

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

Minutes of the Investment Committee Meeting
held November 10, 2022 via teleconference during COVID-19

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

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

ERS Staff Present: Jerry Allen, Executive Director
David Silber, Chief Investment Officer
Dave Walters, Pension Investment Analyst – Sr.
Thomas Courtright, Pension Investment Analyst
Dan Gopalan, Chief Financial Officer
Jan Wills, Board Stenographer

Others Present: Brandon Melbye, Edoardo Rulli, Seth Toney, UBS; Jason Ellement, Sally Haskins, Munir Iman, John Jackson, Mike Joecken, Joe McGuane, Callan; Patrick McClain, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc., Tim Heling, Milwaukee Fire Department; six members of the public called in.

UBS Hedge Fund Solutions Presentation. As a matter of information, Committee members received the UBS Closed Session presentation booklet. Mr. Klusman noted the first part of the UBS presentation would be in open session before going into closed session. Mr. Silber introduced Seth Toney, Edoardo Rulli, and Brandon Melbye from UBS and stated UBS is one of the Fund's hedge fund of fund managers. He said the UBS inception date with the ERS is January 1, 2015. He said the ERS' role is to work with UBS on guidelines, goals, and objectives in order to have that collaboration with them. Mr. Silber said UBS is up 5% to 6%, net of fees, year to date, and is a bright spot in the ERS portfolio. He noted that UBS' lead portfolio manager is retiring from his current position in March 2023 and Mr. Rulli, the current Deputy Chief Investment Officer (CIO) will become CIO and Head.

Mr. Melbye, the UBS client relationship manager based in Chicago, introduced Mr. Toney, senior investment specialist and Mr. Rulli. Mr. Rulli provided his background information to the Investment Committee and said he began with a Swiss hedge fund of funds in 2001. Later, he was a European Analyst for UBS. In 2019, he was the UBS Global Head of Research and then joined the portfolio management team. Mr. Rulli then gave an update on the transition of the portfolio manager, portfolio, and the market environment.

Mr. Klusman advised that the Investment Committee may vote to convene in closed session on the following items (I., II., III., IV. and V.) 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 Investment Committee may then vote to reconvene in open session following the closed session.

UBS Hedge Fund Solutions Presentation.

UBS Hedge Fund Solutions Due Diligence Report.

Approval of Recommendation Regarding UBS Hedge Fund Solutions Allocation.

Callan Real Estate Manager Search Update.

Approval of Real Estate Manager Search Finalists.

It was moved by Mr. Campbell, and seconded by Ms. Sawa to convene in closed session. The motion carried by the following roll call vote: AYES: Mses. Ford, King, and Sawa; Messrs. Bell, Campbell, Klusman, Konrad, and Kovac. NOES: None.

The Committee convened in closed session at 9:18 a.m.

The Committee reconvened in open session at 10:33 a.m.

Approval of Recommendation Regarding UBS Hedge Fund Solutions Allocation. It was moved by Ms. King to approve the Staff recommendation, seconded by Mr. Campbell, and unanimously carried, to approve the Approval of Recommendation Regarding UBS Hedge Fund Solutions Allocation.

Chief Investment Officer Report. As a matter of information, Committee members received from Mr. Silber the Chief Investment Officer Report dated November 4, 2022. Mr. Silber mentioned the main takeaways are that an Asset Liability Modeling (ALM) study is necessary, and that there are liquidity considerations that need to be addressed at the meeting. He discussed liquidity management under various scenarios, including potential sources of cash the Fund can draw on to meet its obligations in the event of a prolonged stock market downturn. Mr. Silber also said Callan, at the February 2023 Investment Committee meeting, would focus on the asset part of the asset liability study. He noted at the February 2023 meeting, Callan plans to come up with a handful of asset allocation mixes that will provide a representative range of return and risk outcomes using their final 2023 capital market assumptions.

