

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

Minutes of the Regular Meeting  
held March 28, 2023 via teleconference during COVID-19

The meeting was called to order at 9:01 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: Patrice Beckham, Aaron Chochon, Larry Langer, Cavanaugh Macdonald, LLC; Patrick McClain, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc., seven members of the public called in to the meeting.

**Regular Meeting.**

**Approval of Minutes.**

**Regular Meeting Held February 27, 2023.** It was moved by Ms. Sawa, seconded by Mr. Heling, and unanimously carried, to approve the minutes of the Regular Meeting Held February 27, 2023. Mr. Allen asked if Mr. Bell wanted to ask for an adjustment to the minutes regarding the Funding Policy adopted at the last meeting. Mr. Allen noted on the third motion of Actuarial Methods that the last item was not enumerated which was the 10-year amortization. Mr. Langer added that if the Plan were to close to new actives, there would be an amortization period of 10 years. He noted it was good to have a plan in place. Discussion ensued. Mr. Bell rescinded the original motion from Ms. Sawa and Mr. Heling, with their approval. It was moved by Mr. Konrad to amend the minutes with regard to the actuary's recommendation for "Actuarial Methods", that after "and fresh start (25), if CMERS were closed to new actives, (10), for the five-year experience study," seconded by Mr. Heling, and unanimously carried, to re-approve the Minutes of the Regular Meeting Held February 27, 2023.

**Chief Investment Officer Report.** As a matter of information, Board members received the March 28, 2023 Performance Update. Mr. Sauer noted the Fund as of February 28, 2023, had a

value of \$5.62 billion. He said the Fund had a return of -1.7% in February, gross of fees, which outperformed the blended benchmark by approximately 17 basis points. Mr. Sauer commented the main drivers of relative performance were Manager Selection in Public Equity with Brandes adding 12 basis points, and Blair adding 6 basis points. He added the Fund had outperformed the benchmark in all time periods shown. Mr. Sauer remarked as of March 27, 2023, the Fund was down -0.7% month-to-date in March, which brought the year-to-date return up 1.6%, and the Fund value to \$5.59 billion. He noted 12 out of the Fund's 16 active mandates are outperforming, year-to-date. Mr. Sauer stated the Fixed Income asset class is outperforming its benchmark year-to-date. He said year-to-date the Fund has seen a gain in the value of investments of \$92.6 million, paid benefits and expenses of \$82.2 million, and received contributions of \$109.4 million. Mr. Sauer concluded that the monthly withdrawals are \$12.5 million from Brandes, \$9 million from Blair, \$7 million from Reams, \$5.1 million from Loomis, and \$4 million from Polen. Discussion ensued.

Mr. Sauer then provided a couple updates and reminded the Board that in June 2022 the Board was notified that the ERS was to receive an in-kind distribution of Albertson's stock, a publicly-traded grocer, from one of the real estate managers. He noted the timeline was uncertain so Staff asked the Board for authority to work with Northern Trust to liquidate the shares as soon as they were received. Mr. Sauer said it took longer as Albertson's agreed to merge with Kroger and because of the lock-up period, the manager was required to wait longer to distribute the stock to the ERS. He noted when the lock-up expired, the ERS received the shares on February 28, 2023. Mr. Sauer said the proceeds from the sale were \$6.4 million dollars and the ERS, as part of the investment, also received a \$2.2 million dollar special dividend from Albertson's in January 2023. He commented that it was a successful investment for the real estate manager, and complemented Northern Trust on the stock liquidation, who acted on a fiduciary basis. Mr. Sauer commented that the stock liquidated at a good price, since the stock went below the price the next day. He said it was the last remaining investment for that real estate manager and it was one of the non-core Funds CMERS was able to wind down. Mr. Sauer then reminded the Board of the April 20 Investment Committee Meeting and said they would be interviewing Real Estate Managers who were approved as part of the Real Estate search. He concluded they would also provide a preliminary report on first quarter performance and present some routine due diligence reports.

**Administration & Operations Committee Report.** Ms. Sawa said the Committee met on March 23. She said there are a number of items for approval, but first discussed other previous meeting items and commented that the internal auditors CliftonLarsonAllen presented their completed IT audits. She noted that the external auditors Baker Tilly presented their 2022 audit. Ms. Sawa said their external financial statements would be provided later in the summer when they are completed.

