

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

Minutes of the Regular Meeting  
held September 24, 2024 via teleconference

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

Board Members Present:               Matthew Bell, Chair  
  Deborah Ford  
  Timothy Heling  
  Thomas Klusman  
  Rudolph Konrad

Board Members Not Present:       Bill Christianson (excused)  
   Molly King (excused)  
   Nik Kovac (arrived 10:10 a.m.)

Retirement System Staff Present:   Jerry Allen, Executive 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 Shoer, Chief Technology Officer  
   Gust Petropoulos, Deputy Director – Disability  
   Mary Turk, Business Operations Analyst  
   Jan Wills, Board Stenographer

Others Present: Jen Falkenholm, Sara Schmidt, Ryan Young, Brown & Brown; Lauren Albanese, Financial Investment News; Gregory Kruse, Jordan Schettle, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc., 12 members of the public called in to the meeting.

**Regular Meeting.**

**Approval of Minutes.**

**Regular Meeting Held July 30, 2024.** Mr. Klusman requested the July 30, 2024 minutes be revised at the October meeting to clarify that the quoted material is attributed to the NCPERS website wording and not to Mr. Klusman. Mr. Allen stated it would be updated and approved by Mr. Klusman before the October Board Meeting.

## **Chief Investment Officer Report.**

As a matter of information, Board members received the September 24, 2024 Performance Update. Mr. Sauer said the Fund as of August 31, 2024, had a value of \$6.03 billion dollars. He said the Fund return of 1.3% in August, gross of fees, underperformed the blended benchmark by approximately 19 basis points. Mr. Sauer said the main drivers of relative performance were Manager Selection with DFA Mandates detracting 7 basis points and Style Bias with Public Equity, detracting 6 basis, primarily from US Small Value. He noted Large Caps outperformed Small Caps and Value outperformed Growth in Large Caps, while Value underperformed Growth in Small Caps. Mr. Sauer said the majority of detraction came from the Small Value Bias. He said 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 September 23, 2024, the Fund return is up 0.7% month-to-date, bringing the year-to-date return to up 7.9%, net of fees, and the Fund value to \$6.07 billion. He noted eight out of 15 active mandates are outperforming year-to-date. Mr. Sauer said the Fixed Income, Absolute Return and Real Assets asset classes are outperforming their respective benchmarks year-to-date. He said year-to-date, the Fund has seen a change in the value of investments of \$462.2 million, paid benefits and expenses of \$336.0 million, and has received contributions of \$236.4 million. Mr. Sauer concluded that they took withdrawals this month from several Public Equity managers – 11.3 million from Brandes, \$5.2 million from MFS, 4.3 million each from DFA International Small Value and Polen, and \$4.0 million from the BlackRock Russell 1000 Value.

Mr. Silber added that he is pleased with the Fund and how things are materializing this year with the 7.9% year-to-date return, net of fees, through yesterday, and noted the solid long-term performance as well. He noted the Fund is getting nice contributions from stocks, bonds, and hedge funds so far in 2024. Mr. Silber said returns so far in 2024 in Private Equity and Real Estate are below Callan's long-term capital market assumptions, but they are hoping that, barring a recession, that declining interest rates along with the strong returns recently seen in the stock markets can provide a tailwind for those parts of the portfolio going forward. Mr. Silber noted, from an asset allocation standpoint, the underweight to Real Assets is intentional and that has recently benefited the Fund since Real Assets has been the lowest performing asset class over the past year. He said Public Equity continues to do well and redemptions from that asset class have been used to pay monthly benefits for much of this year. Mr. Silber concluded that Callan would be doing another ALM study and Callan is expected to begin that process at the November Investment Committee Meeting.

## **Investment Committee Report.**

Mr. Klusman reported that at its September 5<sup>th</sup> meeting, Callan presented the 2025 Private Equity Pacing and Reinvestment Presentation. He said Callan discussed the Private Equity market, the performance of CMERS' Private Equity program, which ranks in the 2<sup>nd</sup> quartile since its inception, and their pacing analysis that shows the commitments that are projected to be necessary to maintain the Fund's Private Equity target allocation in 10+ years. Mr. Klusman noted that after some discussion, the Committee approved the 2025 Private Equity Commitment Recommendation, which is to commit \$100 million to Neuberger Berman Fund VI, \$40 million to Abbott Capital's AP 2025, to upsize the commitment to Mesirow MPE IX from \$100 million to

\$120 million, and upsize the commitment to Apogem Capital's APEF XI Fund from \$30 million to \$40 million. He said next that BlackRock presented an update that focused on the Global Alpha Tilts strategy that their Systematic Active Equity team manages for the Fund. Mr. Klusman stated that the Staff went over the Fund's 2<sup>nd</sup> quarter performance report, and provided a routine due diligence report on Dimensional Fund Advisors. He concluded that the Investment Committee recommends approval of the following item: Approval of 2025 Private Equity Commitment Recommendation.

