

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

Minutes of the Annual Meeting
held January 24, 2023 via teleconference during COVID-19

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

Board Members Present: Matthew Bell, Chair
 Deborah Ford
 Timothy Heling
 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
 Mary Turk, Business Operations Analyst
 Jan Wills, Board Stenographer

Others Present: Patrick McClain, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc., seven members of the public called in to the meeting.

Annual Meeting.

Introduction of New Board Member. Mr. Bell introduced the new Board member Mr. Timothy Heling. Mr. Heling stated he was on the Board previously until the Board was reorganized. He noted he would be the best fiduciary Trustee he could be. Mr. Heling provided some background information and said he is married for 12 years with one daughter, is a firefighter with the City for the last 18 years, a lieutenant, soon to be captain, and also a paramedic. He commented that he enjoys his job and serving the citizens of Milwaukee. Mr. Heling said he grew up in Milwaukee and has lived here his whole life. He said his father and grandfather were firemen and seeing them living their lives in their retirement is a huge motivator for joining the Board. He noted that he wants to see the pension thrive for many, many more years. He stated the stock market got him interested in joining the Board and he looks forward to learning as much as he can and working with the Board and Staff. He concluded his goal is to leave the pension fund in its strongest position.

Officers for 2023.

Election of Chair. Mr. Bell asked for nominations for Chair. It was moved by Mr. Konrad and seconded by Mr. Heling to nominate Mr. Bell for Chair. There being no further nominations, nominations were closed and a unanimous vote was cast for Mr. Bell as Chair of the Annuity and Pension Board.

Election of Vice-Chair. Mr. Bell asked for nominations for Vice-Chair. Mr. Klusman nominated Mr. Kovac for Vice-Chair. It was moved by Mr. Klusman and seconded by Mr. Konrad to nominate Mr. Kovac for Vice-Chair. There being no further nominations, nominations were closed and a unanimous vote was cast for Mr. Kovac as Vice-Chair of the Annuity and Pension Board.

Approval of Minutes.

Regular Meeting Held December 20, 2022. It was moved by Ms. Sawa, seconded by Mr. Klusman, and unanimously carried, to approve the Minutes of the Regular Meeting Held December 20, 2022.

Chief Investment Officer Report. As a matter of information, Board members received the January 24, 2023 Performance Update. Mr. Sauer noted the December numbers are close to being final, but Staff is waiting on one report from a smaller hedge fund of fund manager who notified Staff they are flat or slightly positive for the month. He said the numbers are not expected to change materially from what is on the report. He noted the Fund as of December 31, 2022, had a value of \$5.47 billion. Mr. Sauer said Fund had a return of -1.8% in December, net of fees, which outperformed the blended benchmark by approximately 38 basis points. He said the primary relative performance drivers were Style Bias, which added 29 basis points, and came primarily from U.S. Large Cap Value & International. Mr. Sauer said in regard to Manager Selection, Private Equity contributed 23 basis points and Real Estate detracted 21 basis points. He said the Fund outperformed the benchmark in all time periods shown. Mr. Sauer said the one-year return is now -6.5%, which is a 10 basis point improvement from -6.6%, which was reported on the summary sent out with the Board package. This improvement was due to the Fund's large hedge fund of fund manager UBS. For the 2022 Summary, he said the Total Fund and all asset classes, except for Real Assets, outperformed their benchmarks, net of fees. He noted 10 out of 16 active mandates outperformed, net of fees. Mr. Sauer said the Fund has seen a year-to-date change in the value of its investments of -\$394.8 million, paid benefits and expenses of \$473.3 million, and received contributions of \$117.9 million. He said the Fund return is up 3.4% so far in January and the Fund's approximate value is \$5.76 billion. Mr. Sauer noted eight out of the Fund's 13 active mandates are outperforming year to date. He noted there has been an investment change of \$192.2 million. Mr. Sauer said the first expense payment to the City was \$1.9 million and the Fund received contributions of \$103 million. He said due to City and Agency contributions, benefits would be paid from the Fund's cash balance this month.

