

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

Minutes of the Investment Committee Meeting
held September 7, 2023 via teleconference

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

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

Committee Members Not Present: Deborah Ford (excused)

ERS Staff Present: David Silber, Chief Investment Officer
 Erich Sauer, Deputy Chief Investment Officer
 Dave Walters, Pension Investment Analyst – Sr.
 Thomas Courtright, Pension Investment Analyst
 Dan Gopalan, Chief Financial Officer
 Jan Wills, Board Stenographer

Other present: Jason Hoyer, Scott Rosener, Reams Asset Management; Brian Kennedy, Loomis Sayles; John Jackson, Mike Joecken, David Zee, Callan; Bryant Ferguson, Reinhart; Travis Gresham, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc.; two members 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.

It was moved by Mr. Bell, and seconded by Mr. Heling to convene in closed session. The motion carried by the following roll call vote: AYES: Mses. King, and Sawa; Messrs. Bell, Heling, Klusman, Konrad, and Kovac. NOES: None.

The Committee convened in closed session at 9:04 a.m.

The Committee reconvened in open session at 9:12 a.m.

Approval of Mesirow Private Equity Fund IX, L.P. Side Letter Revision. As a matter of information, Committee members received the Execution Version of the Mesirow Private Equity Fund IX, L.P. Side Letter Revision.

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

Callan Private Equity Pacing and Reinvestments 2024 Presentation. As a matter of information, Committee members received the Callan Private Equity Pacing and Reinvestments 2024 Presentation memo. Mr. Jackson noted the action items are two-fold: to make an investment in the Abbott Annual Program 2024 and the Apogem Private Equity Fund XI. He said that each year Callan prepares, in conjunction with the CMERS Staff, an annual commitment-pacing projection model. He said this provides a vehicle to account for investments made, distributions coming out of the program, as well as future commitments to maintain the target allocation, which is 12%. Mr. Jackson said currently the portfolio's allocation represents 13.4% of Fund assets. He noted the range for Private Equity is 9%-17%. Mr. Jackson said the first close to invest \$40 million dollars with Abbott is December 2023 and first close to invest \$30 million dollars with Apogem Private Equity Fund XI is expected to be in 2024. Discussion ensued.

Due Diligence Reports.

Abbott Capital. As a matter of information, Committee members received the due diligence memo from Mr. Walters. Mr. Walters said he and Mr. Sauer conducted a routine due diligence visit with Abbott in New York City in June. He said Abbott is one of four Private Equity managers hired to invest through the Diversified Fund of Fund vehicles. Mr. Walters said they focus on manager skill. He noted a new AP Fund or annual program is offered each year and each AP Fund targets a diversified mix of 25-40 managers across North American Private Equity, Venture and Growth Equity, European Private Equity, and Small Buyout Sectors. He said Abbott can also do opportunistic investments which comprise co-investments and secondary investments. He noted CMERS has committed \$410 million dollars across 13 AP Funds since 2010 with \$315 million dollars of invested capital as of March 31. He said there was a succession recently due to a retirement. Mr. Walters stated the core team of five senior managers has been working together since 2007. He added the opportunistic fund increased to 25% of the portfolio.

Neuberger Berman. As a matter of information, Committee members received the due diligence memo from Mr. Sauer. He said, in addition to conducting the due diligence visit, they were also able to attend their annual investor conference. Mr. Sauer noted Neuberger Berman is different from other Private Equity managers in that they manage a secondary fund and buy existing interests from other investors or directly from the general partner managing those funds. Mr. Sauer said Neuberger is stable, the team is in good shape, and they had done succession planning also. He noted Neuberger has been doing more GP-led secondaries, which are more labor intensive and have been adding senior people to work those deals that take more time than a traditional secondary purchase. Mr. Sauer noted many investors like CMERS are overweight Private Equity, and Neuberger has said this is the best secondary market in the last 10 years. He said Fund V is CMERS' largest commitment to Neuberger.

Approval of 2024 Private Equity Commitment Recommendation. Mr. Silber reminded the Committee that the Callan Pacing and Reinvestments presentation recommended approving \$40 million to Abbott's AP 2024 Fund and \$30 million to Apogem's APEF XI Fund. It was moved by Mr. Konrad, seconded by Mr. Bell, and unanimously carried, to approve the Approval of 2024 Private Equity Commitment Recommendation.