**Approval of 2025 Private Equity Commitment Recommendation.** It was moved by Mr. Bell, seconded by Mr. Heling, and unanimously carried, to approve the Approval of 2025 Private Equity Commitment Recommendation.

### **Administration & Operations Committee Report.**

Mr. Heling said the Administration & Operations Committee met Thursday, September 19. He stated the Committee went over four contracts and voted to approve those. Mr. Heling said the first one was for Ice Miller who deal with federal tax law issues, the second was the contract with United Mailing Services who deal with the elections and getting the mail out in a timely manner, the third was the renewal of the lease for Two Park Place which is the remote office and used by one of the doctors and some of the employees, and the fourth was the contract amendment with ABTMailcom who deal with the 1099Rs. He said there was also an IT update from Mr. Shober.

**Approval of Ice Miller Professional Services Agreement.** It was moved by Mr. Konrad, seconded by Ms. Ford, and unanimously carried, to approve the Approval of Ice Miller Professional Services Agreement.

**Approval of Contract Amendment with United Mailing Services.** It was moved by Mr. Heling, seconded by Mr. Klusman, and unanimously carried, to approve the Approval of Contract Amendment with United Mailing Services.

**Approval of Lease Renewal for Two Park Place.** It was moved by Ms. Ford, seconded by Mr. Klusman, and unanimously carried, to approve the Approval of Lease Renewal for Two Park Place.

**Approval of Contract Amendment with ABTMailcom.** It was moved by Mr. Heling, seconded by Mr. Bell, and unanimously carried, to approve the Approval of Contract Amendment with ABTMailcom.

### **New Business.**

**Retirements, Death Claims, and Refunds (July and August).** Mr. Allen presented the following activity for the months of July and August 2024.

Administrative Withdrawal	\$33,894.16
Full Refund	\$205,073.81

Active Death Benefits reported	\$0.00
Deferred Death	\$5,378.49
Deferred Death-Member Only Refund	\$0.00
Ordinary Death Benefits reported	\$76,385.82
Retired Death Benefits reported	\$47,354.96
Survivor Death – Termination Benefits reported	\$20,354.55
Refund of Member Contributions paid	\$77,608.95

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

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

**Approval of Annual Comprehensive Financial Report (ACFR) for the Year Ended December 31, 2023.** Mr. Gopalan thanked Robin Hayes, the Investment team, and Terry Siddiqui for their work on the ACFR. He noted the ERS received two awards – the NCPERS Certificate of Transparency and the Certificate of Achievement in Financial Reporting from the Government Finance Officers Association (GFOA). He said the ERS takes part every year in the NCPERS survey and for their requests for public plan data. Mr. Gopalan said the certificate from the GFOA is prestigious to accountants and is awarded to governments who go above and beyond the minimum of generally-accepted accounting principles. He said the ERS provided more supplemental information, including the actuarial section, the investment section, and the statistics at the end of the ACFR. Mr. Gopalan said they received the award for the 2022 ACFR and the ACFR will also be submitted for the 2023 ACFR. Mr. Allen noted Mr. Gopalan’s appointment to a GFOA panel and Mr. Gopalan said he was recently appointed to the GFOA’s standing committee on retirement benefits and administration. He noted it was a three-year term and the GFOA committee sets best practices for retirement benefits and administration. Mr. Allen congratulated Mr. Gopalan. Mr. Klusman asked if it is a national or statewide group and Mr. Gopalan said it is a national committee. Mr. Gopalan talked about items of interest and said the ERS has new auditors this year. He said that under Act 12, the Wisconsin Legislative Audit Bureau (LAB) is required to audit the financial statements of the ERS and its internal controls. Mr. Gopalan also said LAB is required to complete an actuarial audit every five years. He said as part of Act 12, the ERS reduced its assumed rate of return for investments from 7.5% to 6.8%. Mr. Gopalan noted that under Act 12, the ERS cannot use a rate higher than the Wisconsin Retirement System (WRS) which was 6.8% for 2024. He said for 2023, the investment return was 10% flat, net of fees. Mr. Gopalan said the ERS underperformed its benchmark, but for the past 10 years, the Fund has had annualized returns of 7.2%, net of fees, which exceeded the benchmark by 49 basis points and the Fund’s returns also ranked in the first or second quartiles of its public fund peers over the three-, five-, and

