

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

Minutes of the Regular Meeting
held May 23, 2023 via teleconference during COVID-19

The meeting was called to order at 9:04 a.m.

Board Members Present: Matthew Bell, Chair
 Deborah Ford
 Timothy Heling
 Tom Klusman
 Rudolph Konrad
 Aycha Sawa

Board Members Not Present: Molly King (excused)
 Nik Kovac (excused)

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; Terry Siddiqui, DS Consulting, Inc., six members of the public called in to the meeting.

Regular Meeting.

Approval of Minutes.

Regular Meeting Held April 25, 2023. It was moved by Mr. Heling, seconded by Mr. Konrad, and unanimously carried, to approve the minutes of the Regular Meeting Held April 25, 2023.

Chief Investment Officer Report. As a matter of information, Board members received the May 23, 2023 Performance Update. Mr. Sauer noted the Fund as of April 30, 2023, had a value of \$5.64 billion. He said the Fund had a return of 0.6% in April, which underperformed the blended benchmark by approximately 25 basis points. Mr. Sauer commented the primary relative performance drivers were Manager Selection where Real Estate detracted 10 basis points, and seven of 11 Active Public Equity Mandates underperformed, which detracted 11 basis points. He added the Fund has outperformed the benchmark in the one-, five, 10-, 15- and 20-year periods.

Mr. Sauer remarked as of May 22, 2023, the Fund was down -0.4% month-to-date for May, which brought the year-to-date return to up 3.5%, and the Fund value to \$5.62 billion. He noted 10 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 \$199.1 million, paid benefits and expenses of \$163.7 million, and received contributions of \$114.4 million.

Mr. Silber then noted there has been more cash activity in the last few months than is typically seen in normal market environments. As a matter of information, Mr. Silber referenced the "2023 Estimated Monthly Cash Flows" document included within the Board package. Mr. Silber commented that all the investment managers are listed and if a positive number is shown, money was taken from a manager and if a negative number is shown, money was added to the manager to invest. He said the most money was withdrawn from Public Equity managers to pay benefits and to push the allocation below its 44% target. Mr. Silber said money was also removed from the Absolute Return allocation. He said this initiative was started at the end of 2022 to reduce the Fund's exposure to Absolute Return. Mr. Silber said Absolute Return was overweight at the start of 2023, but is now underweight the current target. He noted the large negative numbers showing up this month and last month represent increases into Fixed Income to push the allocation closer to its current target. Mr. Silber remarked that they are trying to position the portfolio to better pivot to whatever strategic asset allocation mix is selected at the June 8 Investment Committee meeting. He noted all of the mixes that are being considered support a 7.5% discount rate over the next 30 years, but the ones being focused on push the Public Equity allocation below its current 44% target and raise the Fixed Income allocation above its current 23% target. Mr. Silber said all these actions will enhance the Fund's liquidity position, which had stress on it last year, when the stock and bond markets both went down. He added if there would be a prolonged downturn, the Fund will now be in a much better liquidity position. Mr. Silber mentioned the upcoming June 8 Investment Committee meeting when Phase 3 of the ALM Study will be discussed to determine a new strategic asset allocation. He said Callan will also discuss the Real Estate portfolio and will make a recommendation on how to address the Real Estate allocation now that there is a fifth Real Estate manager, selected from the interviews that took place at the April Investment Committee meeting.

Investment Committee Report. Mr. Klusman noted that at its May 4 meeting, Callan presented phase 2 of the Asset Liability study. He stated that after some discussion, the Committee expressed its intention to focus on the four mixes in Callan's presentation that are expected to lower the Fund's volatility and increase the Fund's Fixed Income allocation compared to the Fund's current strategic asset allocation targets. Mr. Klusman stated Callan will present phase 3 of the study on June 8, and the Committee will have the opportunity to select a new strategic asset allocation policy at that time. He said the Committee also approved a guideline change to the Fund's investment managed by UBS Hedge Fund Solutions. Mr. Klusman said the guideline change will allow UBS to increase the percentage of investments into vehicles with liquidity terms of between two and three years from 10% to 20%. He noted the guideline change became necessary as a result of the Committee's decision last year to reduce the Fund's target allocation to UBS from 7% to 4%. Mr. Klusman said that Staff presented due diligence reports on Mesirow Financial, BlackRock, and Polen Capital Management. He commented that Staff also presented the 1st Quarter Performance Update. Mr. Klusman concluded that the Investment Committee recommended approval of the Approval of UBS Hedge Fund Solutions Guideline Change.

Approval of UBS Hedge Fund Solutions Guideline Change. It was moved by Mr. Klusman, seconded by Mr. Konrad, and unanimously carried, to approve the Approval of UBS Hedge Fund Solutions Guideline Change.

New Business.

