

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

Minutes of the Regular Meeting
held December 19, 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
 Thomas Courtright, Pension Investment Analyst
 Gust Petropoulos, Deputy Director – Disability
 Mary Turk, Business Operations Analyst
 Jan Wills, Board Stenographer

Others Present: Erin Scharlau, Carolyn Stittleburg, Legislative Audit Bureau; 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 November 28, 2023. It was moved by Ms. Sawa, seconded by Mr. Heling, and unanimously carried, to approve the minutes of the Regular Meeting Held November 28, 2023.

Chief Investment Officer Report. As a matter of information, Board members received the December 19, 2023 Performance Update. Mr. Sauer said the Fund as of November 30, 2023, had a value of \$5.55 billion. He said it was a strong month for returns and the Fund was up approximately 4.9% on a preliminary basis. Mr. Sauer said the return underperformed the blended benchmark by approximately 30 basis points. He noted it was a big month for performance as interest rates made a big move down which led to strong returns for both stocks and bonds. Mr. Sauer commented that Style Bias detracted in both Public Equity and Fixed Income. He stated there was a negative Style Bias from the Government Bond Index and the Fund's cash balance which is more conservative as bonds made a big move. Mr. Sauer commented that this was offset by manager performance; the Public Equity managers and the active Bond managers outperformed enough to offset the Style Bias. He said what drove returns was the Fund's allocation going into

the month. Mr. Sauer reminded the Board members that Mr. Silber mentioned at the Investment Committee Meeting, that with stocks and bonds posting negative returns in September and October, the Fund was underweight in stocks going into November, with an offsetting overweight to Private Equity and Absolute Return, so that was the primary detractor this month, detracting 22 basis points. He commented there was also a little bit of negative Manager Selection impact in the Real Estate sector from JP Morgan, detracting seven basis points. Mr. Sauer 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. He remarked that December has been a continuation of November, particularly after the Fed meeting last week, which the market reacted positively to. Mr. Sauer said the Fund is up 2.2% month-to-date in December, which brings the year-to-date return up 9.1%, and the Fund value to \$5.68 billion. He noted nine 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. Mr. Sauer said year-to-date the Fund has seen a gain in the value of investments of approximately \$505 million dollars, paid benefits and expenses of \$445.9 million, and received contributions of \$159.2 million. Mr. Sauer concluded that this month they withdrew \$47 million dollars from the BlackRock Government Bond Index to cover benefits and expenses. Discussion ensued.

Mr. Silber said including today, there are eight days left for the stock market to be open and Staff is pleased with how the Fund has performed the last couple of months. He noted that 30% of the Fund is invested in alternative asset classes, and that patience is required before Staff can report the Fund's final year-end return and market value. Mr. Silber said they would know most of the Private Real Estate returns by mid-January, and the returns for the Fund's Absolute Return allocation would be finalized by the end of January. A major portion of the lag comes from the Fund's approximately \$800 million Private Equity exposure, as the December 31st private equity values will not be finalized until June. Mr. Silber discussed some 2024 areas of focus, including due diligence and conference planning, cash flow management, and asset allocation analysis.

Investment Committee Report. Mr. Klusman reported that at its December 7th meeting, Staff and Callan continued the discussion from previous Committee meetings regarding Loomis Sayles' request to update the investment manager guidelines to allow for a higher allocation to 144A securities. He said while Loomis Sayles' initial request was for the maximum allocation permitted to 144A securities to increase from 50% to 100%, Callan advised that after further discussion, Loomis Sayles and Callan agreed that a 65% cap is acceptable and sufficient. After some discussion, Mr. Klusman noted the Committee approved the recommended change to 65%. He said Staff next presented proposed updates to the Fund's Statement of Investment Policy that better reflect the factors that Staff takes into consideration when directing the Fund's cash flows, and that allow Staff to keep cash contributions in the Custodian's cash account when Staff determines that it makes sense to set aside the contributions to pay for upcoming benefit payments. Mr. Klusman said that among other things, this change included increasing the maximum amount the Fund is permitted to hold in the Custodian's cash account from 2% to 5%. After some discussion, he said the Committee approved the change. Mr. Klusman stated Callan provided an update on the Fund's Real Estate portfolio, and Staff provided a performance update and presented the second quarter Private Equity summary. He said the Committee then went into closed session to discuss the Approval of Abbott Capital Private Equity Investors 2024, L.P. Side Letter. Mr. Klusman also stated the Committee then went into open session to approve the Side Letter. He said 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 recommended approval of the following items – one,

