

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

Minutes of the Regular Meeting  
held November 28, 2023 via teleconference

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

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

Board Members Not Present:           Molly King (arrived 9:05 a.m.)

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  
                                                  Gust Petropoulos, Deputy Director – Disability  
                                                  Robin Hayes, Pension Accounting Manager  
                                                  Mary Turk, Business Operations Analyst  
                                                  Jan Wills, Board Stenographer

Others Present: Larry Langer, Aaron Chochon, Cavanaugh Macdonald; Erin Scharlau, Legislative Audit Bureau; Patrick McClain, Travis Gresham, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc., seven members of the public called in to the meeting.

**Regular Meeting.**

Mr. Bell initially took the meeting out of order to VI. Unfinished Business, Approval of New Actuarial Tables for Pension Benefits – Presentation by Cavanaugh Macdonald.

**Approval of New Actuarial Tables for Pension Benefits – Presentation by Cavanaugh Macdonald.** As a matter of information, Board members received from Cavanaugh Macdonald their memo regarding the “Considerations Regarding Joint and Survivor Factors.” Mr. Langer said the Board adopts new factors for benefit calculations after the experience study is done. He said they can continue with the current factors or refine it a bit. Mr. Langer noted there are different mortality tables by employee class for the first time after the latest experience study. He said male to female ratios vary from group to group, and due to a 1980s court case, gender differences in mortality cannot be used for purposes of these factors. Mr. Langer said different rates cannot be charged for male versus female in similar situations, however the use of blended unisex mortality tables reflecting the make-up of the plan's membership by gender is appropriate. He noted no decision has been made to maintain the current one-table framework or a multiple-table framework. Mr. Langer stated the assumptions are updated after an experience study is completed. He said a combined table is a one-table structure combined for all employment classifications or

alternatively there are separate tables now available for the first time for general city, fire, and police. He said both the combined table and separate tables result in lower benefits, based upon mortality, investment return, and differences in COLA provision among the different employment classes. Mr. Allen proposed that any adopted factors would go into effect next year after ERS receives them from the actuary, MERITS is updated and tested and members receive adequate notice of the change, probably in the Spring. Mr. Chochon stated the various tables blend mortality rates across both genders to come up with a unisex mortality assumption for the three different groups. Discussion ensued. Mr. McClain said the City Attorney's Office has prepared a legal opinion on this matter and the Board would receive a copy of the opinion. He said there are three conclusions in the opinion, the first being that Chapter 36 grants the Board exclusive administrative authority over actuarial tables and the Board is required to adopt new mortality tables every five years, and the second being multiple tables would not violate the concept of equity among the plan members which is reflected in the duty of impartiality where one individual beneficiary or group of beneficiaries is not treated more favorably than another. Mr. McClain said the third conclusion was in regard to collective bargaining issues where the collective bargaining agreements maintained by the City effectively prohibit the unilateral modification of any pension benefit where pension benefits are defined as those benefits that exist pursuant to Chapter 36. He noted the tables are applicable to survivorship benefits where the survivorship benefit is required to be reduced to the actuarial equivalent of a beneficiary's normal service retirement benefit. Mr. McClain concluded that no collective bargaining considerations would prohibit the Board from using multiple tables, which is consistent with state law which provides that pension beneficiaries do not have the right of administration of the Pension Trust. Mr. Bell said he favored continued use of a combined table for all members and Mr. Heling agreed. Mr. Bell then called for a motion to that effect and Mr. Heling moved to adopt the combined table alternative referenced in the actuary's presentation. Mr. Bell called for a second on the motion. Extensive discussion then ensued. Mr. Bell asked Mr. Kovac for any opinions or comments and Mr. Kovac replied that he would second the motion to adopt the separate tables outlined in the actuary's presentation. Mr. Bell advised him that the motion before the Board was for the combined table alternative. Mr. Kovac indicated he would not second that motion and put forth a motion to adopt the separate tables outlined in the actuary's presentation. Mr. Bell then said there was no second on the motion for a combined table and recognized Mr. Kovac's motion in favor of separate tables. Mr. Bell called for a second on Mr. Kovac's motion and Ms. King did so. The motion for separate tables was unanimously carried, to approve the New Actuarial Tables for Pension Benefits – Presentation by Cavanaugh Macdonald with the decision by the Board to use separate tables for general and public safety employees for the Plan's new actuarial tables, effective pending receipt of the table data from the actuary, uploading and testing the table data in MERITS and provision of adequate notice to members prior to implementation in the Spring.

