

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

Minutes of the Annual Meeting
held January 28, 2025 via teleconference

The meeting was called to order at 10:02 a.m.

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

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

Others Present: Lauren Albanese, Financial Investment News; Patrick McClain, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc., eight members of the public called in to the meeting.

Annual Meeting.

Introduction of New Board Member. Mr. Bell welcomed Mr. DeCleene who won the election last Fall and said this is his first meeting as a new Board member. Mr. DeCleene said he is grateful to be here and is a 17-year member of the Milwaukee Police Department.

Officers for 2025.

Election of Chair. Mr. Bell asked for nominations for Chair of the Annuity and Pension Board. Mr. Klusman nominated Mr. Bell for Chair. Mr. Bell asked for any other nominations for Election of Chair. Mr. Bell asked for a final and third time for any further nominations for Chair. It was moved by Ms. Ford, seconded by Mr. Kovac, and unanimously carried, to re-elect Mr. Bell as Chair of the Annuity and Pension Board for 2025.

Election of Vice-Chair. Mr. Bell asked for nominations for Vice-Chair of the Annuity and Pension Board. Mr. Bell nominated Mr. Kovac for Vice-Chair. Mr. Bell asked a second and third time for any other nominations for Election of Vice-Chair for 2025. It was moved by Mr. Bell,

seconded by Mr. Christianson, and unanimously carried, to re-elect Mr. Kovac as Vice-Chair of the Annuity and Pension Board for 2025. Mr. Allen added that the Chair would appoint the Committee Chairs next month and Board members should talk with Mr. Bell if interested in a committee.

Approval of Minutes.

Regular Meeting Held December 17, 2024. It was moved by Mr. Heling, seconded by Mr. DeCleene, and unanimously carried, to approve the Regular Meeting Held December 17, 2024.

Chief Investment Officer Report. Mr. Sauer noted the Fund value as of December 31, 2024 was \$5.86 billion, with all of the Fund's data now reflected in Northern Trust. He said the Fund return of -1.7% in December, net of fees, underperformed by approximately 90 basis points. Mr. Sauer said the -1.7% brought the total Fund return to 6.8%. Because the return is so close to the Fund's 6.8% assumed rate of return, Mr. Sauer went into detail on the rounding of the return. In instances where the return is shown to one decimal place, it will be shown as 6.8%. In instances like the actuary report, where we show the return to two decimal places, it will be shown as 6.85%. He said the primary relative performance driver was Public Equity Style Bias, detracting 45 basis points, primarily Value and Small Cap. Mr. Sauer noted for Manager Selection, Private Equity detracted 62 basis points. He stated Private Equity was up 1.8% for December, which did not keep up with the Public Equity benchmark. Mr. Sauer said the Fund has underperformed the benchmark in the one- and five-year time periods, while outperforming in the longer time periods. He stated for 2024 that the Fixed Income, Absolute Return, and Real Asset asset classes outperformed their respective benchmarks, net of fees. Mr. Sauer noted seven out of 15 active mandates outperformed net of fees. He said year-to-date, the Fund had a change in the value of investments of \$407.3 million, paid benefits and expenses of \$510.5 million, and received contributions of \$252.5 million. Mr. Sauer said as of January 27, 2025, the Fund return is up 1.6% month-to-date, and the Fund value is at \$6.17 billion and seven out of 12 active mandates are outperforming year-to-date. He said there is an investment change year-to-date of \$99.3 million, received \$212.2 million in contributions, and paid out \$2.0 million in expenses. Mr. Sauer concluded this month's benefits will be paid out of the cash balances due to this month's contributions. Discussion ensued.

Mr. Sauer made one announcement regarding the Investment Committee Meeting on February 13. He stated Callan would continue the de-risking discussion begun in December, there will be a deeper dive into 2024 performance with the quarterly performance presentation, there will be the Value Add Analysis done at the beginning of each year, and there will be a number of due diligence reports.

Legislative Committee Report. Ms. Ford said there was nothing further to report after the earlier 9:00 a.m. Legislative Committee of the Whole meeting.

New Business.

Authorization to Sign Vouchers. It was moved by Mr. Bell, seconded by Ms. Ford, and unanimously carried, to approve the Authorization to Sign Vouchers.

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

Administrative Withdrawal	\$9,636.36
Full Refund	\$103,379.03
Active Death Benefits reported	\$0.00
Deferred Death	\$0.00
Deferred Death-Member Only Refund	\$953.97
Ordinary Death Benefits reported	\$0.00
Retired Death Benefits reported	\$13,873.77
Survivor Death – Termination Benefits reported	\$7,614.00
Refund of Member Contributions paid	\$24,303.36

It was moved by Mr. Bell, seconded by Mr. DeCleene, and unanimously carried, to approve the Retirements, Death Claims, and Refunds report for December 2024.

Conference Requests – January 2025 Board Meeting. Mr. Allen presented the conference requests for January.

Keith Dickerson	Harrison St. Annual Investor Conference
Sponsor:	Harrison St.
Location:	Nashville, TN
Date(s):	April 28-30, 2025
Estimated Cost:	\$1,000.00

It was moved by Mr. Heling, seconded by Mr. Christianson, and unanimously carried, to approve the Conference Requests – January 2025 Board Meeting.

