survivor Death – Termination Benefits reported	\$12,986.54
Refund of Member Contributions paid	\$207,230.94

It was moved by Mr. Klusman, seconded by Ms. Sawa, and unanimously carried, to approve the Retirements, Death Claims, and Refunds (June 2022).

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

Erich Sauer	Prologis Annual Conference
Sponsor:	Prologis
Location:	Miami, FL
Date:	September 20-22, 2022
Estimated Cost:	\$1,400.00

Mr. Silber also requested the following conference.

Deborah Ford, David Silber, David Walters	DFA and Brandes Due Diligence Trip
Sponsor:	DFA and Brandes
Location:	Los Angeles, CA (DFA) and San Diego, CA (Brandes)
Date:	September 13-16, 2022
Estimated Cost:	\$2,400.00 per person

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

Thomas Gillespie: Review of Non-compliance with Annual Re-examination Requirement. Mr. Petropoulos stated Staff does what it can to help members comply with the ordinance for the re-examination requirement. He stated Mr. Gillespie does not have a history of not complying but for some reason has not complied this time and has not communicated with the ERS. It was moved by Mr. Klusman, seconded by Mr. Konrad, and unanimously carried, to approve suspending the benefits for Thomas Gillespie: Review of Non-compliance with Annual Re-examination Requirement.

Dorothy McLaurin: Review of Non-compliance with Annual Re-examination Requirement. Mr. Petropoulos noted they received some of the materials to complete the re-exam but the Medical Council requires substantiating documentation but was unsuccessful in getting that documentation from the medical providers. Discussion ensued. It was moved by Mr. Konrad, seconded by Mr. Kovac, and unanimously carried, to approve suspending the benefits for Dorothy McLaurin: Review of Non-compliance with Annual Re-examination Requirement. Mr. Petropoulos added that should both disability members comply with the re-exams, their benefit will be reinstated. Mr. Klusman asked if the benefit payment is retroactive and Mr. Petropoulos confirmed that it is. Mr. Allen added that the duty disability retirees also continue to receive health insurance when their benefits are suspended.

Approval to Suspend Disability Benefits for Non-Compliance with Outside Earnings Limitation. Mr. Gopalan said three persons submitted their outside earnings form prior to payroll closing on July 21 so they will not be suspended. He said one other person submitted their forms after payroll closed so would get their July payment in August. Mr. Gopalan said 16 people would be suspended currently instead of 20. Discussion ensued. It was moved by Ms. Ford, seconded by Mr. Kovac, and unanimously carried, to approve the Approval to Suspend Disability Benefits for 16 individuals for Non-Compliance with Outside Earnings Limitation.

Approval of August Resolution. Staff noted this resolution allows benefit payments to be made during the August recess and until the Board reconvenes in September. Staff said the August 24 Special Meeting was called for the actuary to present the five-year experience study. It was moved by Ms. King, seconded by Mr. Klusman, and unanimously carried, to approve the Approval of August Resolution.

Mr. Bell advised that the Annuity and Pension Board may vote to convene in closed session on the following item (G.), 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 Mr. Konrad, seconded by Ms. King, and unanimously carried to convene in closed session by the following roll call vote: AYES: Mses. Ford, King, and Sawa; Messrs. Bell, Klusman, Konrad, Kovac. NOES: None.

The Board convened in closed session at 9:47 a.m.

The Board reconvened in open session at 10:20 a.m.

Medical Reports.

All Duty & Ordinary Disability Applications & Re-examinations (July). Staff presented certifications (July 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>
Benjean Lara 75% DD	Denial
Benjean Lara 90% DD	Denial
<u>Police – Application – Ordinary</u>	<u>Recommendation</u>
Benjean Lara	Denial
<u>Police – Re-examinations – Duty</u>	<u>Recommendation</u>
Tracy Martinez	Approval
Matthew Schulze	Approval
<u>Police – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Chad Stepke	Approval
Katrina Warren	Approval
<u>GC – Application – Duty</u>	<u>Recommendation</u>
Gregory Zarling 75% DD	Denial
<u>GC – Application – Ordinary</u>	<u>Recommendation</u>
Gregory Zarling	Approval
Effective Date 12/09/2019	
<u>GC – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Freddie Lewis	Approval
Angela Morales	Approval

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

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 marriage legal opinion is delayed due to other time-sensitive matters related to ongoing litigation, specifically the Wisconsin Supreme Court brief regarding the 5.8% pension offset case. He added that last week there was a favorable outcome in circuit court related to the firefighters and police survivorship fund.

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.

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

- 4) Minutes of the A&O Committee Meeting Held July 20, 2022.
- 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. Klusman and seconded by Mr. Kovac to adjourn the meeting.

Mr. Bell adjourned the meeting at 10:34 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.)