

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

Minutes of the Regular Meeting
held June 25, 2024 via teleconference

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

Board Members Present: Matthew Bell, Chair
 Bill Christianson
 Deborah Ford
 Timothy Heling
 Molly King
 Thomas Klusman
 Rudolph Konrad
 Nik Kovac

Retirement System Staff Present: Jerry Allen, Executive Director
 Melody Johnson, Deputy Director
 Erich Sauer, Deputy Chief Investment Officer
 Thomas Courtright, Pension Investment Analyst – II.
 Aaron Shew, Pension Investment Analyst – II.
 Daniel Gopalan, Chief Financial Officer
 Gust Petropoulos, Deputy Director – Disability
 Mary Turk, Business Operations Analyst
 Jan Wills, Board Stenographer

Others Present: Larry Langer, Aaron Chochon, Cavanaugh Macdonald; Dan Ludwig, David Anderson, CliftonLarsonAllen (CLA); Carolyn Stittleburg, Legislative Audit Bureau; Maggie DeDomenico, Post Advisory; Terry Siddiqui, DS Consulting, Inc., nine members of the public called in to the meeting.

Regular Meeting.

Approval of Minutes.

Regular Meeting Held May 28, 2024. It was moved by Mr. Christianson, seconded by Mr. Heling, and unanimously carried, to approve the minutes of the Regular Meeting Held May 28, 2024.

Special Board Meeting Held June 6, 2024. It was moved by Mr. Konrad, seconded by Ms. Ford, and unanimously carried, to approve the minutes of the Special Board Meeting Held June 6, 2024.

Chief Investment Officer Report. As a matter of information, Board members received the June 25, 2024 Performance Update. Mr. Sauer said the Fund as of May 31, 2024, had a value of \$5.91 billion dollars. He said the Fund return of 2.4% in May, gross of fees, outperformed by approximately 17 basis points. Mr. Sauer said the primary driver of relative Performance was Manager Selection with Private Equity adding 27 basis points this month due to the 4th quarter

Private Equity reports coming in and were reflected in May. Because of the way the Fund benchmarks Private Equity, this was compared to a Private Equity benchmark return of zero for May. He said partially offsetting that was the Fund's Style Bias, Primarily Value, detracting 13 basis points. Mr. Sauer added the Fund has underperformed the benchmark in the year-to-date and one-year time periods, while outperforming in the 5-, 10-, 15- and 20-year periods. He said as of June 24, 2024, the Fund return is 0.6% month-to-date, bringing the year-to-date return to up 3.7%, and the Fund value to \$5.95 billion. Mr. Sauer noted 10 out of 15 active mandates are outperforming year-to-date. He said the Fixed Income and Absolute Return asset classes are outperforming their respective benchmarks year-to-date. Mr. Sauer said year-to-date, the Fund has an investment change of a positive \$223.2 million, paid benefits and expenses of \$208.6 million, and has received contributions of \$223.4 million. He said the monthly manager withdrawals are \$9.3 million from BlackRock Global Alpha Tilts, \$7.6 million from Northern Trust S&P 500 Fund, \$5.2 million from DFA Large Cap Value, and \$4 million from AQR. Mr. Sauer noted the upcoming due diligence trips and requested the Board members to let him know if they would like to attend any of the due diligence meetings. Discussion ensued.