Approval of Private Equity Statement of Investment Policy Update. As a matter of information, Committee members received the redlined Private Equity Statement of Investment Policy document. Mr. Silber said the update was necessitated by the ALM study approved in June. He noted the changes included raising the target from 10% to 12% and the range went from 7%-15% to 9%-17%. It was moved by Mr. Heling, seconded by Ms. King, and unanimously carried, to approve the Approval of Private Equity Statement of Investment Policy Update.

The Chair called for a break at 9:36 a.m.

The Chair resumed the meeting at 9:42 a.m.

Reams Asset Management Presentation. As a matter of information, Committee members received the Reams Asset Management Presentation booklet. Messrs. Hoyer and Rosener gave a presentation to the Committee on the following topics: Firm Overview, Current Views & Investment Themes, Client Relationship Overview, Performance Review, and Portfolio Characteristics. Discussion ensued.

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)(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 Investment Committee may then vote to reconvene in open session following the closed session.

It was moved by Mr. Bell, and seconded by Mr. Heling to convene in closed session. The motion carried by the following roll call vote: AYES: Mses. King, and Sawa; Messrs. Bell, Heling, Klusman, Konrad, and Kovac. NOES: None.

The Committee convened in closed session at 10:04 a.m.

The Committee reconvened in open session at 11:08 a.m.

Loomis Sayles Guideline Presentation. As a matter of information, Committee members received the Loomis Sayles Guideline Presentation document. Mr. Silber noted there was nothing for the Committee to approve today. Mr. Kennedy discussed six items regarding rationale from the investment team on the following topics: to pursue the use of US Treasury futures within the account, to invest in individual bank loans, to pursue the use of CDX or credit default swaps, to eliminate the 144A percentage unit, to pursue the use of currency forwards (both deliverable and non-deliverable), and to pursue the use of the senior loan fund. Discussion ensued.

Approval of Reams Asset Management Guideline Change. As a matter of information, Committee members received the Reams Asset Management Guideline Change. It was moved by Mr. Konrad, seconded by Mr. Heling, and unanimously carried to hold the Reams Asset Management Guideline Change request to be heard at the next Board meeting pending written guidance from Callan.

CMERS 2nd Quarter 2023 Performance Update. As a matter of information, Committee members received electronically the CMERS 2nd Quarter 2023 Performance Update. Mr. Sauer discussed the market environment and stated stocks were up with the benchmark at 5.9%, bonds

were down with the U.S. Aggregate at -0.8%, Real Assets were at -2.8%, the Private Equity benchmark had a strong return at 7.8%, and Absolute Return had a 2.0% benchmark. He said the CMERS Benchmark had a 3.0% return for Q2. Mr. Sauer discussed the Relative Performance Expectations and said Value Equity Bias was at 4.0% for the Russell 3000 Value compared to 12.5% for the Russell 300 Growth, Small Cap Equity Bias was at 5.2% for the Russell 2000 versus 8.6% for the Russell 1000, Fixed Income Credit was at -0.3% with Loomis Sayles versus -0.8% for the Bloomberg US Agg. and Private Equity was 2.6% with CMERS PE versus 7.8% for the PE Benchmark. He added that for Q2, the CMERS Total Fund had a 2.2% net return versus the CMERS Benchmark of 3.0%. Mr. Sauer said for the ERS Fund Attribution, Brandes had a strong performance, adding 0.11% in Q2. He added Manager Selection and Style Bias are driving the returns. Mr. Sauer noted the Public Equity Performance is performing well, especially in the long-term years. He stated the Fixed Income had a nice year-to-date return and is generating cash flow from interest payments. Mr. Sauer concluded with a Performance Update and said for the year-to-date time period through June 30, the ERS Fund is at 5.6% versus the 7.4% benchmark. He added the August estimate is at -1.3% for both the ERS Fund and the Benchmark while the estimate through September 6, the estimate for the ERS Fund is at 5.1% versus the 7.7% Benchmark. The ERS Total Fund Market Value, as of September 6, 2023, is \$5.58 billion.

Informational. Messrs. Silber and Klusman noted the following items were informational only and placed them on file.

Chief Investment Officer Report.
Preliminary Performance Report and Asset Allocation.
Adjusted Quarterly Cost Basis of Equity.
Class Action Income 2023 YTD.
Callan 2nd Quarter 2023 Performance Report.

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 11:59 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.)