Mr. Silber noted it cannot be controlled when the stock market has negative returns, but what can be controlled is setting the Fund's asset allocation and focusing on the implementation to strive to add value. He said in regards to what can be controlled, there is a lot to feel good about. Mr. Silber said the Fund's 10- and 20-year returns were around 8%, net of fees. He said since the difficult 2020, the Fund had a historic year in 2021 in an environment where markets went up a lot and the

Fund added 607 basis points on top of its benchmark and ranked in the top quartile of its peer universe. He said the Fund was able to add about 410 basis points, net of fees, in 2022, in a year when the market was very different, with both stocks and bonds down double digits. Mr. Silber said also noted it looks like the Fund will be in the top quartile again in 2022, adding hundreds of millions of dollars to the Fund. He said the agenda for the February 9 Investment Committee Meeting would include Phase I of the ALM Study, the ongoing Real Estate Investment Manager search, liquidity follow-up, the 4th quarter performance report, due diligence reports, and the value add analysis.

New Business.

Authorization to Sign Vouchers. It was moved by Ms. Sawa, seconded by Mr. Konrad, and unanimously carried, to approve the Authorization to Sign Vouchers, as revised, with the change to Bill Christianson as Deputy Comptroller.

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

Active Death Benefits reported	\$0.00
Deferred Death	\$22,435.18
Deferred Death-Member Only Refund	\$2,329.75
Ordinary Death Benefits reported	\$0.00
Retired Death Benefits reported	\$22,031.99
Survivor Death – Termination Benefits reported	\$8,134.50
Refund of Member Contributions paid	\$257,514.75

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

Conference Requests – January 2023 Board Meeting. Staff noted this was a placeholder item as there were no requests made at the January meeting.

Approval of 2022 Securities Lending Budget. Mr. Allen said this was an annual housekeeping item and Mr. Gopalan noted the Securities Lending program is run by the ERS' custodian Northern Trust. He said the program generates revenue by lending out securities and the earnings are split 80/20 with Northern Trust receiving 20%. Mr. Gopalan commented that Chapter 36 requires sweeping the securities lending earnings into the Combined Retirement Fund every year. He said the earnings have been trending lower the last 10 years due to high collateral requirements and there are fewer securities in separate accounts. He noted in 2022 that the earnings were over \$791,000, which was an increase over 2021, which was just under \$553,000. Mr. Gopalan said the increase was due to volatility in the market. Discussion ensued.

It was moved by Ms. Ford, seconded by Mr. Kovac, and unanimously carried, to approve the Approval of 2022 Securities Lending Budget.

Annual Obligation of Trustees and ERS Officers to Submit Annual Statement of Economic Interests. Mr. Allen mentioned to the Trustees that the form can be completed online, is due February 28, and the Ethics Board is serious about the due date as there is a \$50 fine per day for each day the form is not submitted. Mr. Heling asked if he needed to complete another form after just submitting the form after becoming a new Board member and Mr. Allen said he would check on that for him.

Proposed Changes to Board Rule III.E. Mr. Allen noted this was carried over from last month regarding in-person re-exams being waived in rare cases such as being on dialysis and would pose a health hazard for that person. He clarified that any waivers would have to be approved by the full Medical Panel and Medical Council and not just one physician from the Medical Panel. Mr. McClain added that the revisions are intended to address some concerns raised by the Board members and the redlined revisions are intended to take care of the concerns by the Board members. Discussion ensued. Mr. Klusman requested that the Executive Director, instead of the Disability Deputy Director, notify the Annuity and Pension Board and adding “at its next regular meeting” at the paragraph end.

It was moved by Mr. Konrad, seconded by Mr. Klusman, and unanimously carried, to approve the Proposed Changes to Board Rule III.E as modified to say Executive Director instead of Disability Deputy Director, and adding “at its next regular meeting.”

Approval of Resolution for Annuity and Pension Board Member Captain James A. Campbell.

Mr. Bell read Mr. Campbell’s resolution:

A Resolution

WHEREAS, Captain James A. Campbell, served with distinction as a Trustee of the Employees’ Retirement System of the City of Milwaukee continuously from January 2018 through December 2022, also serving as Annuity and Pension Board Vice-Chair in 2021 and 2022, on the Investment Committee throughout his term of office and on the Administration & Operations Committee as well, and faithfully and conscientiously discharged his duty to solely represent the interests of all the Members and Beneficiaries of this System during his tenure of office; and

WHEREAS, Captain James A. Campbell’s knowledge of pension benefits enabled him to make many valuable contributions to the Annuity and Pension Board and the well-being of the Employees’ Retirement System of the City of Milwaukee and its thousands of participants, including, and especially, his diligent stewardship in pursuing adequate funding for the System; and