Investment Committee Report. Mr. Klusman reported at its June 6th meeting, Callan provided an update on the Fund's Real Estate portfolio, and the Committee discussed the Harrison Street Data Center Allocation Proposal. He said Callan explained that Harrison Street has experience investing in data centers in its other real estate products, and how the exposure is intended to better diversify the Core vehicle that the Fund currently invests in. After some discussion, the Committee approved the Data Center Proposal. Mr. Klusman said Staff and the City Attorney then discussed, and the Committee approved, a UBS Hedge Fund Solutions Amendment that incorporates both an internal reorganization within UBS that changed the legal structure of the entity that manages the Fund's account along with investment guideline changes that have been previously approved by the Board. He said next, that Staff provided a routine due diligence report on Brandes Investment Partners. Mr. Klusman said Staff also provided a performance update for the Fund. He said finally, the Committee went into closed session to go over the Approval of Action Regarding Stock Loan Settlement. Mr. Klusman said the Committee then went into open session to approve the Approval of Action Regarding Stock Loan Settlement agenda item, including paying the fee necessary to gather the pertinent information in a timely manner to file a claim in the Litigation that was discussed. He stated that the Investment Committee recommends approval of the following items: 1. Approval of UBS Hedge Fund Solutions and CMERS Low Beta LLC Contract Amendment; 2. Approval of Harrison Street Core Property Fund Data Center Allocation Proposal; and 3. Approval of Action Regarding Stock Loan Settlement.

Approval of UBS Hedge Fund Solutions and CMERS Low Beta LLC Contract Amendment. It was moved by Mr. Klusman, seconded by Mr. Konrad, and unanimously carried, to approve the Approval of UBS Hedge Fund Solutions and CMERS Low Beta LLC Contract Amendment.

Approval of Harrison Street Core Property Fund Data Center Allocation Proposal. It was moved by Mr. Klusman, seconded by Mr. Heling, and unanimously carried, to approve the Approval of Harrison Street Core Property Fund Data Center Allocation Proposal.

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 noted.

Approval of Action Regarding Stock Loan Settlement. It was moved by Mr. Klusman, seconded by Ms. Ford, and unanimously carried, to approve the Approval of Action Regarding Stock Loan Settlement.

Administration & Operations Committee Report. Mr. Bell took the Administration & Operations Committee Report items out of order to item IV.C. 2023 Cybersecurity Assessments.

Mr. Bell 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)(d), Wisconsin State Statutes, to consider “strategy for crime detection and prevention.” The Board may then vote to reconvene in open session following the closed session.

2023 Cybersecurity Assessments.

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

The Board convened in closed session at 9:28 a.m.

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

Mr. Bell returned the meeting to order at agenda item IV.A. Approval of A&O Committee Audit Charter and Internal Audit Charter.

Mr. Heling stated the A&O Committee meeting met last Tuesday for the CliftonLarsonAllen presentation and reviewed the internal audit reports. He said CLA gave a thorough presentation and presented slides regarding audits for Accounting and Finance, Benefit Administration, Benefit Calculation, Entity Level Controls and Governance, and HR and Payroll. Mr. Heling stated CLA audited each area of our system. He noted that as a general overview, CMERS is doing a very good job and did not find anything out of the ordinary. Mr. Heling said they mentioned the COSO 2013 framework CLA uses, to evaluate high-level governance structure for internal auditing and risk assessment monitoring purposes. He said that system gives a maturity definition of one through five and CMERS is right in the middle as a Defined level of maturity. The maturity levels are: Initial Repeatable, Defined, Managed, and Optimal. Mr. Heling said Optimal is the highest level but CMERS is in the Defined category for most functionalities audited. He said a couple areas were in the Managed area, a step above defined. Mr. Heling said a question came up to how to get to Managed and Optimized and he said it comes down to money and time and human capital. He said Mr. Allen gave an example of the benefit calculation category where CMERS developed the customized MERITS automated pension record keeping solution to the Managed level which cost \$25 million initially to develop such that all the benefit calculations are fully automated employing a Java language based rules table driven system. Mr. Heling said Mr. Ludwig of CLA did the main presentation, along with three principals of CLA. He said CLA said CMERS is doing a very good job. Mr. Heling noted they looked back to 2023 and did the five