Approval of 2024 Securities Lending Budget. Mr. Allen noted this is an annual housekeeping item and that there is a requirement in the Charter that every year the Board has to authorize sweeping the Securities Lending Revenue into the Combined Fund. He said the revenue this year is approx. \$919,000. Mr. Sauer added that there are people who want to borrow the Fund’s securities for many reasons, with the most typical reason being is if they want to establish a “short” position and borrowing our securities, selling them, and buying it back later to make a profit. Mr. Sauer said Northern Trust administers the securities lending for the ERS and they provide protection for the Fund, making sure the Fund gets its securities back when needed. He noted the entity borrowing securities from the ERS pays a fee and Northern Trust invests that collateral and earns a spread on that collateral. Mr. Sauer stated they lend \$300-\$400 million in stocks and a few

hundred million in bonds. He added the ERS only takes cash collateral. It was moved by Mr. DeCleene, seconded by Ms. Ford, and unanimously carried, to approve the Approval of 2024 Securities Lending Budget.

Annual Obligation of Trustees and ERS Officers to Submit Annual Statement of Economic Interest. Mr. Bell reminded the Board members the due date is February 28, 2025 and there is a penalty fee.

Approval of Resolution for Annuity & Pension Board Member Molly King. Mr. Bell read the resolution for Ms. King.

WHEREAS, Ms. Molly King, Trustee of the Annuity and Pension Board, conscientiously served in the above capacity from January 2021 through December 2024 and represented this System during her tenure of office; and

WHEREAS, Ms. King's knowledge of pension benefits, and her prior six years of service in the City of Milwaukee's Budget and Management Division providing strategic advice to the City and Employees' Retirement System on matters concerning the System, enabled her to make valuable contributions to the Annuity and Pension Board and the well-being of the Employees' Retirement System of the City of Milwaukee and its tens of thousands of members and beneficiaries; and

WHEREAS, Ms. King served diligently on the Investment Committee of the Annuity and Pension Board throughout her tenure, assisting in the prudent development and implementation of the Employees' Retirement System's highly successful Investment Policy which has generated several billions of dollars of returns for the exclusive benefit of the System's Members and Beneficiaries; and

WHEREAS, Ms. King, served diligently as a member of the Administration and Operations Committee of the Annuity and Pension Board from March 2021 through December 2024, and as Vice-Chair of the Committee throughout her tenure, during which time she oversaw the continued successful operations of the ERS, especially during the global emergency of the COVID-19 pandemic; and

WHEREAS, Ms. King's departure will be a great loss to the Annuity and Pension Board and the members of the Employees' Retirement System; therefore, be it

RESOLVED, By the Annuity and Pension Board that it hereby expresses its sincere appreciation for the valuable and conscientious service of Ms. King; and be it

FURTHER RESOLVED, That this resolution be recorded in the permanent records of this Board and that a suitably engrossed copy be forwarded to Ms. King. Adopted January 28, 2025 by the Annuity and Pension Board.

It was moved by Mr. Bell, seconded by Mr. Christianson, and unanimously carried, to approve the Approval of Resolution for Annuity & Pension Board Member Molly King.

Medical Reports.

Mr. Petropoulos presented certifications (January 2025) 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 (January).

<u>Police – Re-examinations – Duty</u>	<u>Recommendation</u>
Christian Hlavinka	Approval
Willie Huerta	Approval
<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
Kenneth Berget	Approval
Scottt Hoth	Approval
Tony Jones	Approval

Mr. Petropoulos noted for the February Medical Council meeting, Mr. McClain will be doing a presentation to the new alternate doctor and the entire council. He also stated Board members can attend the presentation outlining the duties and processes of the medical council.

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

Unfinished Business.

Pending Legal Opinions and Service Requests Report. Mr. McClain said there are no specific updates this month.

Pending Legislation Report. Mr. Allen stated the two items listed were discussed at the Legislative Committee this morning.

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 Board Secretary and by reference incorporated as part of these minutes.

Approval of Legislative Audit Bureau Invoice. Mr. Allen stated the Legislative Audit Bureau invoice amount is \$145,000 and it meets the standard of being reasonable. Discussion ensued. It was moved by Mr. Klusman, seconded by Mr. Christianson, and unanimously carried, to approve the Approval of Legislative Audit Bureau Invoice.

Approval of 2025 A&O Committee Audit Charter. Mr. Allen noted this charter was last updated in June 2024 and the LAB has requested it be further updated to reflect the requirements

of Act 12. Discussion ensued. It was moved by Mr. Klusman, seconded by Mr. Heling, and unanimously carried, to approve the Approval of 2025 A&O Committee Audit Charter.

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.

- 1) Pending Litigation Report.
- 2) Conferences.
- 3) Class Action Income 2024.
- 4) Minutes of the Administration & Operations Committee Meeting Held December 12, 2024.
- 5) Copies of the Board Rules and Regulations and ERS Ethics Policy.

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

- 6) Report on Bills.
- 7) Deployment of Assets.
- 8) Securities Lending Revenue and Budget Report.
- 9) Preliminary Performance Report and Asset Allocation.
- 10) ERS Holdings Report

Mr. Bell accepted and placed the Informational items on file.

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

Mr. Bell adjourned the meeting at 11:25 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.)