

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

Minutes of the Regular Meeting  
held July 30, 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

Board Members Not Present: Nik Kovac

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

Others Present: Carolyn Stittleburg, Legislative Audit Bureau; Patrick McClain, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc., seven members of the public called in to the meeting.

**Regular Meeting.**

**Approval of Minutes.**

**Regular Meeting Held June 25, 2024.** It was moved by Mr. Christianson, seconded by Mr. Heling, and unanimously carried, to approve the minutes of the Regular Meeting Held June 25, 2024.

**Chief Investment Officer Report.**

Mr. Bell advised that the Annuity and Pension Board may vote to convene in closed session on the following item (II.), 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.

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

The Board convened in closed session at 9:05 a.m.

The Board reconvened in open session at 9:20 a.m.

As a matter of information, Board members received the July 30, 2024 Performance Update. Mr. Sauer said the Fund as of June 30, 2024, had a value of \$5.90 billion dollars. He said the Fund return of 0.4% in June, net of fees, underperformed the blended benchmark by approximately 161 basis points. Mr. Sauer said the primary drivers of underperformance were Manager Selection with Private Equity subtracting 128 basis points and Style Bias, primarily Value and Small, subtracting 61 basis. He said Private Equity is benchmarked using a lagged Public Market Index, plus a Premium. Mr. Sauer noted Private Equity is not keeping up with the strong run the public markets have had to start the year. He said Private Equity is not losing money, but is generating a modest return, which is not keeping up with the public market benchmark over the shorter time period and it all hits in June because it is a quarter-end month. Mr. Sauer said, with respect to Style Bias, Value and Small, the month of June was where AI enthusiasm drove the large tech stocks to lead returns in the markets which is a tough market environment for the CMERS portfolio which is biased to Value and Small Cap. He 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. Mr. Sauer said as of July 29, 2024, there was an extremely sharp reversal as market participants realized the Fed is likely to have the first rate cut in September. He said it could come in July, but September is the most likely scenario. He also said Small and Value massively outperformed large growth stocks during the past couple of weeks. Mr. Sauer said the Fund return is 1.5% month-to-date, bringing the year-to-date return to up 5.1%, and the Fund value to \$5.99 billion. He noted nine out of 15 active mandates are outperforming their respective benchmarks year-to-date. He said the Fixed Income, Absolute Return and Real Assets 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 \$299.8 million, paid benefits and expenses of \$250.3 million, and has received contributions of \$231.3 million. He said the monthly manager withdrawals are \$12.1 million from Brandes, \$8.6 million from Blair, \$7.6 million from BlackRock Russell 1000 Value, \$7.5 million from NT S&P 500, \$4.4 million from DFA International and \$4.0 million from AQR. Discussion ensued.

**New Business.**

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

Administrative Withdrawal	\$13,216.35
Full Refund	\$185,664.93
Active Death Benefits reported	\$0.00
Deferred Death	\$96,225.74
Deferred Death-Member Only Refund	\$0.00
Ordinary Death Benefits reported	\$54,871.07
Retired Death Benefits reported	\$15,167.42
Survivor Death – Termination Benefits reported	\$21,153.92
Refund of Member Contributions paid	\$65,631.57

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

**Conference Requests – July 2024 Board Meeting.**

Bill Christianson, Deborah Ford	NCPERS 2024 Public Pension Funding Forum
Sponsor:	NCPERS
Location:	Boston, MA
Date(s):	August 18-20, 2024
Estimated Cost:	\$2,500.00 per person
David Silber	Baird Advisors' 24 <sup>th</sup> Annual Institutional Investors Conference
Sponsor:	Robert W. Baird
Location:	Kohler, WI
Date:	September 9, 2024
Estimated Cost:	\$75.00

Keith Dickerson	Goldman Sachs Alternatives Investment Summit
Sponsor:	Goldman Sachs
Location:	New York, NY
Date(s):	October 21–23, 2024
Estimated Cost:	\$1,650.00

Bernard Allen, Matthew Bell, Gust Petropoulos	NCPERS 2024 Public Safety Conference
Sponsor:	NCPERS
Location:	Palm Springs, CA
Date(s):	October 27-30, 2024
Estimated Cost:	\$2,500.00 per person

Mr. Bell also requested to attend the NCPERS Advance Trustee Education component for an additional \$900.00, making his request \$3,400.00, instead of \$2,500.00.

