

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

Minutes of the Regular Meeting
held September 26, 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
 Daniel Gopalan, Chief Financial Officer
 David Silber, Chief Investment Officer
 Erich Sauer, Deputy Chief Investment Officer
 Dave Walters, Senior Pension Investment Analyst
 Gust Petropoulos, Deputy Director – Disability
 Mary Turk, Business Operations Analyst
 Jan Wills, Board Stenographer

Others Present: John Jackson, David Zee, Callan; Patrick McClain, Alex Foundos, Travis Gresham, 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 July 25, 2023. It was moved by Mr. Konrad, seconded by Mr. Heling, and unanimously carried, to approve the minutes of the Regular Meeting Held July 25, 2023.

Chief Investment Officer Report. As a matter of information, Board members received the September 26, 2023 Performance Update. Mr. Sauer said the Fund as of August 31, 2023, had a value of \$5.62 billion. He said the Fund had a -1.3% return in August, gross of fees, and outperformed the blended benchmark by approximately 8 basis points. Mr. Sauer commented the main relative performance driver was Manager Selection, and the stock portfolio held up relatively better than the benchmark in a down market with Public Equity adding 31 basis points. He said nine out of 11 active equity mandates outperformed, with the standout being Brandes who added 17 basis points. The Fund's Style Bias subtracted 21 basis points, primarily from the US Small Cap and the US Large Cap Value biases. He added the Fund has underperformed the benchmark

in the year-to-date period, while outperforming in the one-, five-, 10-, 15- and 20-year periods. Mr. Sauer remarked as of September 25, 2023, the Fund was down 1.9% month-to-date for September, which brought the year-to-date return to 3.9%, and the Fund value to \$5.52 billion. He noted 10 of the Fund's 16 active mandates are outperforming year-to-date, and the Fixed Income and Real Assets asset classes are outperforming their respective benchmarks year-to-date. He said year-to-date the Fund has seen a gain in the value of investments of \$228.2 million, paid benefits and expenses of \$326.0 million, and received contributions of \$151.2 million. Mr. Sauer concluded that for benefit payments this month, the following monthly withdrawals would be \$14.1 million from Brandes, \$6.8 million from MFS, \$6 million from DFA US Small Cap, \$5.3 million from Polen, \$4.8 million from DFA US Large Cap, \$3.4 million from Earnest, and \$3.2 Million from the S&P 500 Index.

Mr. Silber said, at the beginning of the year, Staff was spending a lot of time talking about liquidity because stocks and bonds both experienced double-digit declines in 2022. He noted as 2023 has progressed, the liquidity challenges faced earlier in the year have dissipated thanks to the rally in stocks, which has allowed Staff to focus on implementing the Fund's new strategic asset allocation that the Board approved in June. Mr. Silber said the Fund's portfolio is now as close to its new asset allocation targets as it has been all year. He commented Staff was able to make these moves in a time of rising stock markets, so gains from Public Equity were recycled into Fixed Income to increase that allocation. Mr. Silber said he's pleased that the Fund has been able to get its Fixed Income allocation close to the new 29% target with interest rates still above Callan's beginning of the year capital market assumptions.

Investment Committee Report. Mr. Klusman said at its September 7th meeting, Callan presented the 2024 Private Equity Pacing and Reinvestments analysis. He stated the Committee later approved the 2024 Private Equity Commitment Recommendation, which was to commit \$40 million to Abbott Capital's AP 2024 vehicle, and \$30 million to Apogem's APEF XI vehicle. Mr. Klusman said Staff provided routine due diligence reports on Abbott Capital and Neuberger Berman. He added that Staff also went over the Fund's 2nd quarter performance report. Mr. Klusman commented that Loomis Sayles presented proposed guideline changes that will likely come before the Committee for formal consideration later this year, and Reams gave a presentation on the Fixed Income strategy they manage for the Fund. He stated the Committee voted to hold the Reams Asset Management Guideline Change request to today's Board meeting pending written guidance from Callan. Mr. Klusman noted the Committee approved an Update to the Fund's Private Equity Statement of Investment Policy that became necessary when the Fund's Strategic Asset Allocation was changed in June, and finally, the Committee went into closed session to discuss the Side Letter Revision related to Mesirow Private Equity Fund IX. He said the Committee then went into open session to approve the Side Letter Revision. Mr. Klusman added that since delaying approval of the Side Letter would have put the Fund at risk of missing the deadline to achieve first close fee savings, Staff utilized its authority to execute an investment-related contract that was approved by the Investment Committee as provided under Board Rule VII.G.2.b. Mr. Klusman concluded that the Investment Committee recommends approval of the following items: Approval of 2024 Private Equity Commitment Recommendation and Approval of Private Equity Statement of Investment Policy Update. He noted that the Investment Committee voted to hold the following item for consideration at today's Board meeting pending written guidance from Callan: Approval of Reams Asset Management Guideline Change.

Approval of 2024 Private Equity Commitment Recommendation. It was moved by Mr. Bell, seconded by Ms. King, and unanimously carried, to approve the Approval of 2024 Private Equity Commitment Recommendation.

Approval of Private Equity Statement of Investment Policy Update. It was moved by Mr. Bell, seconded by Ms. King, and unanimously carried, to approve the Approval of Private Equity Statement of Investment Policy Update.