**Approval of Wells Fargo Extension Amendment.** Ms. Sawa said this was just an extension to June 30 to allow more time to complete the contract renewal. It was moved by Mr. Bell, seconded by Ms. King, and unanimously carried, to approve the Approval of Wells Fargo Extension Amendment.

**Approval of Close out of 2022 Budget.** As a matter of information, Board members received the Final 2022 Payment to the City and 2022 Budget to Actual Expenditures Memorandum. Mr. Gopalan stated that the City processes the invoices for the ERS and the ERS, reimburses the City on a monthly basis for those expenses. Mr. Gopalan noted the actual expenses for 2022 were \$17,297,096.20 and of that, \$461,041.14 relates to non-trust activities. He noted those non-trust activities relate to the Group Life program, Retiree Health, Administrative Expenses, and the legacy pension plans of PABF and FABF. He said that leaves \$16,836,055.06

funded by the Trust for 2022. He added that they previously reimbursed the City \$15,426,000.00 for paying those costs in 2022, leaving a balance owed of \$1,410.055.06. He concluded that this final amount payable to the City is comprised of costs incurred since the middle of December, the last time the Trust reimbursed the City for expenses and for amounts accrued to close out the fiscal year. Mr. Gopalan said the motion is to approve the payment of \$1,410.055.06 to the City.

It was moved by Mr. Heling, seconded by Ms. King, and unanimously carried, to approve the Approval of Close out of 2022 Budget.

**Approval of Eide Bailly Contract.** Ms. Sawa noted the attorneys are still working on this and the contract is on hold and no motion is needed now. She said the contract will be approved later this Summer.

**Approval of DS Consulting Contract.** It was moved by Mr. Bell, seconded by Ms. Ford, and unanimously carried, to approve the Approval of DS Consulting Contract.

### **New Business.**

**Presentation by Cavanaugh Macdonald LLC Regarding Reset of the Stable Contribution Policy Percentage of Pensionable Earnings for 2023-2027.** As a matter of information, Board members received the “City of Milwaukee Employees’ Retirement System Stable Contribution Policy for Calendar Years 2023 through 2027” presentation booklet. Mr. Langer’s main topics included Preliminary Valuation Results, Stable Employer Contribution Policy, and Final Valuation Results. He stated Cavanaugh Macdonald has the preliminary assets as of January 1, 2023 and the preliminary results are needed to provide Callan with the information necessary to set the investment policy. Mr. Langer stated the Stable Employer Contribution Policy was established with the January 1, 2013-2017 valuation at 8.48% for General City, 22.63% for Police, and 24.83% for Fire. He said it was reset for the January 1, 2018 valuation for 2018-2022 at 7.48% for General City, 25.22% for Police, and 26.83% for Fire. Mr. Langer said the purpose of today’s meeting is to reset for calendar years 2023-2027 and the final valuation results will be presented at the June Board meeting.

Mr. Langer further discussed the topics of the Purpose of the Actuarial Valuation, Actuarial Valuation Process, Events During 2022 Which Impacted the January 1, 2023 Actuarial Valuation Results, Summary of Liabilities and Assets Based on DRAFT Assets, ADEC for Combined Fund as of January 1, 2023 based on DRAFT Assets, Stable Contribution Policy Process, Projected Funded Ratio for Combined Fund based on DRAFT Assets and 7.50% Returns, Projected ADEC for Combined Fund based on DRAFT Assets and 7.50% Returns, Stable Contribution Policy, History of Stable Contribution Policy vs ADEC, CMERS Annual Portfolio Net Returns from Callan, CMERS Geometric Average Net Returns from Callan, Projected Employer Contributions Under ADEC, Projected Funded Ratio Under ADEC, Stable Employer Contribution Rates at Select Percentiles, 50<sup>th</sup> Percentile Projected Dollar Contributions (\$ in Thousands), and Comparison of 50<sup>th</sup> Percentile versus ADEC Funded Ratio.

