

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

Minutes of the Investment Committee Meeting
held April 14, 2022 via teleconference during COVID-19

The meeting was called to order at 9:00 a.m.

Committee Members Present: James Campbell
 Deborah Ford
 Molly King
 Thomas Klusman, Chair
 Rudy Konrad
 Nik Kovac
 Aycha Sawa

Committee Members Not Present: Matthew Bell, excused

ERS Staff Present: Jerry Allen, Executive Director
 David Silber, Chief Investment Officer
 Erich Sauer, Deputy Chief Investment Officer
 Thomas Courtright, Pension Investment Analyst
 Gust Petropoulos, Deputy Director - Disability
 Jan Wills, Board Stenographer

Others Present: Jim Van Heuit, John Jackson, Mike Joecken, Callan; Patrick McClain, City Attorney's office; Terry Siddiqui, DS Consulting, Inc.; three members of the public called in.

Election of Vice Chair. Mr. Klusman asked for a motion for nominations for the Vice Chair. It was moved by Mr. Konrad and seconded by Mr. Campbell to nominate Mr. Kovac for Vice Chair. Mr. Klusman asked three more times for any further nominations. There being no further nominations, nominations were closed, and a unanimous vote was cast for Mr. Kovac as Vice Chair of the Investment Committee.

Approval of UBS Hedge Fund Solutions Guideline Change. As a matter of information, Committee members received from Mr. Silber a memo regarding the UBS and Principal Guideline Changes as well as the Statement of Investment Policy Update. As a matter of information, Committee members received a redlined and updated copy of the UBS Hedge Fund Solutions Guideline Change. Mr. Sauer noted LIBOR (London Interbank Offered Rate) is phased out on a global basis and is being replaced by SOFR (Secured Overnight Financing Rate), which is based on actual repo borrowing in the Treasury market. He said Northern Trust is no longer able to report on LIBOR for CMERS. Mr. Sauer said CMERS is changing the UBS benchmark from LIBOR+400bp to SOFR+400bp, effective March 1, 2022. He said he also corrected UBS' name in the document.

It was moved by Mr. Campbell, 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. As a matter of information, Committee members received a redlined and updated copy of the Principal Global Investors Guideline Change. Mr. Sauer commented that CMERS is in a commingled fund with Principal and Principal is the one driving the benchmark change. He noted Principal said the change would better align with the strategic policy of the strategy. He said CMERS is recommending this be effective April 1, 2022 for April reporting, rather than January 1, 2022, so reports do not have to be redone from the beginning of the year.

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. As a matter of information, Committee members received a redlined and updated copy of the April 2022 Statement of Investment Policy Update. Mr. Silber noted Principal's benchmark shows up in two different places, with one of them being the Fund's blended benchmark. He recommended updating the Fund's 3.9% blended benchmark weight to Principal to match Principal's guideline change, with this change also being effective on April 1, 2022.

Discussion ensued.

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

Callan 2022 Work Plan. As a matter of information, Committee members received from Callan their 2022 Work Plan for the ERS. Mr. Jackson went over the presentation topics Callan will discuss at the 2022 Investment Committee meetings, including today's Asset Allocation Review and Public Equity Structure Review – Phase I. Mr. Jackson said the remaining months' topics for 2022 include a Real Estate Performance Review and Public Equity Structure Review – Phase II in June, a Private Equity Pacing Review and Infrastructure Opportunities Review in September, a Callan Performance Reporting Overview in November, and a Real Estate Performance and Structure Review in December. Discussion ensued.

Callan 2022 Asset Allocation Review. As a matter of information, Committee members received from Callan their 2022 Asset Allocation Review booklet. Mr. Van Heuit discussed an Economic Outlook, Asset Class Outlooks for Equity and Fixed Income, and Detailed 2022 Assumptions for Returns, Risks, and Correlations. Finally, he discussed Asset Allocation, including Target and Alternatives and Ranges of Returns and Standard Deviations.

Callan Public Equity Structure Review – Phase 1. As a matter of information, Committee members received from Callan their Public Equity Structure Review booklet. Mr. Van Heuit gave a presentation on Public Equity Structure Philosophy and Process, and a Review of CMERS' Current Structure.

Callan Investment Manager Diligence Overview. As a matter of information, Committee members received from Callan their Investment Manager Diligence Overview schedule from the last 12 months and their 4th Quarter Manager Review Report for CMERS. Mr. Joecken gave the Investment Committee an update on all the CMERS' managers that Callan has had meetings with over the last 12 months. He also noted the Private Equity managers are reviewed every September with the Investment Committee, the Real Estate managers are reviewed twice a year, and the

Hedge Fund managers are reviewed several times a year. Mr. Joecken also went over all the Public Equity managers listed on Callan's report. Discussion ensued.

Reams Asset Management Due Diligence Report. As a matter of information, Committee members received from Mr. Courtright his memo on a due diligence meeting he, and Messrs. Sauer and Lubarsky had with Reams Asset Management on October 1, 2021. Mr. Courtright went over the highlights from their due diligence visit, including discussion of three retirements from 2020 through 2023, the Reams office move from Columbus, Indiana to Indianapolis, Indiana, non-compete contracts moving to a perpetual plan, Reams continuing autonomy and independence for managing the business under ownership of Carillon Tower Advisers, and Reams outperforming its benchmark over the one-year through 10-year time periods.

Chief Investment Officer Report. Mr. Silber gave a performance update and said while the numbers for March are not final yet, he estimates for Q1 a decline of 0.4% and noted the net returns over the three-, five-, seven, and 10-year periods are all above 8.50% annualized, rank in the top quartile, and have generated approximately 50 basis points or more of outperformance. He said that markets have continued to decline in April, and estimated the Fund's return year-to-date as of April 13 to be about -1.50%, net of fees, with a market value of approximately \$6.1 billion. Mr. Silber added that Staff is currently having conversations with Callan regarding the Private Real Estate allocation. He noted the Real Assets allocation performance has been very strong over the last 12 months and is now overweight its target.

Informational.

As a matter of information, Committee members received from Callan the 4th Quarter 2021 Performance Report for CMERS.

It was moved by Ms. King and seconded by Mr. Klusman to adjourn the meeting.

There being no further business, Mr. Klusman adjourned the meeting at 10:54 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.)