WHEREAS, Captain James A. Campbell served on the Investment Committee of the Annuity and Pension Board throughout his tenure assisting in the development of the Employees’ Retirement System’s Strategic Asset Allocation which has generated hundreds of millions of

dollars of long-term excess returns for the exclusive benefit of the System’s Members and Beneficiaries, and exhibited the courage, discipline, and composure necessary to preserve the Board’s Investment Policy during the COVID-19 pandemic market panic and helped guide the System safely through perilous times with a steady and able hand; and

WHEREAS, Captain James A. Campbell’s departure is a great loss to the Annuity and Pension Board and all the Members and Beneficiaries of the Employes' Retirement System; therefore, be it

RESOLVED, By the Annuity and Pension Board that it hereby expresses its deep and sincere appreciation and gratitude to Captain James A. Campbell for his invaluable, selfless, and loyal service; and be it

FURTHER RESOLVED, That this resolution be recorded in the permanent records of this Board and that a suitably engrossed copy be forwarded to Captain James A. Campbell.

**ADOPTED JANUARY 24, 2023
Annuity and Pension Board**

CHAIR

CHIEF INVESTMENT OFFICER

DEPUTY DIRECTOR

EXECUTIVE DIRECTOR

It was moved by Ms. Ford, seconded by Mr. Konrad, and unanimously carried, to approve the Approval of Resolution for Annuity and Pension Board Member Captain James A. Campbell.

ERS Investment Staff Compensation (Analyst). 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.

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

The Board convened in closed session at 9:51 a.m.

Ms. King left the meeting at 10:00 a.m.

The Board reconvened in open session at 10:03 a.m.

Medical Reports.

All Duty & Ordinary Disability Applications & Re-examinations (January). Staff presented certifications (January 2023) 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>
Vidal Colon	Approval
Deana Martinez	Approval
Jason Mucha	Approval
<u>Police – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Bryan Norberg	Approval
<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
Jerry Allen	Approval
Thomas Repaci	Approval
Thomas Scholz	Approval
Paul Singer	Approval
<u>GC – Applications – Ordinary</u>	<u>Recommendation</u>
David Frank 09/09/2021	Denial
<u>GC – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Saverio Bruno	Approval
Scott Geiger	Approval
Tarji Heard	Approval

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

Unfinished Business.

Pending Legal Opinions and Service Requests Report. Mr. McClain commented there was an inquiry regarding how employees who hold multiple positions with the City should be

treated for purposes of pension benefits. He stated two legal opinions already exist and employees with multiple City positions can accrue service credit for both positions, but service credit cannot exceed one calendar year. Mr. McClain said salaries for both positions can be used when calculating final average salaries. Mr. McClain said there has been some delay on the indemnification agreement and he was assessing whether the indemnification agreement for the Board and ERS was even necessary, based on a number of different factors. He stated city attorney and outside counsel opinions were reviewed back to 2002 and 2003 and it was determined that the Annuity and Pension Board and the Pension system itself are City agencies and ERS employees are City employees. He noted the State statutory indemnification provisions for municipal employees does just that and it applies to public officers and employees acting within the scope of their employment. Mr. McClain said given those opinions and the language in the statute, the City attorneys took an assessment as to whether a separate indemnification agreement was required to afford municipal indemnity to the ERS. He concluded that it has not been codified in an official City legal opinion and that would be the final say on the matter. Mr. McClain said, based on their internal discussions, the ERS is already covered by the state statutory provisions and an indemnity agreement is not necessary. He commented that it is a benefit to the Board as the existing indemnification agreement has some exclusions of coverage, which could have provided less coverage than the State statutory provisions. Mr. McClain said that while the City Attorney formal opinion is still pending, the ERS, employees, Annuity, and Pension Board would be covered by the State indemnity provision and a separate agreement is unnecessary to extend that coverage.

Pending Legislation Report. Mr. Allen stated there are no new developments to report, but if there is legislation at the local or state level, it will be immediately reported to the Board.

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.

- 1) Pending Litigation Report.
- 2) Conferences.
- 3) Class Action Income 2022
- 4) Minutes of the Investment Committee Meeting Held December 8, 2022.
- 5) Minutes of the Administration & Operations Committee Meeting Held December 15, 2022.
- 6) Copies of the Board Rules and Regulations and ERS Ethics Policy.

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

- 7) Report on Bills.
- 8) Deployment of Assets.
- 9) Securities Lending Revenue and Budget Report.
- 10) Preliminary Performance Report and Asset Allocation.
- 11) ERS Holdings Report.

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 10:41 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.)