audits. He concluded that there were two audit charters for approval today and there were no changes to the existing charters. Mr. Allen said the Legislative Audit Bureau (LAB), after the A&O Committee meeting last week, requested an amendment to the audit charter approved by the A&O Committee. He said they requested an amendment to provision number five in the audit charter that says the Board has the authority to select the auditors and review the scope and control the audit. The LAB requested language that conforms the Audit Charter to the requirements of Act 12. This request has been referred to the City Attorney's office for interpretation of Act 12 requirements relating to the Act's financial audit provisions. He said City Attorney Mr. McClain would draft the appropriate language along with a legal opinion analyzing the relevant Act 12 provisions. Mr. Allen said the charter should be carried over because of the request to revise it. Mr. McClain could not be in attendance today due to flight delays due to the storms. Mr. Heling concluded the approval item would be moved to a future meeting after Mr. McClain looks at it.

Approval of A&O Committee Audit Charter and Internal Audit Charter. Mr. Bell stated the LAB is requesting to revise the Approval of A&O Committee Audit Charter so no approval was taken today and it will be carried over to the next meeting.

CLA Audit Reports. Mr. Heling discussed the reports in his meeting report.

New Business.

Presentation by Larry Langer and Aaron Chochon of Cavanaugh Macdonald Acceptance of 2024 Actuarial Valuation Report. As a matter of information, Board members received documents for the agenda items titled, "Results of the January 1, 2024 Actuarial Valuation" and "Actuarial Valuation Report of the 86th Annual Actuarial Valuation as of January 1, 2024 For Determining Actuarially Determined Employer Contributions For Plan Year 2025." Mr. Langer and Mr. Chochon gave a presentation to the Board members on the following topics:

- Purpose of the Actuarial Valuation
- Actuarial Valuation Process Reserve Funding
- Actuarial Valuation Process
- Events During Calendar Year 2023 Which Impacted the January 1, 2024 Actuarial Valuation Results
- Impact of Events during Calendar Year 2023 on the January 1, 2024 Actuarial Valuation Results
- Change in UAAL
- Change in Funded Ratio
- Change in Employer Contribution
- Comparative Summary of Census Data
- Historical Census Data
- Comparative Summary of Assets and Liabilities
- Market Value of Assets
- Actuarial Value of Assets
- Historical Asset Returns
- Historical Funded Ratio
- Employer Contributions for Plan Year 2025 as of January 1, 2025
- Estimated Employer Contributions Allocated by Employer

- Estimated UAAL: Based on Calendar Year 2024 returns of 6.8%, -3.2% and 16.8%; and 6.8% Thereafter
- What a Difference a Year Makes
- Key Takeaways

It was moved by Mr. Klusman, seconded by Mr. Kovac, and unanimously carried to approve the Acceptance of 2024 Actuarial Valuation Report.

Retirements, Death Claims, and Refunds (May). Mr. Allen presented the following activity for the month of May 2024.

Administrative Withdrawal	\$4,138.53
Full Refund	\$67,812.53
Active Death Benefits reported	\$0.00
Deferred Death	\$0.00
Deferred Death-Member Only Refund	\$0.00
Ordinary Death Benefits reported	\$39,537.96
Retired Death Benefits reported	\$41,096.50
Survivor Death – Termination Benefits reported	\$5,366.38
Refund of Member Contributions paid	\$34,596.00

It was moved by Mr. Heling, seconded by Mr. Christianson, and unanimously carried, to approve the Retirements, Death Claims, and Refunds report for May 2024.

Conference Requests – June 2024 Board Meeting.

Erich Sauer, Keith Dickerson	UBS & AQR Due Diligence; additional meeting with Morgan Stanley
Sponsor:	UBS, AQR, Morgan Stanley
Location:	New York, NY
Date(s):	August 13-14, 2024
Estimated Cost:	\$1,250.00 per person

Aaron Shew	Prologis Conference
Sponsor:	Prologis
Location:	San Francisco, CA and Napa, CA
Date(s):	September 16-18, 2024
Estimated Cost:	\$1,500.00

Erich Sauer, Tim Heling	UBS Due Diligence; additional meetings with Blair, MFS, Abbott, DFA, BlackRock
Sponsor:	UBS
Location:	London, UK
Date(s):	October 5-9, 2024
Estimated Cost:	\$3,250.00 per person

David Silber, Aaron Shew	2024 Roundtable for Consultants and Institutional Investors
Sponsor:	Institutional Investor
Location:	Chicago, IL
Date(s):	October 7-10, 2024
Estimated Cost:	\$1,500.00 per person

Ms. King also requested to attend the Public Pension Funding Forum, sponsored by NCPERS, in Boston, MA on August 18-20, 2024.

