

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

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

The meeting was called to order at 9:01 a.m.

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

Committee Members Not Present: Molly King
Nik Kovac (excused, arrived 10:00 a.m.)

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

Others present: Mike Joecken, Sally Haskins, Munir Iman, Callan; Travis Gresham, City Attorney's Office; Carolyn Stittleburg, Legislative Audit Bureau; Terry Siddiqui, DS Consulting, Inc.; five members of the public called in.

Mr. Allen mentioned to the Committee that former Deputy City Attorney Tom Hayes passed away on November 25, 2023. He noted Mr. Hayes started with the City in 1966 and retired in 2002. Mr. Allen stated Mr. Hayes was Chairman of the Deferred Compensation Board and also served the Employees' Retirement System for many years.

Mr. Klusman advised that the Investment Committee may vote to convene in closed session on the following item (I.) 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 Ms. Sawa, and seconded by Mr. Heling 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 9:04 a.m.

Approval of Abbott Capital Private Equity Investors 2024, L.P. Side Letter.

The Committee reconvened in open session at 9:11 a.m.

It was moved by Mr. Klusman, seconded by Mr. Konrad and unanimously carried, to approve the Approval of Abbott Capital Private Equity Investors 2024, L.P. Side Letter.

Approval of Loomis Sayles Guideline Change. As a matter of information, Committee members received from Staff a redline document regarding the Approval of Loomis Sayles Guideline Change. Mr. Sauer noted one item was held over from the last Committee meeting which was the 144(a) Securities item. He stated the only change was changing 50% to 65% for the 144(a) sector limitations as a percentage of the portfolio's market value. Mr. Sauer said Callan had worked with Loomis, and Mr. Joecken said Callan and Loomis settled on a 65% limit. He noted they initially asked for 100% but some models were run and 100% would have caused the portfolio's overall credit quality to drop below what's allowed in the guidelines. Mr. Silber said Staff is also supportive of the guideline change.

It was moved by Mr. Konrad, seconded by Ms. Ford and unanimously carried, to approve the Approval of Loomis Sayles Guideline Change.

Approval of Statement of Investment Policy Update. As a matter of information, Committee members received a memo, along with a redlined and clean copy of the proposed Statement of Investment Policy Updates. Mr. Silber said the current guidelines do not provide Staff with flexibility to have more than 2% of the Fund's assets in the Milwaukee Cash Custodial Account. He said the Fund's value is approximately \$5.5 billion now, and the 2% limit equals around \$110 million. Mr. Silber said in January, the Fund expects to receive approximately \$200 million in one day and that would exceed the 2% cash account limit. Mr. Silber said he would like to have the flexibility to keep some or all of the \$200 million in the Milwaukee Cash Custodial Account to pay upcoming benefits. He said the cash account at Northern Trust is invested in short-term government securities, and currently generates an annualized yield above 5%. The proposed changes better reflect the factors that Staff takes into consideration when directing the Fund's cash flows, and increases the maximum amount allowed to be allocated to the Milwaukee Cash Custodial Account from 2% to 5% to provide Staff with flexibility to keep 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. Discussion ensued.

It was moved by Mr. Bell seconded by Ms. Sawa, and unanimously carried, to approve the Approval of Statement of Investment Policy Update.

Callan Real Estate Presentation. As a matter of information, Committee members received from Callan the Callan Real Estate Presentation booklet. Ms. Haskins and Mr. Iman discussed the open session section of the presentation. The topics they presented for the Real Estate Performance Review included Market Overview, Portfolio Summary, and Conclusions and Recommendations. While Mr. Iman was presenting, the public call-in was dropped momentarily, but all audio is available on the recording posted on the ERS website. Discussion ensued.

Mr. Klusman advised that the Investment Committee may vote to convene in closed session on the following item (IV.) 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. Ford and Sawa; Messrs. Bell, Heling, Klusman, and Konrad. NOES: None.

The Committee convened in closed session at 9:55 a.m.

The Committee reconvened in open session at 10:07 a.m.

Q2 2023 Private Equity Summary. Mr. Silber said today's material is from the June 30, 2023 snapshot. Mr. Silber said the takeaway is that long-term performance for the Private Equity program is strong and the Private Equity program is well-diversified by vintage year, industry, managers, and type of investment. He said performance has flatlined the last few quarters. Mr. Silber said that since inception, \$767 million dollars has been invested, CMERS has received \$657 million dollars back, and the net asset value of CMERS' remaining investments were valued at \$775 million.. He noted that in Q2 2023, CMERS had the most capital called in the history of the program. Discussion ensued.

Chief Investment Officer Report. Mr. Silber said at the last Board meeting a week earlier, Staff reported a 1.8% year-to-date return through October. He discussed the market environment in November and mentioned news headlines that said the U.S. Aggregate Bond Index return in November was the highest since the 1980s, and the approximately 8% return for the S&P 500 in November has only happened eight or nine times in the last 100 years. He said they estimate the Fund's November return to be approximately 4.9%, compared to a benchmark return of 5.2%. He said as of December 8, the Fund value is approximately \$5.58 billion and the Fund's year-to-date return is about 7.2%.

Informational.

Callan 3rd Quarter 2023 Performance Report. As a matter of information, Committee members received the Callan 3rd Quarter 2023 Performance Report.

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

There being no further business, Mr. Klusman adjourned the meeting at 10:25 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.)