At this point, Mr. Bell returned the meeting to order to the Approval of Minutes.

### **Approval of Minutes.**

**Regular Meeting Held October 24, 2023.** It was moved by Mr. Konrad, seconded by Ms. Ford, and unanimously carried, to approve the minutes of the Regular Meeting Held October 24, 2023.

**Chief Investment Officer Report.** As a matter of information, Board members received the November 28, 2023 Performance Update. Mr. Sauer said the Fund as of October 31, 2023, had a value of \$5.33 billion. He said the Fund had a -1.9% return in October, net of fees, and underperformed the blended benchmark by approximately seven basis points. Mr. Sauer

commented the main relative performance drivers were Manager Selection, with Real Estate detracting 10 basis points and Reams detracting seven basis points. Regarding Public Equity he noted that the portfolio's value and small cap biases detracted 16 basis points and that 10 of 11 mandates outperformed, adding 21 basis points. He added the Fund has underperformed the benchmark in the year-to-date and one-year periods, while outperforming in the five-, 10-, 15- and 20-year periods. Mr. Sauer remarked as of November 27, 2023, the net of fee Fund return was up 4.4% month-to-date, 6.3% year to date, and the Fund value was \$5.57 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 \$350.1 million, paid benefits and expenses of \$406.8 million, and received contributions of \$157.9 million. Mr. Sauer concluded that the Fund's current cash balance is sufficient to cover November's benefit payments so no manager withdrawals will be made in November.

Mr. Silber said an Investment Committee packet will be going out Friday for next Thursday's meeting. He noted there would be three approval items, a Loomis Sayles follow-up, a possible Private Equity side letter, and an Investment Statement of Investment Policy Update. He said Callan would be here to give a Real Estate performance update for the Fund. Discussion ensued.

**Investment Committee Report.** Mr. Klusman reported that at the November 9<sup>th</sup> meeting, Callan provided a 2024 Work Plan to the Committee, and staff shared its tentative 2024 due diligence schedule. He said staff also delivered the Fund's 3<sup>rd</sup> quarter performance report. Mr. Klusman stated that staff and Callan led a discussion regarding the investment manager guideline changes that Loomis Sayles proposed at the September meeting. He noted that after some discussion, the Committee approved the recommended changes with the exception of the 144-A securities request, which will remain at the current 50% level. Mr. Klusman said the Committee expects to receive further guidance from Callan regarding Loomis Sayles' 144-A securities request at its December meeting. He mentioned the approved changes mainly pertain to the use of derivatives, credit default swaps, and individual bank loans in the portfolio, along with how the securities in the portfolio are rated. Mr. Klusman said the Committee went into closed session to consider the due diligence report and Real Estate manager side letter related to the Real Estate investment manager search the Committee conducted in April, and to discuss a recommendation regarding a Real Estate manager. He noted the Committee then went into open session to approve the Real Estate manager side letter and to approve the recommendation regarding a Real Estate manager. Mr. Klusman concluded that the Investment Committee recommends approval of the following items – one, approval of the proposed Real Estate Manager side letter, two, approval of recommendation regarding a Real Estate manager, and three, approval of Loomis Sayles Guideline Change.

**Approval of Real Estate Manager Side Letter.**

**Approval of Recommendation regarding Real Estate Manager.**

**Approval of Loomis Sayles Guideline Change.**

It was moved by Mr. Heling, seconded by Mr. Konrad, and unanimously carried, to approve the Investment Committee Report, including the items listed for approval with approval of Real Estate manager side letter, approval of recommendation regarding a Real Estate manager, and approval of Loomis Sayles Guideline Change.

Please be advised that the Annuity and Pension Board may vote to convene in closed session on the following items (III.A. and III.B.) 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.

Mr. Bell noted that the Annuity & Pension Board did not convene in closed session as noticed.