Approval of Loomis Sayles Guideline Change, and two, Approval of Statement of Investment Policy Update.

Approval of Loomis Sayles Guideline Change.

Approval of Statement of Investment Policy Update.

It was moved by Ms. King, seconded by Ms. Ford, and unanimously carried, to approve the Investment Committee Report, including the items listed for approval with approval of Loomis Sayles Guideline Change, and approval of Statement of Investment Policy Update.

New Business.

Retirements, Death Claims, and Refunds (November). Mr. Allen presented the following activity for the months of November 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	\$0.00
Retired Death Benefits reported	\$18,593.24
Survivor Death – Termination Benefits reported	\$5,633.41
Refund of Member Contributions paid	\$75,686.50

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

Conference Requests – December 2023 Board Meeting.

Erich Sauer,	DFA and Brandes Due Diligence, and
Thomas Courtright	DFA Annual Institutional Symposium
Sponsor:	DFA and Brandes
Location:	San Diego and Santa Monica, CA
Date(s):	February 26-29, 2024
Estimated Cost:	\$2,250.00 per person

It was moved by Ms. King, seconded by Ms. Ford, and unanimously carried, to approve the Conference Requests – December 2023 Board Meeting.

Medical Reports.

All Duty & Ordinary Disability Applications & Re-examinations (December). Mr. Petropoulos presented certifications (December 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>
Anthony Bialecki	Approval
Robert Henry	Approval
Keith Miller	Approval
<u>Fire – Application – Duty</u>	<u>Recommendation</u>
Doran Kemp	Approval
Effective 6/30/2023	
Cory Kilsdonk	Denial
Alex Mayfield	Denial
<u>Fire – Application – Ordinary</u>	<u>Recommendation</u>
Cory Kilsdonk	Approval
Effective 3/07/2023	
<u>GC – Re-examinations – Duty</u>	<u>Recommendation</u>
Dewreal Ford	Approval
Terren Webster-Austin	Approval
<u>GC – Application – Ordinary</u>	<u>Recommendation</u>
Dewayne Brown	Approval
Laurie Ory	Approval

Discussion ensued. It was moved by Mr. Klusman, seconded by Mr. Konrad, and unanimously carried, to approve the recommendations of the Medical Panel and Medical Council regarding Duty & Ordinary Disability Applications & Re-examinations (December).

Unfinished Business.

Pending Legal Opinions and Service Requests Report. Mr. McClain apologized for the delay in getting a written joint and survivorship benefit opinion to the Board. He noted there was no change from the verbal opinion relayed at the last Board meeting, only an administrative delay in issuing the written opinion, but there is no substantive change. Mr. McClain said the opinion would be signed today and distributed tomorrow. Mr. Klusman asked that the opinion be distributed ahead of next month's Board package.

Pending Legislation Report. Mr. Allen said there was nothing new on pending legislation.

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.

The Board did not convene in closed session as noticed.

- 1) Pending Litigation Report.
- 2) Conferences.
- 3) Class Action Income 2023 YTD.

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

- 4) Report on Bills.
- 5) Deployment of Assets.
- 6) Securities Lending Revenue and Budget Report.
- 7) 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. Sawa and seconded by Ms. King, to adjourn the meeting.

Mr. Bell adjourned the meeting at 9:35 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.)