

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

Minutes of the Regular Meeting
held October 25, 2022 via teleconference during COVID-19

The meeting was called to order at 9:05 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
 Dave Walters, Senior Pension Investment Analyst
 Thomas Courtright, Pension Investment Analyst
 Gust Petropoulos, Deputy Director – Disability
 Mary Turk, Business Operations Analyst
 Jan Wills, Board Stenographer

Others Present: Bryant Ferguson, Chinonso Osuji, Reinhart; Harper Donahue IV, Andrea Knickerbocker, Department of Employee Relations; Kathy Block, Patrick McClain, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc., 10 members of the public called in to the meeting.

Regular Meeting.

At this point, due to some conflicts, Mr. Bell took the meeting out of order to closed session item IV.C. New Business, ERS Executive Staff Compensation.

New Business.

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 Mr. Campbell, seconded by Mr. Klusman, and unanimously carried to convene in closed session by the following roll call vote: AYES: Mses. Ford, and Sawa; Messrs. Bell, Campbell, Klusman, Konrad, and Kovac. NOES: None.

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

Ms. King arrived at 9:15 a.m.

The Board reconvened in open session at 9:43 a.m.

Mr. Campbell left the meeting at 9:45 a.m.

At this point, Mr. Bell returned the meeting to the order of the meeting at I.A. Approval of Minutes, Regular Meeting Held September 28, 2022.

Approval of Minutes.

Regular Meeting Held September 28, 2022. It was moved by Ms. Sawa, seconded by Mr. Konrad, and unanimously carried, to approve the Minutes of the Regular Meeting Held September 28, 2022.

Chief Investment Officer Report.

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)(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.

Approval of Apogem Private Equity Fund X, LP Side Letter.

It was moved by Mr. Klusman, 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, and Kovac. NOES: None.

The Board convened in closed session at 9:46 a.m.

The Board reconvened in open session at 9:54 a.m.

It was moved by Ms. Ford, seconded by Mr. Klusman, and unanimously carried, to approve the Approval of Apogem Private Equity Fund X, LP Side Letter.

Chief Investment Officer Report. As a matter of information, Board members received the October 25, 2022 Performance Update. Mr. Sauer noted the Fund as of September 30, 2022, had a value of \$5.28 billion. He said the Fund return of -5.9% in September, net of fees, outperformed

by approximately 93 basis points. He said the primary relative performance driver under Manager Selection was Private Equity, which added 155 basis points. Mr. Sauer said Real Estate detracted 50 basis points, and Overweight to Private Equity detracted 33 basis points. Mr. Sauer noted the Fund outperformed the benchmark in all time periods shown. He said the Fund return, through October 24th was up 1.6% month-to-date. Mr. Sauer said the Fund return is down 10.0 percent year to date and the Fund value is \$5.36 billion. He noted 10 out of the Fund's 15 active mandates are outperforming year to date, and the Public Equity, Fixed Income, Private Equity, and Absolute Return asset classes, along with the Total Fund, are outperforming their benchmarks year to date. Mr. Sauer said the Fund has seen a year-to-date change in the value of its investments of -\$605.5 million, paid benefits & expenses of \$355.4 million, and received contributions of \$102.7 million. He said the monthly withdrawals for benefit payments are \$16.5 million from Reams and \$11.5 million from Loomis Sayles. Mr. Sauer noted there were other cash movements this month as \$32.5 million was contributed to Aptitude to continue funding that new mandate and that came from a \$25 million withdrawal from the ERS' government bond index. He said \$14 million dollars was moved from the S&P 500 into the AQR emerging markets fund in order to move the Public Equity structure closer to the structure approved by the Board recently. Mr. Sauer said they would receive \$28 million from UBS at the end of the month to get UBS closer to its target. He noted UBS is the best-performing manager year-to-date. Discussion ensued.