Mr. Langer discussed Key Takeaways and noted four points: He said as noted in Cavanaugh Macdonald’s actuarial valuation reports since 2019, they anticipated significant increases in the Stable Employer Contribution Rates primarily due to the reduction in the assumed rate of return of 7.50%; returns in 2022 for CMERS, like many Funds, were much lower than expected which puts upward pressure on future contributions; the process used to develop the Stable Employer Contribution Policy frontloads the 2022 return and expected returns that are less

than expected, and the Stable Employer Contribution Rates can be revisited if expectations in assumptions or changes in plan provisions are needed. He concluded they will continue to monitor the policy as in the past. Discussion ensued.

Chairman Bell called for a break at 11:00 a.m.

Chairman Bell resumed the meeting at 11:11 a.m.

**Retirements, Death Claims, and Refunds (February).** Mr. Allen presented the following activity for the months of February 2023.

Active Death Benefits reported	\$0.00
Deferred Death	\$41,666.06
Deferred Death-Member Only Refund	\$0.00
Ordinary Death Benefits reported	\$0.00
Retired Death Benefits reported	\$16,179.97
Survivor Death – Termination Benefits reported	\$15,313.85
Refund of Member Contributions paid	\$290,149.22

It was moved by Mr. Konrad, seconded by Mr. Heling, and unanimously carried, to approve the Retirements, Death Claims, and Refunds (February 2023).

**Conference Requests – March 2023 Board Meeting.** Staff presented the Conference Requests this month.

Erich Sauer	DFA Institutional Symposium
Sponsor:	Dimensional Fund Advisors
Location:	Austin, TX
Date(s):	May 2-4, 2023
Estimated Cost:	\$1,500.00

Molly King	NCPERS Annual Conference & Exhibition
	NCPERS Accredited Fiduciary (NAF) Program -
	Modules 3&4
Sponsor:	NCPERS
Location:	New Orleans, LA
Date(s):	May 21-24, 2023
Estimated Cost:	\$2,050.00

Messrs Heling and Kovac also requested to attend the NCPERS Annual Conference in New Orleans on May 21-24, 2023 at \$2,050.00 per person.

Mr. Allen requested to attend the NCPERS 2023 Chief Officers Summit in Denver, Colorado on June 18 – 21, 2023 at \$1,500.00

It was moved by Mr. Klusman, seconded by Ms. Ford, and unanimously carried, to approve Conference Requests – March 2023 Board Meeting for the five persons requesting to attend conferences.

**Medical Reports.**

**All Duty & Ordinary Disability Applications & Re-examinations (March).** Staff presented certifications (March 2023) of the Fire and Police Medical Panel Physicians and the Medical Council relative to Duty & Ordinary Disability Retirement benefits as follows:

<u>Police – Applications – Duty</u>	<u>Recommendation</u>
Joshua Boyenga	Denial
<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
John Elliott	Approval
Teresa MacGuire	Approval
<u>GC – Re-examinations –Duty</u>	<u>Recommendation</u>
Quedell Braylock	Approval
<u>GC – Applications –Ordinary</u>	<u>Recommendation</u>
Douglas Gall	Approval
<u>GC – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Sasha Gulley	Approval
James Mc Nichol	Approval

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

**Unfinished Business.**

**Pending Legal Opinions and Service Requests Report.** Mr. McClain commented that there were no new items on this report.

**Pending Legislation Report.** Mr. McClain said the City received an unfavorable decision from the Wisconsin Supreme Court related to the 5.8% pension offset payment. He noted the City’s favorable opinion from the Court of Appeals was reversed. The Supreme Court ruled that the 5.8% salary increase be included in the calculation of duty disability retirement benefits. He commented that the decision came in too late for the Board packet, but he will provide additional explanation at the next meeting. He said the decision will result in a 5.8% increase moving forward, as well as retroactively, for affected members. Mr. McClain said each Trustee, will get a copy of the opinion as well as a memo from him at the next meeting.

**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 2023 YTD.
- 4) Adjusted Quarterly Cost Basis of Equity.

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

- 5) Report on Bills.
- 6) Deployment of Assets.
- 7) Securities Lending Revenue and Budget Report.
- 8) Preliminary Performance Report and Asset Allocation.

There being no further business to come before the meeting, it was moved by Ms. King and seconded by Mr. Konrad, to adjourn the meeting.

Mr. Bell adjourned the meeting at 11:28 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.)