Approval of Statement of Investment Policy Update. As a matter of information, Committee members received the redlined Statement of Investment Policy. Mr. Silber commented on the approval changes. He stated the Total Fixed Income minimum range is changing to 17.5% on an interim basis, and the footnote date for when the minimum range will revert back to 20% absent further action is changing from February 1st to March 1st, 2023. It was moved by Ms. Sawa, seconded by Mr. Konrad, and unanimously carried to approve the Approval of Statement of Investment Policy Update.

CMERS 3rd Quarter 2022 Performance Update. As a matter of information, Committee members received the CMERS 3rd Quarter 2022 Performance Update. Mr. Silber provided a Fund Overview and also discussed Public Equity, Fixed Income, Absolute Return, Private Equity, and the Recent Performance Update. He noted in the 3rd Quarter Market Environment, stocks were down over 6%, Private Equity, at a lag, was down 16%, Fixed Income was down over 4%, and as a result, there were no material diversification benefits in this quarter. He noted the CMERS Benchmark for Q3 2022 was -5.3%. Mr. Silber stated that the Fund's stock, bond, and hedge fund allocations exceeded his expectations given the difficult market environment, and the main driver of the Fund's 80 basis points of outperformance came from Private Equity. Discussion ensued. Mr. Silber concluded that as of November 9, 2022, the ERS Total Fund Market Value was \$5.40 billion. He said October was a strong month with value and small cap stocks outperforming growth stocks and large cap stocks. Mr. Silber added that November was down slightly through November 9, but there was still outperformance, and the Fund has an estimated year to date return of -8.7% versus the benchmark return of -12.8%. He noted the stock market was up a lot this morning and added that if the markets closed at that moment the Fund value would be approximately \$5.50 billion and the year-to-date return would then be approximately -7.2%.

Due Diligence Reports.

MFS Investment Management. As a matter of information, Committee members received from Mr. Courtright a Memorandum regarding the MFS Investment Management Due Diligence meeting on May 11, 2022. Mr. Courtright said he and Mr. Silber met with MFS in an informative, routine meeting. He said MFS is a research-driven organization with the portfolio management team and research department working collaboratively to get the best names. Mr. Courtright noted the two co-portfolio managers have served on the strategy since 2018. He said another co-portfolio manager retired in April 2021. Mr. Courtright stated MFS' style of growth investing has held up better than many this year and has shown outperformance in the memo's time periods of one, three, and five years and since the Fund hired them in 2012. He concluded that the ERS Staff is confident in MFS' ability to implement the strategy.

William Blair Investment Management. As a matter of information, Committee members received from Mr. Courtright a Memorandum regarding the William Blair Investment Management Due Diligence Meeting on August 23, 2022. Mr. Courtright stated he, Mr. Sauer, and Mr. Walters met with William Blair and there were no concerns. He said the International All-Cap Growth Equity strategy continues to be co-managed since 2013. He said a third co-manager was added in January 2022. Mr. Courtright stated growth styles goes in and out of favor as the market goes through its cycles.

Dimensional Fund Advisors. As a matter of information, Committee members received from Mr. Walters a Memorandum regarding the Dimensional Fund Advisors Due Diligence Meeting on September 13, 2022. Mr. Walters and Mr. Silber met with DFA. Mr. Walters said DFA manages three Public Equity strategies for the Fund, and has been a manager for the Fund since 1996. He noted DFA has the largest allocation of all of the Fund's Public Equity managers with about 8.7% of the Fund, or \$459 million dollars. He said DFA has had outperformance across all three strategies. He said the firm is majority owned by two of the co-founders and that will be monitored. He added that two of the strategies are small cap stocks and the capacity is in the

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comfort zone currently. Mr. Walters stated the firm rolled out a new initiative in ETFs, or Exchange Trade Funds, that cater to individual investors and that it would not affect the strategy.

It was moved by Mr. Bell and seconded by Mr. Konrad to adjourn the meeting.

There being no further business, Mr. Klusman adjourned the meeting at 11:32 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.)