It was moved by Ms. King, seconded by Mr. Konrad, and unanimously carried, to approve the Conference Requests – June 2024 Board Meeting.

Approval of At Large Member Election Bulletin No. 198. Mr. Allen said this is for the November 1, 2024 Board member election and nominations papers need to be filed by 3:30 pm on August 30, 2024. He said there is a Board Member term of office expiring at the end of the year. It was moved by Ms. Ford, seconded by Mr. Heling, and unanimously carried, to approve the Approval of At Large Member Election Bulletin No. 198.

Medical Reports.

Mr. Bell 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)(f), Wisconsin State Statutes, for considering financial, medical, social or personal histories or disciplinary data of specific persons, preliminary consideration of specific personnel problems or the investigation of charges against specific persons except where par. (b) applies which, if discussed in public, would be likely to have a substantial adverse effect upon the reputation of any person referred to in such histories or data, or involved in such problems or investigations.

A. All Duty & Ordinary Disability Applications & Re-examinations (June).

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

The Board convened in closed session at 11:03 a.m.

The Board reconvened in open session at 11:38 a.m.

Mr. Allen presented certifications (June 2024) of the Fire and Police Medical Panel Physicians and the Medical Council relative to Duty & Ordinary Disability Retirement benefits as follows:

All Duty & Ordinary Disability Applications & Re-examinations (June).

<u>Police – Applications – Duty</u>	<u>Recommendation</u>
Herbert Davis Effective 03/22/2024	Approval
<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
Jerry Allen	Approval
Maurya Lomen	Approval
Thomas Repaci	Approval
Christopher Underwood	Approval
James Youngblood	Approval
<u>Fire – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Jack Stainback	Approval
<u>General City – Re-examinations – Duty</u>	<u>Recommendation</u>
Daren Andrysczyk	Approval

It was moved by Mr. Konrad, seconded by Mr. Heling, and unanimously carried, to approve the Duty & Ordinary Disability Applications & Re-examinations (June).

Unfinished Business.

Pending Legal Opinions and Service Requests Report. Mr. Allen stated the question before the City Attorney was whether Act 12 had any adverse or unlawful impacts on the rights and benefits of the members and beneficiaries with respect to ERS participation upon re-hire. He said the opinion is 25 pages long, has not yet been signed by the City Attorney and Mr. McClain requested it be delayed until next month in order to provide Board Members adequate time for review. Mr. Allen noted in connection with the Legal Service Requests report that the Board had approved today the UBS Hedge Fund Solutions Second Amendment.

Pending Legislation Report. Mr. Allen noted there is no 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.

Informational.

Mr. Klusman made a motion to go into closed session.

Mr. Bell 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.

Mr. Allen noted that after Mr. Bell read the closed session language, legal counsel is not present, so this item does not qualify for the exception under the open meetings law. He said it will be held over until the next meeting. Mr. Bell then withdrew the motion for closed session.

- 1) Pending Litigation Report.
- 2) Conferences.
- 3) Class Action Income 2024.
- 4) Minutes of the Investment Committee Meeting Held June 6, 2024.

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

- 5) Report on Bills.
- 6) Deployment of Assets.
- 7) Securities Lending Revenue and Budget Report.
- 8) 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 Mr. Klusman and seconded by Mr. Christianson, to adjourn the meeting.

Mr. Bell adjourned the meeting at 11:51 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.)