10-year time periods. He stated the ERS paid out almost \$4 billion in benefit payments over the last 10 years while increasing the fiduciary net position from \$4.95 billion to \$5.71 billion. Mr. Gopalan said that even with the large benefit payments, the Fund is still able to grow its assets. He said the CMERS' funded status, per GASB (Government Accounting Standards Board) Statement No. 67, is the total pension liability as calculated by the actuaries divided by the ERS' plan net position. Mr. Gopalan said in 2023, the funded status dropped from 78.41% to 73.51% and the two main drivers of that were a reduction in the discount rate from 7.5% to 6.8% and the way the GASB 67 net position was calculated. He said previously the City's employer reserve fund was reported as part of the Plan net assets, but the City's reserve fund is the City's asset and not the ERS'. He added any money in the City's reserve can only be transferred to the ERS, and it is still technically the City's asset and the City needs go give direction to the ERS to transfer it from the reserve. Mr. Allen asked for clarification on GASB 67 reporting versus the actuarial funding accounts. Mr. Gopalan added that under GASB Statement No. 67, it is solely a reporting and disclosure function but the actuarial funded status is a funding mechanism or measure. He showed a slide with CMERS revenues for the last five years and investment income is 76% of revenue from 2019 to 2023. Mr. Gopalan noted that for every dollar of income CMERS has, 76% is attributable to investment income which significantly provides cash flow to pay benefits, while the contributions are in effect the seed money. He showed another slide with benefit payments and the administrative expenses with benefit payments increasing 15% from 2019-2023. He said the actuary said the benefit payments are expected to reach \$700 million annually in 2050. Mr. Gopalan said after the draft ACFR exhibit was included as an exhibit in the meeting packet, there was one correction needed on page 76 where an old investment target allocation was used from the experience study instead of the most recent target allocation. He said the highlighted numbers need to be changed. He said the plan will be for the Board to approve the unaudited ACFR. Mr. Gopalan said once it is approved by the Board, the LAB will issue their official audit opinion and the ACFR will be finalized for posting to the website. He concluded the annual report tri-fold, which is sent to the retirees, will also be posted to the website. Discussion ensued.

It was moved by Ms. Ford, seconded by Mr. Konrad, and unanimously carried, to accept and place on file the draft of the Annual Comprehensive Financial Report (ACFR) for December 31, 2023 pending the Legislative Audit Bureau's final auditing report.

#### **Conference Requests – September 2024 Board Meeting.**

Thomas Courtright	2024 University of Wisconsin Investment Conference
Sponsor:	University of Wisconsin - Madison
Location:	Madison, WI
Date:	October 4, 2024
Estimated Cost:	\$250.00

David Silber,	William Blair Due Diligence
Thomas Courtright,	
Keith Dickerson,	
Aaron Shew	
Sponsor:	William Blair
Location:	Chicago, IL

Date: November 19, 2024  
 Estimated Cost: \$100.00 per person

David Silber, Keith Dickerson  
 Sponsors: Polen Capital and Earnest Partners Due Diligence  
 Locations: Earnest Partners, Polen Capital  
 Date(s): Boca Raton, FL and Atlanta, GA  
 December 9-11, 2024  
 Estimated Cost: \$1,500.00 per person

David Silber  
 Sponsor: 2025 Visions, Insights & Perspectives (VIP) Americas  
 Location: Institutional Real Estate, Inc.  
 Dana Point, CA  
 Date(s): January 27-30, 2025  
 Estimated Cost: \$2,250.00

Mr. Sauer requested an additional conference approval for Keith Dickerson to attend the Brandes Investor Conference in San Diego, CA from November 13-15, 2024 at a cost of \$1,000.00.

Mr. Bell gave an update for his previous NCPERS conference request and stated he would be using some tuition reimbursement for his registration to decrease his conference cost by \$1,000.00, bringing the cost to \$1,500.00.

It was moved by Mr. Heling, seconded by Ms. Ford, and unanimously carried, to approve the Conference Requests – September 2024 Board Meeting.

