

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

Minutes of the Regular Meeting  
held December 20, 2022 via teleconference during COVID-19

The meeting was called to order at 9:00 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  
  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: Patrick McClain, City Attorney's Office; Timothy Heling, ERS Trustee Elect, Terry Siddiqui, DS Consulting, Inc., 10 members of the public called in to the meeting.

**Regular Meeting.**

Mr. Bell noted that this was Mr. Campbell's last meeting as a Board Member and thanked him for his service, as did all the Board Members. Mr. Allen stated he is preparing a resolution for Mr. Campbell.

**Approval of Minutes.**

**Regular Meeting Held November 22, 2022.** It was moved by Ms. Sawa, seconded by Ms. King, and unanimously carried, to approve the Minutes of the Regular Meeting Held November 22, 2022.

**Chief Investment Officer Report.** As a matter of information, Board members received the December 20, 2022 Performance Update. Mr. Sauer noted the Fund as of November 30, 2022, had a value of \$5.59 billion. He said November was a strong month for stocks and bonds, leading to a Fund return of 4.1% in November, gross of fees, which underperformed by approximately 32 basis

points. He said the primary relative performance drivers were an Overweight to Private Equity at -15 basis points, and Manager Selection, with Real Estate at -7 basis points, and UBS at -6 basis points. Mr. Sauer said the Fund outperformed the benchmark in all other time periods shown. He said the Fund return, through December 19, 2022 was at -2.0% month-to-date. Mr. Sauer said the Fund return is down -6.7% year to date and the Fund value is \$5.49 billion. He noted nine out of the Fund's 16 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 -\$407.8 million, paid benefits & expenses of \$433.0 million, and received contributions of \$107.7 million. He said the monthly withdrawals for benefit payments are \$12 million from Brandes, \$9 million from Blair, \$7 million from DFA US Small Cap Value, \$6.5 million from DFA International, \$6 million from Principal, and \$4.5 million from Polen. Discussion ensued.

Mr. Silber acknowledged the difficulty of providing a performance report that is going to show a negative return for 2022, but explained that from a long-term perspective, there are many good things, including the 10-year return exceeding 8 percent, net of fees, and the 20-year return being 7.8%, along with outperformance in all but the one-month time period. Mr. Silber said from a liquidity standpoint that Staff took advantage of the recent stock market rally to withdraw a total of \$62.5 million in stocks to meet the Fund's cash obligations for November and December, completing all of the trades before the markets, particularly the S&P 500, went down over 5 percent last week after the December 14 FOMC meeting. Mr. Silber said he felt increasingly better about the Fund's liquidity positioning going into next year. Mr. Silber also concluded that he believes the Fund is well positioned when the markets rise again.

**Investment Committee Report.** Mr. Klusman reported that at its December 8<sup>th</sup> meeting, Callan provided two presentations, one being an update on the Fund's Real Estate portfolio, and the other being an overview of the performance package that they prepare quarterly for the Fund. He said Staff presented due diligence reports on AQR and Principal. Mr. Klusman commented that Staff also provided a performance update, and discussed upcoming initiatives that include due diligence meetings, meetings with the Real Estate managers Callan identified as part of the ongoing search approved earlier this year, and analyzing the final 2023 Capital Market Assumptions that Callan is expected to finalize soon. He said that, finally, in closed session, the Committee discussed the Side Letter related to Abbott Capital Private Equity Investors 2023. Mr. Klusman noted the Committee then went into open session to approve the Side Letter. He said that since delaying approval of the Side Letter would have put the Fund at risk of missing the deadline to achieve first close fee savings, Staff utilized its authority to execute an investment-related contract that was approved by the Investment Committee as provided under Board Rule VII.G.2.b. Mr. Klusman concluded that there were no other approval items at this meeting.