Approval of Policy Decision of Joint and Survivor Actuarial Factors for Optional Forms of Benefits. Mr. Allen noted this was a holding item and Board members received a copy of a request for a City Attorney’s legal opinion on the subject. He noted at the last meeting, the Board requested a City Attorney’s opinion as to whether or not there were any legal issues under the Charter associated with having separate tables for General City as opposed to Public Safety. He said it was also necessary to see if there were any equity issues with having only one table for people who have survivors and for those who do not have survivors. He said the actuary has the ability to provide tables for both groups. He said Mr. McClain will present the opinion at one of the next two Board meetings. Mr. Allen also noted Mr. Langer the actuary will be present at the June Board meeting.

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

Active Death Benefits reported	\$0.00
Deferred Death	\$9,974.89
Deferred Death-Member Only Refund	\$0.00
Ordinary Death Benefits reported	\$50,617.41
Retired Death Benefits reported	\$10,943.23
Survivor Death – Termination Benefits reported	\$6,378.63
Refund of Member Contributions paid	\$129,378.97

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

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

David Silber	2023 Roundtable for Consultants & Institutional Investors
Sponsor:	Institutional Investor
Location:	Chicago, IL
Date(s):	October 3-5, 2023
Estimated Cost:	\$1,300.00

David Silber	2023 USLF Annual Meeting
Sponsor:	ProLogis
Location:	Phoenix, AZ
Date(s):	October 25-27, 2023
Estimated Cost:	\$1,300.00

It was moved by Mr. Heling, seconded by Ms. Sawa, and unanimously carried, to approve the Conference Requests – May 2023 Board Meeting.

Medical Reports.

All Duty & Ordinary Disability Applications & Re-examinations (May). Staff presented certifications (May 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>
Dwight Copeland	Approval
<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
Maurya Lomen	Approval
William Soderbeck	Approval
<u>Fire – Applications – Ordinary</u>	<u>Recommendation</u>
Jack Stainback	Approval
<u>GC – Applications – Duty</u>	<u>Recommendation</u>
Ibrahim Dais	Denial
<u>GC – Applications – Ordinary</u>	<u>Recommendation</u>
Tomeka Cole	Denial
Ibrahim Dais	Approval
<u>GC – Re-examinations – Duty</u>	<u>Recommendation</u>
Gordon Mathews	Approval
<u>GC – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Kevin Cole	Approval

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

Disability Findings – Benjean Lara. Mr. Klusman asked if this would be a closed session item and Mr. Allen stated there is a closed session exemption for litigation for the Board to receive legal counsel, but in this instance, legal counsel for the Board has written a brief which the Board members received a copy of. Mr. Klusman added that Board members received both parties' briefs and the examiner's report. He noted for legal counsel for the Board to be present without opposing counsel in closed session, would be unfair to the applicant from a due process standpoint. Mr. Allen said for that reason, the Board would not be able to go into closed session. Mr. Allen said the exception did not fit so the Board could not go into closed session. Mr. Konrad commented that there is another exception in the Public Meetings law for deliberating in the context of judicial, after-judicial, or quasi-judicial hearing. Mr. Konrad stated this could be held over to next month's meeting and get an opinion on whether or not the exception for deliberation allows the Board to discuss this in closed session, even when counsel is not present. He commented that counsel would not be present in a deliberation anyway. Mr. Konrad stated they have to discuss whether to remand this and it has to be discussed to see if the decision conforms with the ordinance. Mr. Bell asked Board members if they would like to hold over this item and all Board members were in agreement to hold this item over. As a matter of transparency, Mr. Bell stated he worked with Mr. Lara many years ago on the south side, but does not know him personally. Mr. Bell said he has not been following the case, but did not see it as affecting his fiduciary responsibility as Board member and Chairman. Mr. Bell also mentioned knowing Officer Rivera who was mentioned in the report. Mr. Bell reiterated this item will be held over for closed session at the June 27th Board Meeting.

Unfinished Business.

Pending Legal Opinions and Service Requests Report. Mr. McClain stated that Mr. Allen had mentioned that the City Attorney's office is putting together the legal opinion for dual actuarial tables and that is in process. Mr. McClain said he had no further comments for this report.

Pending Legislation Report. Mr. Allen noted there is nothing to report on in this Legislation Report, but that there is pending legislation in the Legislature.

Please be 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)(g), Wisconsin State Statutes, to confer with legal counsel concerning strategy to be adopted by the body with respect to litigation in which it is or is likely to become involved. The Board may then vote to reconvene in open session following the closed session.

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

The Board convened in closed session at 9:36 a.m.

The Board reconvened in opened session at 10:08 a.m.

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.

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- 1) Pending Litigation Report.
- 2) Conferences.
- 3) Class Action Income 2023 YTD.
- 4) Adjusted Quarterly Cost Basis of Equity.
- 5) Minutes of the Administration & Operations Committee Meeting Held April 18, 2023.
- 6) Minutes of the Investment Committee Meeting Held April 20, 2023.
- 7) Minutes of the Investment Committee Meeting Held May 4, 2023.

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

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

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

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