

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

Minutes of the Regular Meeting
held October 24, 2023 via teleconference

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

Board Members Present: Matthew Bell, Chair
 Deborah Ford
 Timothy Heling
 Molly King
 Rudolph Konrad

Retirement System Staff Not Present: Tom Klusman (excused)
 Nik Kovac (excused)
 Aycha Sawa (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
 Thomas Courtright, Pension Investment Analyst
 Gust Petropoulos, Deputy Director – Disability
 Mary Turk, Business Operations Analyst
 Jan Wills, Board Stenographer

Others Present: Christine Webb, Ryan Young, Brown & Brown; Erin Scharlau, Carolyn Stittleburg, Legislative Audit Bureau; Patrick McClain, Alex Foundos, 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 September 26, 2023. It was moved by Mr. Konrad, seconded by Mr. Heling, and unanimously carried, to approve the minutes of the Regular Meeting Held September 26, 2023.

Chief Investment Officer Report. As a matter of information, Board members received the October 24, 2023 Performance Update. Mr. Sauer said the Fund as of September 30, 2023, had a value of \$5.47 billion. He said the Fund had a -2.1% return in September, net of fees, and underperformed the blended benchmark by approximately 37 basis points. Mr. Sauer commented the main relative performance drivers were Manager Selection, with Private Equity subtracting 83 basis points and Real Estate adding 19 basis points. He said the overall impact from the allocation was 21 basis points, attributable primarily to the overweight in Private Equity. He added the Fund has underperformed the benchmark in the year-to-date period and one-year periods, while outperforming in the five-, 10-, 15- and 20-year periods. Mr. Sauer remarked as of October 23,

2023, the Fund was at -1.8% month-to-date, which brought the year-to-date return to 1.8%, and the Fund value to \$5.37 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 \$117.0 million, paid benefits and expenses of \$366.5 million, and received contributions of \$153.9 million. Mr. Sauer concluded that the ERS is withdrawing \$30 million from UBS for benefit payments this month.

Mr. Silber said the next Investment Committee Meeting is November 9. He added that Mr. Walters left his position a couple weeks ago because of a family decision to move to another state. Mr. Silber said the investment department now has two vacant positions, and recruitment for these positions was posted to the public last Friday. He added that DER and the budget office have been great to work with. Mr. Silber said the Fund's return was now under 2%, net of fees, as of October 23rd. He commented that some of the Fund's Fixed Income managers are yielding over 6% in their portfolio's now. Mr. Silber said there are negative marks in Real Estate year-to-date due to the rise in interest rates. He added that the Fund is generating low single-digit returns in Hedge Funds and Private Equity year-to-date. Mr. Silber said that about seven stocks have generated the majority of the S&P 500 index's return year-to-date. He said most benchmarks for small-cap indices, mid-cap indices, value indices and emerging market indices have negative year-to-date returns. Discussion ensued.

Administration & Operations Committee Report. Ms. King reported that the A&O Committee met on October 18 at 9:00 a.m. and Brown & Brown presented, and stated that both the property casualty and cyber insurance policy costs would be lower under a proposal from with Cincinnati Insurance Company rather than with the current carrier, Hanover. Ms. King said the A&O Committee recommended approval of the proposal for property casualty Insurance with the Cincinnati Insurance Company. Ms. King said the Cyber Insurance policy proposal had a substantial decrease and the committee also recommended approval of the Cyber Insurance. She said the committee also recommended approval of the Fiduciary Insurance.

Renewal of Property Casualty Insurance. It was moved by Ms. Ford, seconded by Mr. Konrad, and unanimously carried, to approve the Cincinnati proposal on file for property casualty insurance.

Renewal of Fiduciary and Cyber Insurance. It was moved by Ms. Ford, seconded by Mr. Konrad, and unanimously carried, to approve the proposal on file from Brown & Brown for renewal of fiduciary and cyber insurance.

Mr. Bell advised that the Annuity & 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. King, seconded by Mr. Heling and unanimously carried, to convene in closed session by the following roll call vote: AYES: Mses. Ford and King; Messrs. Bell, Heling, and Konrad. NOES: None.

The Board convened in closed session at 9:26 a.m.

The Board reconvened in opened session at 9:42 a.m.

Approval of Banking Services Contract. It was moved by Mr. Konrad, seconded by Ms. King, and unanimously carried, to approve the banking services contract with the firm selected in closed session pursuant to the form of contract on file.

New Business.

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

Administrative Withdrawal	\$0.00
Full Refund	\$0.00
Active Death Benefits reported	\$0.00
Deferred Death	\$17,404.25
Deferred Death-Member Only Refund	\$0.00
Ordinary Death Benefits reported	\$0.00
Retired Death Benefits reported	\$39,949.07
Survivor Death – Termination Benefits reported	\$6,507.37
Refund of Member Contributions paid	\$384,502.00

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

Conference Requests – October 2023 Board Meeting. Staff noted that there were no Conference Requests this month. Mr. Bell said he has the opportunity to present at the 2024 NCPERS conference on the topic of New Trustees.

Medical Reports.

All Duty & Ordinary Disability Applications & Re-examinations (October). Mr. Petropoulos presented certifications (October 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>
Jill Riley	Approval

<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
Andrew Korducki	Approval
<u>Police – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Ruby Esqueda	Approval
Kara Kathrein	Approval
Todd Rendon	Approval
Laticia Robinson	Approval
Matthew Schulze	Approval
<u>GC – Re-examinations – Duty</u>	<u>Recommendation</u>
Sahagian Grimes	Approval
<u>GC – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Linda Gifford	Approval

Mr. Petropoulos noted one applicant for duty and ordinary disability withdrew her application, even though the Medical Council approved her ordinary disability. He said her withdrawal letter would be part of the record.

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

Unfinished Business.

Pending Legal Opinions and Service Requests Report. Mr. McClain said the Joint and Survivor Benefits Legal Opinion is completed and would be provided at next month's meeting. Mr. Allen said the service request regarding the banking services contract is now completed. He also said that on September 25, the City Attorney's office approved sending the contract for Abbott Capital Private Equity Investors 2024 Vehicle to outside counsel.

Pending Legislation Report. Mr. Allen said charter ordinance amendments relating to the ERS were adopted by the Common Council and consist of amendments related to Act 12. He said there was also a resolution related to the City's enrollment in the Wisconsin Retirement System adopted on October 10, 2023. Mr. Allen commended Mr. McClain for his draftsmanship on all the amendments related to Act 12.

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.

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.

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 Administration & Operations Committee Meeting Held September 20, 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.

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

Mr. Bell adjourned the meeting at 10:06 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.)