Discussion ensued. Mr. Klusman had concerns about the Public Safety Conference, but would not if the conference was for a combined fund. He said the conference was specifically about public safety funds, which we are not. Mr. Klusman quoted the NCPERS conference materials which stated “the unique concerns of pension systems for fire, police, and other first responders are in the spotlight at the NCPERS Public Safety Conference.” He then referred to the conference materials again which stated the conference is “tailored programming that provides quality education to public safety pension fund trustees, administrators, union officials, and local elected officials.” Mr. Klusman further mentioned the conference materials which said “the program also takes into account the demand for new or enhanced benefits.” He said this should not be a concern for any of our staff and is prohibited by Act 12 which saved this Fund. Mr. Klusman said the conference covers topics which, as listed in the conference materials, “differentiate public safety workers from other public sector employees.” He said there was nothing about disability and did not know why the disability staff is going. Mr. Klusman said because this is a combined fund and a conference is specifically for public safety funds, he did not think it was appropriate for staff to attend and objected to this conference request only. Mr. Bell said he appreciates any type of comment any Board member makes and appreciates the ability for the open dialogue the Board has and there is no ill will. Mr. Allen stated he would withdraw his request, but spoke to the request for the other two persons involved. He noted most of the liability for the Fund is for public safety members and is largely a public safety fund and includes duty disability. Mr. Allen said the Chair and Duty Disability Director would be well-served by attending this conference. Mr. Petropoulos added that there is a disability component to the conference, a panel discussion revolving around that. He said he would withdraw his name if there are objections by the Board. Mr. Bell said he attended this in 2019 and learned quite a bit when starting on the Board. He said it is a way to gain a lot of experience in a short amount of time, but would also remove his request as well. Discussion ensued with each remaining Board member affirming the conference request for Messrs. Bell and Petropoulos.

It was moved by Mr. Heling, seconded by Mr. Konrad, and unanimously carried, with one objection by Mr. Klusman for the NCPERS 2024 Public Safety Conference, to approve the Conference Requests – July 2024 Board Meeting.

**Approval to Suspend Disability Benefits for Non-Compliance with Outside Earnings Limitation.** Mr. Allen noted the list has been shortened and some names have been listed for a year as non-compliant. He said three new names had been added. Mr. Gopalan stated the first round of letters are sent out every March and those not submitting their tax documents get another letter in May. He said if those persons in non-compliance have not been heard from after the second letter, a third and final letter is sent in June stating that failure to comply with the requirements results in their benefits being suspended in July. Mr. Allen noted the persons in non-compliance and whose benefits are suspended are Angela Algee-Cotton, Jared Bertsche, Kim Fahringer, Christian Hlavinka, Gordon Mathews, Dorothy McLaurin, Joel Rodriguez, and Maiyia Yang. He said their benefits would be reinstated upon submission of the required documents, if they do comply.

It was moved by Mr. Klusman, seconded by Ms. Ford, and unanimously carried, to approve the Approval to Suspend Disability Benefits for Non-Compliance with Outside Earnings Limitation.

**Approval of August Resolution.** Mr. Allen stated they are just asking for authority to process the payroll for August and there will be a full Board report in September for the Board to ratify. He said any suspensions or disability denials would be held until September as is the long-term custom.

It was moved by Mr. Christianson, seconded by Ms. King, and unanimously carried, to approve the Approval of August Resolution.

**Medical Reports.**

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

Mr. Allen presented certifications (July 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 (July).**

<u>Police – Re-examinations – Duty</u>	<u>Recommendation</u>
Graham Kunisch	Approval
Deana Martinez	Approval
<u>Police – Re-examinations – Ordinary</u>	<u>Recommendation</u>
David Slawnikowski	Approval

<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
Nicholas Adamski	Approval
Robert Bresette	Approval
John Elliott	Approval
Mark Tesch	Approval
<u>General City – Re-examinations – Duty</u>	<u>Recommendation</u>
Rosa Colin	Approval
<u>General City – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Chara Morris	Approval

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

### **Unfinished Business.**

**Pending Legal Opinions and Service Requests Report.** Mr. McClain discussed the Legal Opinion for Pension Eligibility Pursuant to 2023 Wisconsin Act 12. He said the opinion is drafted, is with the City Attorney, but is not yet completed and signed, and is not a reflection of any of the substance of the opinion. Mr. McClain noted the RNC consumed a substantial amount of the resources of the City Attorney’s Office over the last month. He said the legal opinion will be carried over for one more cycle. Mr. McClain then discussed the Service Request for Outside Legal Services regarding the extension of the agreement with Ice Miller. He said Assistant City Attorney Travis Gresham advised the standard contract amendment has been drafted and extends the terms of the agreement without modification of any of the other substantive provisions. Mr. McClain said Mr. Gresham advised both parties have viewed this favorably and expects it to be completed fairly soon.

**Pending Legislation Report.** Mr. Allen noted there is no new activity to report for 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. Bell advised that the Annuity and Pension Board may vote to convene in closed session on the following item (VI.A.) 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.

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

The Board convened in closed session at 10:07 a.m.

The Board reconvened in open session at 10:35 a.m.

- 1) Pending Litigation Report.
- 2) Conferences.
- 3) Class Action Income 2024.
- 4) Minutes of the Administration & Operations Committee Meeting Held June 18, 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.

Mr. Allen asked Mr. Bell if he would like to take a vote and accept the advice of counsel with regard to Item VI.A.

It was moved by Mr. Konrad to accept the recommendation of counsel concerning item VI.A., seconded by Mr. Heling, and unanimously carried.

There being no further business to come before the meeting, it was moved by Mr. Christianson and seconded by Mr. Klusman, to adjourn the meeting.

Mr. Bell adjourned the meeting at 10:38 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.)