**Administration & Operations Committee Report.** Ms. Sawa said at its December 15 meeting, the first two items were in closed session. She said the first closed session was a presentation by CliftonLarsonAllen, the internal auditor for the pension system. Ms. Sawa added that the next closed session item was to discuss the results of the RFP for appointment of an independent financial auditor beginning for the 2023 audit. She noted a decision would be made in 2023 in a special A&O Committee Meeting, which she invited all Board Members to attend. Ms. Sawa

concluded that the following agenda items discussed were the IT Projects Portfolio and the Organizational/Personnel Update.

### **New Business.**

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

Active Death Benefits reported	\$0.00
Deferred Death	\$0.00
Deferred Death-Member Only Refund	\$0.00
Ordinary Death Benefits reported	\$0.00
Retired Death Benefits reported	\$34,008.64
Survivor Death – Termination Benefits reported	\$5,510.29
Refund of Member Contributions paid	\$235,594.10

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

**Conference Requests – December 2022 Board Meeting.** Staff and the Board Chair noted this was a placeholder item as there were no requests made at the December meeting.

### **Medical Reports.**

**All Duty & Ordinary Disability Applications & Re-examinations (December).** Staff presented certifications (December 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 – Ordinary</u>	<u>Recommendation</u>
Tommy Wilson	Approval
<u>Fire – Applications – Duty</u>	<u>Recommendation</u>
Jared Bertsche	Denial
<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
Kyle Dannies	Approval

<u>Fire – Applications – Ordinary</u>	<u>Recommendation</u>
Jared Bertsche 08/31/22	Approval
<u>Fire – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Dennis Kowalski	Approval
Thomas Weinzierl	Approval
<u>GC – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Harold Cross	Approval
Judy Madison Hemphill	Approval
Teofilo Maldonado	Approval
Laurie Ory	Approval

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

#### **Disability Findings – Sandrah Crawford.**

Mr. Bell presented the findings submitted by Hearing Examiner Moroney whose decision states, “I therefore recommend that the denial of her application for DDR benefits be affirmed.”

It was moved by Ms. Ford, seconded by Mr. Konrad, and unanimously carried, to approve the Disability Findings – Sandrah Crawford.

Mr. Bell noted the first Unfinished Business section would be from the November 22, 2022 Board Meeting which was held over to today’s meeting due to a lengthy closed session at the November Board meeting.

#### **Unfinished Business – November 22, 2022 Board Meeting.**

##### **A. Approval of Contract for Independent Reviewer/Hearing Examiner – Paul F. Reilly.**

Mr. Petropoulos reported there was attrition in staffing of reviewers and hearing examiners at the ERS office. He stated there was a recommendation from Judge Moroney that Judge Reilly would be a good fit as Judge Moroney is familiar with the duties. Mr. Petropoulos discussed the duties with Judge Reilly and also shared his credentials with Mr. McClain. Mr. Petropoulos recommended the Board approve the contract for Judge Reilly as a hearing examiner and reviewer. Discussion ensued.

It was moved by Mr. Klusman, seconded by Mr. Campbell, and unanimously carried, to approve the Approval of Contract for Independent Reviewer/Hearing Examiner – Paul F. Reilly.

### B. Proposed Change to Board Rule III.E.

Mr. Petropoulos said this proposed change would address situations where it would not be advisable due to the medical condition of the disability applicant or beneficiary to, appear in person before the Medical Council or Medical Panel for a chart review in favor of a virtual appearance instead. He said this amendment was specifically intended exclusively for rare occasions where requiring an in person appearance would threaten the health and safety of the individual. Mr. Petropoulos said Staff would like some flexibility in the Board Rule that would provide some discretion for the Medical Council or upon agreement of both physicians of a Medical Panel on whether or not to require a personal appearance by the subject individual. in person. Discussion ensued. Mr. Klusman requested changing the language of the proposed amendment from “selected physician” to Medical Council or both physicians on the Medical Panel. Mr. Klusman also requested the waiver be reported to the Board at the following Board meeting. Mr. Konrad also requested the re-examinations report include whether it is a virtual meeting. Mr. McClain noted the Board could vote on the amended proposal now or hold the item for a month and come back with corrected language for the Board to vote on next month. Mr. Klusman requested, and Mr. Bell agreed, to request revised language for the Board to look at next month.