Mr. Silber followed with some prepared remarks and said Private Equity, Real Estate, and Absolute Return, over a decade ago, were less than 10% of the Fund's assets. He said now they are about one-third of the Fund's assets. Mr. Silber directed the Board to the 10-Year Rolling Excess Returns chart and noted they are adding value in difficult market conditions and are close to a cyclical high. Mr. Silber said the November 10th Investment Committee Meeting packet would be sent out at the end of next week. He said at the end of last month, it was announced that the UBS portfolio manager for the hedge fund strategy would be retiring from his current role on March 1, 2023. He said the new portfolio manager would present virtually at the November meeting. Mr. Silber said UBS is one of the ERS' largest managers with a 7% target of the Fund's assets. Mr. Silber also noted that conversations with Callan have begun about conducting an ALM study in 2023 as a result of the significant changes between Callan's preliminary 2023 and 2022 capital market assumptions. Mr. Silber noted Callan recommends waiting until the 2023 capital market assumptions are finalized before initiating an ALM study. He concluded that at the November meeting, there would be the 3rd Quarter Performance Report, an update on the Real Estate manager search, as well as due diligence reports.

Administration & Operations Committee Report. Ms. Sawa reported on the Special A&O meeting on October 19, 2022 and said the Committee is looking to be in alignment with the Internal Audit Charter to see which audit standards CliftonLarsenAllen is using. She said the standards would be finalized in December. She next mentioned, is the three-month extension for the banking services contract. She said the A&O Committee recommended approval of the contract extension. Ms. Block said the reason for the extension with the current incumbent is to give her more time to negotiate a new contract as other office demands and the upcoming election have used her time.

Approval of Contract for Banking Services.

It was moved by Mr. Konrad, seconded by Mr. Klusman, and unanimously carried, to approve the three-month extension for the Approval of Contract for Banking Services.

New Business.

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

Active Death Benefits reported	\$0.00
Deferred Death	\$16,332.42
Deferred Death-Member Only Refund	\$0.00
Ordinary Death Benefits reported	\$316,132.23
Retired Death Benefits reported	\$21,642.22
Survivor Death – Termination Benefits reported	\$15,247.28
Refund of Member Contributions paid	\$246,016.41

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

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

Erich Sauer, Dave Walters, Tom Courtright	Mesirow Due Diligence
Sponsor:	Mesirow
Location:	Chicago, IL
Date:	November 17, 2022
Estimated Cost:	\$75.00 per person

Erich Sauer, Thomas Courtright	Polen and Earnest Due Diligence
Sponsor:	Polen and Earnest
Location:	Boca Raton, FL and Atlanta, GA
Date:	December 13-15, 2022
Estimated Cost:	\$1,750.00 per person

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

Medical Reports.

All Duty & Ordinary Disability Applications & Re-examinations (October). Staff presented certifications (October 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>
Anthony Bialecki	Approval
Natasha Padgett	Approval
<u>Police – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Todd Rendon	Approval
Cassandris Smith	Approval
<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
Kenneth Berget	Approval
Chad Hendricks	Approval
Anthony Korducki	Approval
Martin Kozlowski	Approval
Thomas Ptak	Approval
<u>GC – Re-examinations – Duty</u>	<u>Recommendation</u>
Tina Swanson	Approval
<u>GC – Application – Ordinary</u>	<u>Recommendation</u>
Craig Winstead	Approval

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

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 said the Same-Sex spouse opinion is complete and required a few minor non-substantive revisions and will be on the schedule for the November meeting. He also noted the Service Credit request will be resolved by existing opinions and he is conducting a review from the City Attorney opinion library. Mr. McClain said a draft for the Indemnification Agreement would be discussed at the November meeting.

Pending Legislation Report. As a matter of information, Board members received the Pending Legislation Report. Staff commented that there was no new activity to report from last month.

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 September 8, 2022.
- 5) Minutes of the Administration & Operations Committee Meeting Held September 21, 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.

Mr. Bell accepted and placed the Informational items on file.

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 10:26 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.)