

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

Minutes of the Regular Meeting
held July 25, 2023 via teleconference

The meeting was called to order at 9:00 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
 Gust Petropoulos, Deputy Director – Disability
 Mary Turk, Business Operations Analyst
 Jan Wills, Board Stenographer

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

Regular Meeting.

Approval of Minutes.

Regular Meeting Held June 27, 2023. It was moved by Mr. Klusman, seconded by Ms. King, and unanimously carried, to approve the minutes of the Regular Meeting Held June 27, 2023.

Chief Investment Officer Report. As a matter of information, Board members received the July 25, 2023 Performance Update. Mr. Sauer said the Fund as of June 30, 2023, had a value of \$5.65 billion. He said the Fund had a 2.9% return in June, net of fees, and underperformed the blended benchmark by approximately 19 basis points. He noted the portfolio performed well, but was overshadowed by the way the Private Equity benchmark came in this month. Mr. Sauer commented the main driver was Manager Selection, with Private Equity subtracting 74 basis points in that quarter. He commented that Private Equity performance was not bad, but because of the way it is benchmarked using the Russell 3000 from one quarter prior, plus an annual premium, the Russell 3000 started to bounce back in the first quarter of 2023, and the Private Equity

benchmark was up 7.8% vs. 2.2% return from the Private Equity reports that came in. He added the Fund's Real Estate program added 24 basis points, the DFA Mandates added 13 basis points, and Brandes added 8 basis points. He added the Fund has underperformed the benchmark in the year-to-date and one-year time periods, while outperforming in the five-, 10-, 15- and 20-year periods. Mr. Sauer remarked as of July 24, 2023, the Fund was up 1.2% month-to-date for July, which brought the year-to-date return to 6.8%, and the Fund value to \$5.74 billion. He noted eight of the Fund's 16 active mandates are outperforming year-to-date, and 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 \$380.2 million, paid benefits and expenses of \$243.7 million, and received contributions of \$139.9 million.

Mr. Silber discussed recent cash activity. He said when the Fund underperforms in the recent time periods, it often drags down all the numbers. He commented Staff will present the normal quarterly package at the September Investment Committee Meeting that will include information on peer universes, more detailed performance metrics, and characteristics data. He noted the Fund's returns appear to be at or near the top quartile for the five- and 10-year period and the second quartile over 15 years. He said last year the public markets were down, while the end of last year and first half of this year, stocks are rallying strongly. He said that the lags in reporting for the investments in Private Equity and Real Estate, combined with the volatile public markets, are making it more difficult than usual to draw definitive conclusions on recent relative performance. Mr. Silber emphasized the importance of looking at the Fund's long-term returns, and said the ERS still has a top-performing Fund over the long-term and cautioned against concluding that anything is broken based on the six- and 12-month underperformance. He noted the Investment team has a lot of due diligence and conference trips coming up. Mr. Silber said the annual pacing study will be presented in September where a deep dive into Private Equity will be conducted. He said that the theme of the last few months was implementing the portfolio allocation changes that were driven by the discount rate that was reaffirmed earlier this year and the new asset allocation approved in June. Mr. Silber noted that at the end of 2022, the Fund had \$2.36 billion dollars invested in stocks. He said as of July 24, they have \$2.32 billion in stocks even after taking \$410 million from stocks. He said \$360 million of the \$410 million was put into Fixed Income, with the remaining \$50 million used for benefit payments. He noted the allocation to Public Equity was 43.2% at the end of last year and is about 40.4% as of July 24. Mr. Silber said at the beginning of the year, they had just over \$1 billion in Fixed Income, which was 19.5% of the Fund, and now the Fixed Income allocation is just under \$1.5 billion and is now about 25.9% of the Fund's assets. He stated that yields remain high, and higher than what Callan assumed in their 2023 capital market assumptions. Mr. Silber concluded that if markets cooperate, he plans to continue to trim the stock allocation to get Fixed Income closer to the 29% allocation.

Special Administration & Operations Committee Report. Ms. Sawa provided a report on the July 18, 2023 Administration & Operations Committee meeting. She said they met primarily to accept the Baker Tilly external audit for the 2022 financials. Ms. Sawa said the Board needs to approve three items. Mr. Gopalan added, based on the comments by the Committee members regarding the Annual Report's small font, that Ms. Wills re-designed the report so the font is larger and easier for the retirees to read when it's included yearly in August with the direct deposit notices.