C. Conference Requests – November 2022 Board Meeting. Staff presented the Conference Requests from November 2022.

Erich Sauer	Visions, Insights, Perspectives Conference
Sponsor:	Institutional Real Estate, Inc.
Location:	Rancho Palos Verdes, CA
Date(s):	January 17-20, 2023
Estimated Cost:	\$2,250

David Silber, Dave Walters	BlackRock Due Diligence & Potential Callan Office Visit
Sponsor:	BlackRock
Location:	San Francisco, CA
Date(s):	February 1-3, 2023
Estimated Cost:	\$1,600 per person

David Silber, Dave Walters	2023 Public Funds Roundtable
Sponsor:	Institutional Investor
Location:	Los Angeles, CA
Date(s):	April 24-27, 2023
Estimated Cost:	\$2,100 per person

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

D. Proposed 2023 Board and Committee Meeting Dates.

E. Pension Board Election Results.

Mr. Allen noted Mr. Heling was elected with 1,318 votes and that Mr. Misky had 571 votes. He said Mr. Heling would become a Board Member on January 1. Mr. Bell welcomed him to the Board and thanked him for attending previous meetings.

F. Pending Legal Opinions and Service Requests Report.

Mr. McClain commented on the opinion before the Board regarding same-sex spouse retirees and potential retroactive election of survivorship benefits. He noted it was based on an inquiry from a member who was wondering if a recent U.S. District Court case that applied to the Social Security administration affected the ERS. Mr. McClain said the short answer was no. He commented that there was existing IRS guidance on this issue from 2014 and 2015 that remains in effect. Mr. McClain then discussed the Service Request of Additional Service Request and Final Average Salary. He said no new opinions are needed as the City Attorney's office issued two opinions on this issue. Mr. McClain noted the opinions are dated August 17, 1988 and November 9, 2005, which were not included in the packet but he would get copies to the Board members. He said ERS members can accrue service credit from multiple City positions, but cannot accrue more than one year of service credit in any given calendar year and salaries for both City positions are combined when computing final average salary. Mr. McClain then discussed the indemnification agreement regarding the City and the ERS. He said the intent in amending the agreement is to insure that the coverage is as broad as possible to City employees under State Statute, the State Indemnity Statute, under 895.4.6. Mr. McClain noted a final draft would be presented to the Board at the next meeting.

G. Pending Legislation Report.

Mr. Allen said there is no pending legislation to report as the legislature is out of session until January. He noted there was a Judicial Legislation meeting last week and the City prepared its annual requests for legislation. He said the previous pension related items were carried over from last year and those will be monitored to see if any legislation is introduced and would be reported to the Trustees. Mr. Allen said the state biennial budget is expected to move quickly in the first quarter and progress would be monitored and reported to the Trustees.

H. 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.

I. Pending Litigation Report.

J. Conferences.

K. Class Action Income 2022 YTD.

L. Adjusted Quarterly Cost Basis of Equity.

M. Minutes of the Administration & Operations Committee Meeting Held  
October 19, 2022.

N. Report on Bills.

O. Deployment of Assets.

P. Securities Lending Revenue and Budget Report.

Q. Preliminary Performance Report and Asset Allocation.

**Unfinished Business – December 20, 2022 Board Meeting.**

A. Pending Legal Opinions and Service Requests Report.  
Mr. McClain noted there were no additional comments on this report.

B. Pending Legislation Report.  
Mr. Allen said there were no additional comments on this report.

C. 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.**

- A. Pending Litigation Report.
- B. Conferences.
- C. Class Action Income 2022 YTD.
- D. Minutes of the Investment Committee Meeting Held November 10, 2022.
- E. Report on Bills.
- F. Deployment of Assets.
- G. Securities Lending Revenue and Budget Report.
- H. 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 Ms. King, to adjourn the meeting.

Mr. Bell adjourned the meeting at 10:24 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.)