

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

Minutes of the Investment Committee Meeting
held June 8, 2023 via teleconference

The meeting was called to order at 9:00 a.m.

Committee Members Present: Matthew Bell
Deborah Ford
Timothy Heling
Molly King
Thomas Klusman, Chair
Rudy Konrad
Aycha Sawa

Committee Members Not Present: Nik Kovac (excused)

ERS Staff Present: Jerry Allen, Executive Director
David Silber, Chief Investment Officer
Erich Sauer, Deputy Chief Investment Officer
Dave Walters, Pension Investment Analyst – Sr.
Thomas Courtright, Pension Investment Analyst
Jan Wills, Board Stenographer

Other present: Jason Ellement, Munir Iman, John Jackson, Adam Lozinski, Callan; Larry Langer, Cavanaugh Macdonald; Bryant Ferguson, Reinhart; Travis Gresham, Patrick McClain, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc.; one member of the public called in.

Mr. Klusman advised that the Investment Committee 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 Investment Committee may then vote to reconvene in open session following the closed session.

Approval of Mesirow Private Equity Fund IX, L.P. Side Letter. As a matter of information, Committee members received the Execution Version of the Mesirow Private Equity Fund IX, L.P. Side Letter. It was moved by Ms. Sawa, and seconded by Mr. Konrad to convene in closed session. The motion carried by the following roll call vote: AYES: Mses. Ford, King, and Sawa; Messrs. Bell, Heling, Klusman, and Konrad. NOES: None.

The Committee convened in closed session at 9:02 a.m.

The Committee reconvened in open session at 9:08 a.m.

It was moved by Ms. King, seconded by Mr. Bell, and unanimously carried, to approve the Approval of Mesirow Private Equity Fund IX, L.P. Side Letter.

Approval of Loomis Sayles Guideline Waiver. As a matter of information, Committee members received a memo from Mr. Sauer and the Loomis Sayles Guideline Waiver memo. Mr. Sauer said we have a guideline with Loomis that they are required to sell any asset-backed securities downgraded below Baa3/BBB- within 90 days following the downgrade. He noted that Loomis is requesting a waiver with respect to one specific security. Mr. Sauer said this was an asset-backed security where the collateral pool is a pool of airplanes which are currently leased. He commented that Loomis has a favorable outlook on this security because of their outlook on the travel industry and Loomis would like to continue to hold it, rather than selling it at a depressed price. Mr. Sauer noted that the security is a small part of the portfolio at \$130,000 or 0.04%. He said the guideline is just being waived for this specific security and Loomis would be required to sell any other downgraded securities per the guidelines. Mr. Sauer said the ERS Staff and Callan are comfortable with the request and recommend approval. It was moved by Mr. Konrad, seconded by Mr. Heling, and unanimously carried, to approve the Approval of Loomis Sayles Guideline Waiver.

Callan 2023 Asset-Liability Study Phase 3 Presentation. As a matter of information, Committee members received the Callan 2023 Asset-Liability Study Phase 3 Presentation booklet. Mr. Jackson stated they have the updated asset liability results and a series of alternatives for consideration. Mr. Ellement discussed Phase 3 of the Final Asset – Liability Results and said the goal of the asset-liability study is to establish a long-term strategic asset allocation target for the Employees’ Retirement System pension fund. He noted they would focus on Mixes 1 through 4 which have an expected 7% return over 10 years and 7.5% over 30 years. The topics Mr. Ellement presented to the Committee included the 2023-2032 Capital Market Assumptions, Alternative Asset Mixes from Mix 1 through Mix 6, 10- and 30- Year Returns, Actuarial Liability Model, Expected Return Projection Over 10 Years, Active Plan Membership, Market Value of Assets (Current Target), Actuarial Accrued Liability, Employer Rate (Current Target), Projected Funded Status (Current Target), 10-Year Projected Funded Status, 2023-2032 Cumulative Employer Contributions, and Ultimate Net Cost and Graph. Mr. Ellement concluded with a Liquidity Analysis and presented the topics of Illiquid Investments, Marketable Bonds, Liquidity Needs for Current Target, Liquidity Needs for Alternative Mixes, Liquidity Stress Test (Worse Case Scenario), and a Summary of Asset-liability Results. Discussion ensued.

Approval of Asset Allocation Mix. It was moved by Mr. Bell, seconded by Ms. King, and unanimously carried, to approve Asset Allocation Mix 1 for the Approval of Asset Allocation Mix.

The Chair called for a break at 10:29 a.m.

The Chair resumed the meeting at 10:35 a.m.

Mr. Klusman said the Callan Real Estate Presentation is marked for closed session, but it will begin in open session and can go into closed session if necessary.

Mr. Klusman advised that the Investment Committee 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 Investment Committee may then vote to reconvene in open session following the closed session.

The Committee did not convene in closed session as noticed.

Callan Real Estate Presentation. As a matter of information, Committee members received the Callan Real Estate Presentation booklet. Mr. Iman provided a Market Overview to the Committee. He discussed the topics of Real Asset Returns As of March 31, 2023, U.S. Private Real Estate Market Trends, and Office Market Conditions. Mr. Iman also provided a Portfolio Summary for the Committee and talked about the Real Estate Objectives and Purpose, the Significant Progress Made in Repositioning the Portfolio, Real Estate Portfolio Diversification, Portfolio Returns Are Above Benchmark, Returns by Style, and Conclusions and Recommendations. Discussion ensued.

Callan Real Estate Structure Review and New Manager Allocation Presentation. As a matter of information, Committee members received the Callan Real Estate Structure Review and New Manager Allocation document. Mr. Iman stated the purpose of the review and new manager allocation is to maintain compliance with portfolio guidelines and allocate capital to a new Core Fund. He discussed the First Quarter 2023 Core Fund Portfolio Allocation vs. Target as well as the First Quarter and Fourth Quarter Core Fund Portfolio Allocations. Discussion ensued.

Approval of Real Estate Manager Structure. It was moved by Mr. Konrad, seconded by Ms. Sawa, and unanimously carried, to approve the Approval of Real Estate Manager Structure.

Chief Investment Officer Report. Mr. Silber noted Staff will begin getting the directions out to implement the approval items from today. He said by month's end, the Committee will be able to see progress on how the stock and bond allocations have changed in the portfolio. Mr. Silber said the Fund's value as of June 7, 2023, is slightly above \$5.6 billion with the year-to-date return around 4%, net of fees. He noted that the Fund is underperforming the benchmark year-to-date, but still outperforming over the long term. Mr. Silber said year-to-date, about seven stocks in the S&P 500 are up 60%-70%, while the remaining 493 stocks in the S&P 500 would have a return in the low single digits if they comprised their own index. Mr. Silber said Private Equity is playing into the relative returns, saying that almost all of the Q4 Private Equity statements are in, but Private Equity has not started rebounding yet like the stock market has.

It was moved by Mr. Bell and seconded by Mr. Konrad to adjourn the meeting.

There being no further business, Mr. Klusman adjourned the meeting at 11:12 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.)