

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

Minutes of the Investment Committee Meeting
held November 9, 2023 via teleconference

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

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

Committee Members Not Present: Molly King (excused)
 Nik Kovac (excused)

ERS Staff Present: Jerry Allen, Executive Director
 David Silber, Chief Investment Officer
 Erich Sauer, Deputy Chief Investment Officer
 Dan Gopalan, Chief Financial Officer
 Gust Petropoulos, Deputy Director - Disability
 Jan Wills, Board Stenographer

Other present: Mike Joecken, Munir Iman, David Zee, Callan; Bryant Ferguson, Reinhart; Travis Gresham, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc.; four members of the public called in.

Mr. Klusman advised that the Investment Committee may vote to convene in closed session on the following items (I., II., and III.) 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 Ms. Sawa to convene in closed session. The motion carried by the following roll call vote: AYES: Mses. Ford, and Sawa; Messrs. Bell, Heling, Klusman, and Konrad. NOES: None.

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

Real Estate Manager Due Diligence Report. As a matter of information, Committee members received the closed session due diligence report from the Investment Staff's meeting on July 27, 2023.

The Committee reconvened in open session at 9:52 a.m.

Mr. Klusman noted that two of the three closed session items require approval.

Approval of Real Estate Manager Side Letter. As a matter of information, Committee members received the closed session outside counsel letter and proposed side letter.

It was moved by Ms. Ford, seconded by Mr. Heling and unanimously carried, to approve the Approval of Real Estate Manager Side Letter.

Approval of Recommendation regarding Real Estate Manager. It was moved by Mr. Konrad, for Approval of the Recommendation regarding Real Estate Manager as discussed in closed session, seconded by Ms. Sawa, and unanimously carried.

Approval of Loomis Sayles Guideline Change. As a matter of information, Committee members received the guideline change updates and red-lined document. Mr. Sauer noted the guideline modifications which were presented by Brian Kennedy at a previous meeting. He noted there are two changes to the derivatives mentioned in the guidelines. Mr. Sauer said Loomis is asking to use Treasury futures, for both hedging and non-hedging purposes, as a tool to manage duration in the portfolio, and to use currency forwards as a tool for hedging foreign currency. He added that Loomis is also asking to invest in individual bank loans. Mr. Sauer noted that Loomis also asked to use long-only (sell protection) CDX, a credit default swap index that can be used to quickly increase exposure to credit in the portfolio when credit spreads are attractive. Mr. Sauer noted that Reams uses CDX in their portfolio. He noted that Fitch, one of the three major rating agencies, is being added to the rating guidelines. He stated Staff and Callan both support these modifications. He concluded that Loomis is also asking to eliminate the percentage on 144-A securities. Mr. Zee, the head of Fixed Income Manager Research at Callan, discussed the considerations related to the 144-A request, and suggested that the Committee not make a decision on increasing the 144-A maximum limit until the next meeting.

It was moved by Mr. Konrad, seconded by Mr. Bell, and unanimously carried, to approve, with the exception of keeping the 144-A securities at the current 50%, the Approval of Loomis Sayles Guideline Change.

Callan Upcoming Work Plan. As a matter of information, Committee members received Callan's 2024 Work Plan. Mr. Joecken outlined topics Callan will present at six Investment Committee Meetings in 2024. Topics will include Due Diligence Reports, Public Pension Plan Universe education, Capital Market Projections and Asset Allocation Review, Fixed Income Structure Review, Real Estate Structure Review, Private Equity Pacing Review, Investment Policy Statement Review, Real Estate Performance and Structure Review and Callan Performance Reporting Overview.

2024 Tentative Due Diligence Schedule. As a matter of information, Committee members received from the Investment Staff their 2024 Tentative Due Diligence Schedule. Mr. Sauer noted that investment managers are visited every other year. He said the tentative due diligence schedule for 2024 includes trips to meet with managers at CastleArk, LaSalle, Aptitude, DFA, Brandes, AQR, UBS, Morgan Stanley, William Blair, MFS, DFA, BlackRock, Abbott, Loomis Sayles, Prologis, William Blair, JP Morgan, Mesirov, Polen, and Earnest.

CMERS 3rd Quarter 2023 Performance Update. As a matter of information, Committee members received from the Investment Staff the CMERS 3rd Quarter 2023 Performance Update.

Messrs. Sauer and Silber discussed the 2023 3rd Quarter Performance Update. They provided a Fund Overview and discussed Public Equity, Fixed Income, Absolute Return, and a Recent Performance Update. Mr. Sauer said the markets were down in the third quarter with stocks down 3.4% and bonds down 3.2%. He noted interest rates rose in August and September. He said even the Real Assets benchmark was down 2.9%. Mr. Sauer said the Private Equity benchmark offset some of this. Mr. Sauer also discussed a due diligence visit with Reams and noted the personnel changes. Mr. Sauer said as of November 8, 2023, the ERS Total Fund Market Value is \$5.45 billion. He said the October estimate hasn't changed and is down 1.9% versus down 1.8% for the benchmark. Mr. Sauer said November is up 2.2% versus up 2.5% for the benchmark. He noted the Fund's year-to-date return as of September 30, 2023 is 3.7% net of fees compared with a 5.9% benchmark. Mr. Sauer concluded the year-to-date return is 4.0%, net of fees, with a 6.6% benchmark. Discussion ensued.

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

There being no further business, Mr. Klusman adjourned the meeting at 11:03 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.)