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)(e), Wisconsin State Statutes, to develop a negotiation strategy for the proposed Reams Asset Management Guideline Change, and 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.

Approval of Reams Asset Management Guideline Change. 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, King, and Sawa; Messrs. Bell, Heling, Klusman, Konrad, and Kovac. NOES: None.

The Board convened in closed session at 9:13 a.m.

The Board reconvened in open session at 9:39 a.m.

It was moved by Mr. Klusman, seconded by Mr. Konrad, and unanimously carried, from the motion Mr. Bell put forward, “to **not** approve the Reams Asset Management Guideline Change, and instead, address it based on the discussion that we had in closed session.”

Administration & Operations Committee Report. Ms. Sawa reported that the A&O Committee met on September 20 at 9:00 a.m. and had two approvals of contracts that the Committee does recommend for approval – the extension of the Wells Fargo Contract and the approval of the CliftonLarsonAllen Contract for internal audit services. Ms. Sawa said the Board did not convene in closed session as noticed on the agenda.

Approval of Extension of Wells Fargo Contract Pending Further Negotiations. It was moved by Mr. Heling, seconded by Mr. Konrad, and unanimously carried, to approve the Approval of Extension of Wells Fargo Contract Pending Further Negotiations.

Approval of CliftonLarsonAllen (CLA) Contract. It was moved by Mr. Bell, seconded by Ms. King, and unanimously carried, to approve the Approval of CliftonLarsonAllen (CLA) Contract.

Ms. Sawa also added from the Committee Report that they had a renewal of the Fiduciary and Cyber insurance with a minimal increase. She said there was also a discussion on the State Legislative Audit Bureau Engagement and added the State Legislative Audit Bureau would be working with the ERS and doing the financial audits going forward as well as the actuarial audit every five years. She concluded the Committee also went through the IT Projects Portfolio and

Organizational/Personnel Update and there is one vacancy to fill. Mr. Allen said the Fiduciary Liability Insurance and Cyber Insurance was not listed for approval this month as the cyber quote was just received yesterday, but would be brought back at the end of the month.

New Business.

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

Administrative Withdrawal	\$16,702.45
Full Refund	\$476,660.85
Active Death Benefits reported	\$0.00
Deferred Death	\$5,162.32
Deferred Death-Member Only Refund	\$118,675.73
Ordinary Death Benefits reported	\$16,163.81
Retired Death Benefits reported	\$21,713.29
Survivor Death – Termination Benefits reported	\$9,099.36
Refund of Member Contributions paid	\$612,039.03

Discussion ensued. It was moved by Mr. Klusman, seconded by Ms. King, and unanimously carried, to approve the Retirements, Death Claims, and Refunds (July and August 2023).

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

David Silber	The Fall Retreat - Conference
Sponsor:	with.Intelligence
Location:	Chicago, IL
Date(s):	September 18-19, 2023
Estimated Cost:	\$650.00

David Silber,	Principal Due Diligence
Thomas Courtright	
Sponsor:	Principal
Location:	New York, NY & Des Moines, IA
Date(s):	September 20-21, and October 11-12, 2023
Estimated Cost:	\$2,200.00 per person

<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
Christopher Gauthier	Approval
Julie Hall	Approval
Claude Hunter	Approval
Timothy Newman	Approval
<u>Police – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Michael Albright	Approval
Katrina Warren	Approval
<u>GC – Applications – Ordinary</u>	<u>Recommendation</u>
Eric Brown	Approval
Effective 03/14/2023	
<u>GC – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Renee Gibbs	Approval
Annie Hatcher	Approval
Damion Powell	Approval
Tia Smith	Approval
Kenneth Trudeau	Approval
Gregory Zarling	Approval

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

Unfinished Business.

Pending Legal Opinions and Service Requests Report. Mr. McClain said the survivorship legal opinion has been delayed due to the City Attorney’s Office implementing Act 12. He said the opinion would be ready by next month.

Pending Legislation Report. Mr. Allen noted the charter ordinance relating to the ERS and its implementation was approved by the Finance & Personnel Committee and adopted by the Common Council. He noted next week there would be a proposed charter amendment for Chapter 36 to authorize the ERS to serve as the designated WRS agent, alternate agent and retirement contact for implementing the conversion to the WRS for new hires. He commented that Mr. Gopalan would be the WRS agent and Ms. Johnson the alternate. Mr. Allen stated these are non-trust activities so the City would be billed. He said the City must be enrolled in the WRS by November 15 to secure the sales tax revenues pursuant to Act 12. He concluded the wage and service reporting and new hire eligibility for WRS will also be administered by ERS as appropriate with assistance from other city departments.

Executive Director's Report – Inventory of ERS Projects. Mr. Bell stated the Board did not convene in closed session as noticed. 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.

Mr. Bell stated the Board did not convene in closed session as noticed.

- 1) Pending Litigation Report.
- 2) Conferences.
- 3) Class Action Income 2023 YTD.
- 4) Minutes of the Special Administration & Operations Committee Meeting Held July 18, 2023.
- 5) Minutes of the Special Legislative Committee Meeting (Committee of the Whole) Held July 24, 2023.
- 6) Minutes of the Special Legislative Committee Meeting (Committee of the Whole) Held August 29, 2023.
- 7) Minutes of the Investment Committee Meeting Held September 7, 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.

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

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 10:07 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.)