Please be advised that the Annuity & Pension Board may vote to convene in closed session of the following item (A.), 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 and in Section 19.85 (1)(f), when considering financial, medical, social or personal histories or disciplinary data of specific persons, preliminary consideration of specific personnel problems or the investigation of charges against specific persons except where par. (b) applies which, if discussed in public, would be likely to have a substantial adverse effect upon the reputation of any person referred to in such histories or data, or involved in such problems or investigations. The Annuity & Pension Board may then vote to reconvene in open session following the closed session.

The Board did not convene in closed session as noticed above.

Acceptance of Baker Tilly 2022 Financial Audit. It was moved by Ms. King, seconded by Mr. Konrad, and unanimously carried, to approve the Acceptance of Baker Tilly 2022 Financial Audit.

Approval of Annual Comprehensive Financial Report (ACFR) for the Year Ended December 31, 2022. It was moved by Mr. Konrad, seconded by Mr. Bell, and unanimously carried, to approve the Approval of Annual Comprehensive Financial Report (ACFR) for the Year Ended December 31, 2022.

Approval of Annual Report of the Annuity & Pension Board 85th Edition, December 31, 2022. Mr. Klusman requested that a note be added to the retiree newsletter that the new format of the Annual Report is the former tri-fold brochure. It was moved by Mr. Klusman, seconded by Mr. Heling, and unanimously carried, to approve the Approval of Annual Report of the Annuity & Pension Board 85th Edition, December 31, 2022.

Ms. Sawa 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)(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 Board may then vote to reconvene in open session following the closed session.

It was moved by Ms. Sawa and 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 9:18 a.m.

The Board reconvened in opened session at 9:21 a.m.

Results and Approval of Proposals to RFP for Internal Audit Services. It was moved by Mr. Klusman, seconded by Mr. Konrad, and unanimously carried, to approve the report entitled, Results and Approval of Proposals to RFP for Internal Audit Services.

Special Meeting of the Legislative Committee (Committee of the Whole). Ms. Ford, the Chair of the Legislative Committee, stated there was a Special Meeting of the Legislative Committee (Committee of the Whole) on July 24, 2023. She noted it was held entirely in closed session. She concluded there will be a follow-up Legislative Committee (Committee of the Whole) meeting on August 29.

New Business.

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

Administrative Withdrawal	\$3,997.98
Full Refund	\$117,369.67
Active Death Benefits reported	\$0.00
Deferred Death	\$0.00
Deferred Death-Member Only Refund	\$68,890.68
Ordinary Death Benefits reported	\$0.00
Retired Death Benefits reported	\$21,529.03
Survivor Death – Termination Benefits reported	\$10,690.51
Refund of Member Contributions paid	\$190,258.33

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

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

Erich Sauer, Thomas Courtright, Dave Walters	New Real Estate Manager Due Diligence
Sponsor:	New Real Estate Manager
Location:	Chicago, IL
Date(s):	July 27, 2023
Estimated Cost:	\$75.00 per person

Erich Sauer, Thomas Courtright	Apogem Capital Due Diligence
Sponsor:	Apogem Capital
Location:	Richmond, VA
Date(s):	August 22-23, 2023
Estimated Cost:	\$1,000.00 per person
David Silber, Thomas Courtright	Baird Advisors' 23 rd Annual Institutional Investors' Conference
Sponsor:	Baird
Location:	Kohler, WI
Date(s):	September 11, 2023
Estimated Cost:	\$65.00 per person
Erich Sauer, Dave Walters	Reams Due Diligence
Sponsor:	Reams Asset Management
Location:	Indianapolis, IN
Date(s):	September 12-13, 2023
Estimated Cost:	\$750.00 per person
Dave Walters	Analyst Bootcamp
Sponsor:	With Intelligence
Location:	Chicago, IL
Date(s):	September 19, 2023
Estimated Cost:	\$150.00
Dave Walters	Global ARC Conference
Sponsor:	Global ARC
Location:	Boston, MA
Date(s):	October 22-25, 2023
Estimated Cost:	\$1,900.00
David Silber	Apogem's 2023 Annual General Meeting
Sponsor:	Apogem
Location:	Miami, FL
Date(s):	December 4-6, 2023
Estimated Cost:	\$1,500.00

Mr. Kovac and Ms. King also requested to attend the Baird Advisors' 23rd Annual Institutional Investors' Conference on September 11 at \$65.00 per person.