**Approval of Fiduciary, Cyber, and Property Insurance Coverage.** As a matter of information, Committee members received documents from Brown & Brown, copies of which are on file at the ERS. Mr. Ryan Young and Ms. Jen Falkenholm and Sara Schmidt gave a presentation to the Board and Staff on the renewals and costs for the Fiduciary, Cyber, and Property Insurance Coverage.

It was moved by Mr. Heling, seconded by Ms. Ford, and unanimously carried, to approve the Approval of Fiduciary Insurance Coverage.

It was moved by Mr. Konrad, seconded by Mr. Klusman, and unanimously carried, to approve the Approval of Cyber Insurance Coverage.

It was moved by Mr. Heling, seconded by Mr. Bell, and unanimously carried, to approve the Approval of Property Insurance Coverage.

**Referral to Legislative Committee regarding whether to recommend the City to Lobby the State to make changes to the Law Enforcement Standards Bureau (LESB) requirements as they relate to the Duty Disability program and the Limited Duty protocols of the Milwaukee Police Department.**

Mr. Allen noted one of the Trustees had made this request and the Trustee had no further discussion on this item as the Trustee said everyone was familiar with the discussion on how this originated. Mr. Allen said this had to do with employment classification issues and a number of things that might require an in-depth discussion.

It was moved by Ms. Ford, seconded by Mr. Klusman, and unanimously carried, for referral to Legislative Committee regarding whether to recommend the City to Lobby the State to make changes to the Law Enforcement Standards Bureau (LESB) requirements as they relate to the Duty Disability program and the Limited Duty protocols of the Milwaukee Police Department.

### **Medical Reports.**

Mr. Allen presented certifications (August and September 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 (August and September).**

<u>Police – Applications – Duty</u>	<u>Recommendation</u>
Matthew Murray Effective 12/17/2023	Approval
<u>Police – Re-examinations – Duty</u>	<u>Recommendation</u>
Mark Ashworth	Approval
April Hoffman	Approval
Joel Kujawa	Approval
Kurt Lacina	Approval
Justine Schmidt	Approval
Paul Singer	Approval
<u>General City – Re-examinations – Duty</u>	<u>Recommendation</u>
Brad Bartel	Approval
<u>General City – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Sharodnick Brown	Approval
Camille Cole	Approval

Discussion ensued. It was moved by Mr. Klusman, seconded by Mr. Heling, and unanimously carried, to approve the Duty & Ordinary Disability Applications & Re-examinations for August.

It was moved by Mr. Bell, seconded by Mr. Heling, and unanimously carried, to approve the Duty & Ordinary Disability Applications & Re-examinations for September.

**Unfinished Business.**

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

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

The Board convened in closed session at 10:30 a.m.

The Board reconvened in open session at 11:22 a.m.

**Approval of ERS Hearing Officer Appointments.**

It was moved by Mr. Bell, seconded by Mr. Klusman, and unanimously carried, to approve the Approval of ERS Hearing Officer Appointments discussed in closed session as well as the compensation for those hearing officers..

The Chair called for a break at 11:23 a.m.

The Chair resumed the meeting at 11:33 a.m.

**Pending Legal Opinions and Service Requests Report.** Mr. Allen noted Mr. McClain is out ill, but the draft of Act 12 is sitting on the desk of the City Attorney for release and it will be available next month. He said as soon as the ERS receives the 25-page legal opinion, which Mr. McClain has done extensive research on for the issues of the rights of the members and beneficiaries, he will present the legal opinion. Mr. Allen said the legal opinion will be e-mailed to the Trustees as soon as it is received by the ERS. He said for the Service Requests, all the contracts listed were presented at today's meeting.

**Pending Legislation Report.** Mr. Allen noted there is one item coming up for referral to the Legislative Committee of Draft Amendment to Board Rule II, Creating a New Section 8.

**Referral to Legislative Committee of Draft Amendment to Board Rule II, Creating a New Section 8.**

Mr. Allen said any changes to the Board rules must be vetted by the Legislative Committee.

It was moved by Mr. Bell, seconded by Mr. Heling, and unanimously carried, to refer to Legislative Committee of Draft Amendment to Board Rule II, Creating a New Section 8.



**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 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 noticed as there is no legal counsel present and per Mr. McClain, no action is required by the Board at this time in reference to any litigation..

- 1) Pending Litigation Report.
- 2) Conferences.
- 3) Class Action Income 2024.
- 4) Minutes of the Investment Committee Meeting Held September 5, 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. Bell and seconded by Ms. Ford 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.)