**New Business.**

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

Administrative Withdrawal	\$0.00
Full Refund	\$0.00
Active Death Benefits reported	\$0.00
Deferred Death	\$0.00
Deferred Death-Member Only Refund	\$0.00
Ordinary Death Benefits reported	\$63,390.38
Retired Death Benefits reported	\$25,810.17
Survivor Death – Termination Benefits reported	\$10,898.34
Refund of Member Contributions paid	\$200,749.39

It was moved by Mr. Bell, seconded by Ms. Ford, and unanimously carried, to approve the Retirements, Death Claims, and Refunds report for (October 2023).

Mr. Bell advised that the Annuity and Pension Board may vote to convene in closed session on the following item (IV.B.), 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.

**Proposed Amendment of Board Rule – Retirement and Death Benefits XVII.E.4.**

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, King, and Sawa; Messrs. Bell, Heling, Klusman, Konrad, and Kovac. NOES: None.

The Board convened in closed session at 10:15 a.m.

The Board reconvened in opened session at 10:45 a.m.

Mr. Bell advised that the Annuity and Pension Board may vote to convene in closed session on the following item (IV.C.), 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.

**Proposed Amendment of the Contract with BakerTilly.**

It was moved by Mr. Klusman, seconded by Ms. Ford 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 10:46 a.m.

The Board reconvened in opened session at 11:15 a.m.

In closed session and reported in open session, it was moved by Mr. Konrad, seconded by Ms. Sawa, and unanimously carried, to approve the Proposed Amendment of the Contract with BakerTilly.

**Conference Requests – November 2023 Board Meeting.**

Erich Sauer,	Due Diligence
Thomas Courtright	
Sponsor:	CastleArk
Location:	Chicago, IL
Date(s):	January 4, 2024
Estimated Cost:	\$75.00 per person

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

**Proposed 2024 Board and Committee Meeting Dates.** Mr. Bell noted the July 23, 2024 Board Meeting is scheduled at the conclusion of the Republican National Convention (RNC) and it might be a good idea to reconsider the proposed schedule. He noted the RNC dates are restricted through July 21<sup>st</sup> for public safety employees. Discussion ensued.

It was moved by Mr. Bell, seconded by Ms. Ford, and unanimously carried, to approve the Proposed 2024 Board and Committee Meeting Dates with the exception of changing the July 23, 2024 Board Meeting to July 30, 2024.

**Medical Reports.**

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

<u>Police – Application – Duty</u>	<u>Recommendation</u>
Kristopher Sardina Effective 03/28/2023	Approval

<u>Police – Application – Ordinary</u>	<u>Recommendation</u>
Kristopher Sardina	Denial
<u>Police – Re-examinations – Duty</u>	<u>Recommendation</u>
Angela July	Approval
Stacy Lopez-Devereaux	Approval
Christopher Manney	Approval
Natasha Padgett	Approval
Corliss Shaw	Approval
Chad Steppke	Approval
<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
Kenneth Berget	Approval
Chad Hendricks	Approval
Scott Hoth	Approval
Thomas Locke	Approval
Bruce Rightmyre	Approval
<u>Fire – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Michael Jasso	Approval
<u>GC – Re-examinations – Duty</u>	<u>Recommendation</u>
Tina Swanson	Approval
<u>GC – Application – Ordinary</u>	<u>Recommendation</u>
Craig Maier Effective 06/18/2023	Approval

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

### **Unfinished Business.**

**Pending Legal Opinions and Service Requests Report.** Mr. McClain reiterated that he would distribute the Joint and Survivor Benefits Factors Legal Opinion as soon as the finalized copy is available and would be distributed to the Board Members via e-mail this week

**Pending Legislation Report.** Mr. Allen said there was nothing new to report this month.

**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) Adjusted Quarterly Cost Basis of Equity.
- 5) Minutes of the Administration & Operations Committee Meeting Held October 18, 2023.
- 6) Minutes of the Investment Committee Meeting Held November 9, 2023.

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

- 7) Report on Bills.
- 8) Deployment of Assets.
- 9) Securities Lending Revenue and Budget Report.
- 10) 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. Ford and seconded by Ms. Sawa, to adjourn the meeting.

Mr. Bell adjourned the meeting at 11:37 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.)