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

Approval to suspend Disability Benefits for Non-Compliance with Outside Earnings Limitation. As a matter of information, Board members received a list of 14 retirees whose disability benefits were proposed for suspension on the July 2023 payroll due to non-compliance of outside earnings. Mr. Gopalan commented that these persons receive a retirement or disability benefit and are required to submit their tax returns. He said once the deadline is closer, persons usually submit their tax returns before their benefits are suspended. Mr. Allen added that once they comply, their suspended benefits will be restored. It was moved by Mr. Klusman, seconded by Mr. Konrad, and unanimously carried, to approve the Approval to suspend Disability Benefits for Non-Compliance with Outside Earnings Limitation.

Approval of August Resolution. Mr. Bell presented the following resolution:

WHEREAS, No regular meeting of the Board will be held during the month of August 2023; therefore, be it

RESOLVED, By the Annuity and Pension Board that the Secretary is authorized and directed to pay bills, retirement allowances, death claims and refund of contributions, and take whatever action may be necessary to administer the system, including approve disability reports of the Medical Council and Medical Panel applications, and report such action to the Board at the Regular Meeting on September 26, 2023. Denials will be held for action by the Board at its next regular meeting.

It was moved by Mr. Heling, seconded by Mr. Konrad, and unanimously carried, to approve the Approval of August Resolution.

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.

ERS Investment Staff Compensation (Analyst).

It was moved by Mr. Klusman and seconded by Mr. Kovac 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 9:32 a.m.

The Board reconvened in opened session at 9:46 a.m.

It was moved by Mr. Konrad, seconded by Ms. Ford, and unanimously carried, to approve the proposed compensation adjustment for the ERS Investment Staff Compensation (Analyst).

Medical Reports.

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

<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
Robert Bresette	Approval
Walter Price	Approval
<u>Police – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Carol Hart	Approval
<u>Fire – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Christopher Kietzke	Approval
<u>GC – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Sharodnick Brown	Approval
Valerie Chapman	Approval
Jeffrey Granberry	Approval
Sharon Turner-Young	Approval

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

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)(f), Wisconsin State Statutes, for considering financial, medical, social or personal histories or disciplinary data of specific persons, preliminary consideration of specific personnel problems or the investigation of charges against specific persons except where par. (b) applies which, if discussed in public, would be likely to have a substantial adverse effect upon the reputation of any person referred to in such histories or data, or involved in such problems or investigations.

Disability Findings – Benjean Lara.

It was moved by Ms. Sawa and seconded by Mr. Konrad 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.

The Board reconvened in opened session at 10:28 a.m.

Mr. Bell commented that the Disability Findings - Benjean Lara item will be placed on hold and re-considered at the August 29, 2023 scheduled meeting.

Unfinished Business.

Pending Legal Opinions and Service Requests Report. Staff noted there was nothing to report, but the opinion for the Optional Joint and Survivor Benefits is pending as a result of Mr. McClain being occupied in connection with Act 12 compliance requirements. Staff said an opinion would be ready in the Fall and survivorship actuarial factors would be published and would go into effect on January 1, 2024 after the opinion is received and the Board approves it. With regard to outstanding service requests, Staff said the Board made a motion today regarding Internal Audit Services and they approved proceeding with the actions of the Administration & Operations Committee.

Pending Legislation Report. Staff said there was nothing to report this month, other than Part 4 deals with Wisconsin Act 12, but extensive discussion occurred at the Special Legislative Committee on July 24. Staff said there would be another Special Legislative Committee meeting on August 29 for further deliberation on proposed charter amendments to comply with Act 12.

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.

The Board did not convene in closed session as noticed above.

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) Minutes of the Administration & Operations Committee Meeting Held June 21, 2023.

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.

Mr. Bell accepted and placed the Informational items on file.

Before the meeting adjourned, Mr. Bell wanted to remind the Board members that five years ago today Police Officer Michael Michalski was shot and killed in the line of duty.

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

Mr. Bell adjourned the meeting at 10:40 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.)