

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

Minutes of the Regular Meeting
held April 22, 2025 via teleconference

The meeting was called to order at 10:00 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
David Silber, Chief Investment Officer
Daniel Gopalan, Chief Financial 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
Gust Petropoulos, Deputy Director – Disability
Mary Turk, Business Operations Analyst
Jan Wills, Board Stenographer

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

Approval of Minutes.

Regular Meeting Held February 25, 2025. It was moved by Mr. Klusman, seconded by Mr. Christianson, and unanimously carried, to approve the Regular Meeting Held February 25, 2025.

Special Meeting Held March 13, 2025. It was moved by Mr. Bell seconded by Mr. Heling, and unanimously carried, to approve the Special Meeting Held March 13, 2025.

Regular Meeting Held March 25, 2025. It was moved by Mr. Bell, seconded by Mr. DeCleene, and unanimously carried, to approve the Regular Meeting Held March 25, 2025.

Chief Investment Officer Report. Mr. Sauer noted the Fund value as of the end of March was \$6.02 billion. He said the Fund return of -1.0% in March, net of fees, underperformed the benchmark by approximately four basis points. Mr. Sauer said the primary relative performance

driver was the Fund's Public Equity Style Bias, adding 40 basis points, primarily from the Fund's Value and International Biases. He noted for Manager Selection, Private Equity subtracted 38 basis points and Aptitude subtracted five basis points. Mr. Sauer said March was difficult for hedge funds. In periods of stress, hedge funds go through a deleveraging process to reduce risk, which can lead to losses. BlackRock Global Alpha Tilts, one of the Fund's global equity managers that tracks hedge fund flows as part of their investment process, said the hedge fund deleveraging at the beginning of March was a top five deleveraging event over the past 30 years. He said Staff is happy with how CMERS' hedge fund portfolio navigated that. UBS finished positive and outperformed the benchmark while Aptitude was down less than a percent. Mr. Sauer said the Fund has underperformed the benchmark in the one-year period, while outperforming in the year to date and longer time periods. He said as of April 21, 2025, the Fund return is -2.3% month-to-date, the Fund return is -1.2% year-to-date, and the Fund value is \$5.88 billion. Mr. Sauer noted two out of the Fund's 15 active mandates are outperforming year to date. He noted there is no estimate yet for April yet for UBS so it is not known whether they are outperforming or not. Mr. Sauer said the Public Equity asset class is outperforming its benchmark year to date, net of fees. He said year to date, the Fund had a change in the value of investments of -\$64.4 million, received contributions of \$220.8 million, and paid benefits and expenses of \$128.6 million. Mr. Sauer concluded this month's withdrawals are \$13 million from Brandes and \$10 million from DFA International.

Mr. Silber noted that Mr. Shew gave his notice and his last day is April 25, 2025. He said he had started as an Investment Analyst in May 2024 at the ERS and is going to be pursuing a full-time MBA program. Mr. Silber thanked Mr. Shew for his great contributions and wished him the best. He said the current plan is not to fill the position right away as Mr. Dickerson has been a strong performer in his first year and gotten up to speed quickly and is handling more manager due diligence and manager research. Mr. Silber said Staff will proceed as a four-person team for now. He said they can work with DER and the Board to fill the position if needed. Mr. Silber noted the next Investment Committee Meeting is May 8 and the items to be discussed are a recent manager change, a real estate performance update by Callan, an update on the investment guidelines to reflect a new asset mix, 1st quarter performance, and updated performance estimates. He concluded by discussing cash activity listed on the preliminary performance report and noted this report is included in each month's Board packet. Mr. Silber stated a new asset mix was chosen as part of the Glide Path approved at the April Investment Committee meeting. He also stated in a market like this, where stocks have negative returns year-to-date, the focus is typically to redeem from cash and Fixed Income Managers to pay benefits when possible. Mr. Silber said the asset allocation targets are long term and paying benefits is a short-term decision so it is preferred to sell bonds to pay benefits when the stock market is declining. He said the new Glide Path does slightly reduce the stock allocation target and increase the Fixed Income allocation target, so if the stock market recovers he will look to trim the stock exposure and add to the bond exposure. Mr. Silber said Brandes and DFA International were up over eight percent when decisions were made to make withdrawals earlier in the year.

Investment Committee Report. Mr. Klusman said, at its April 10th meeting, the Investment Committee continued its Glide Path discussion from previous meetings, and ultimately approved Glide Path B. He noted that Glide Path B changes the Fund's current asset allocation targets right away by reducing the Public Equity target from 39% to 36%, increasing the Fixed Income target from 29% to 32%, reducing the Private Equity and Real Estate targets by 1% each, and increasing

the Absolute Return target from 7% to 9%. Mr. Klusman said according to Callan's analysis, the new asset allocation targets (called Mix 1 in Callan's presentation) are projected to generate a return greater than 6.8% over the next 10+ years at lower volatility, all while putting the Fund on a Glide Path that has a greater than 50% chance of being fully funded after 30 years. He said next, Callan presented its 2025 Work Plan and Investment Manager Due Diligence Report. Mr. Klusman commented that Staff provided a Fund and performance update. He said Staff also gave a Style Bias Overview presentation along with the annual Value Add Analysis. Mr. Klusman stated the Value Add Analysis estimates that the ERS has been able to add an additional \$992 million to the Fund's value, net of fees, over the past 30 years by implementing the Fund's Stock, Bond, Private Equity, and Absolute Return allocations in a way that has outperformed low-cost passive benchmarks. He noted \$323 million of that additional value is estimated to have been generated in the past 10-years. Finally, Mr. Klusman commented that Brandes Investment Partners gave a presentation that focused on the relevancy of Value investing, and the Committee went into closed session to discuss its Callan and Advisor Compliance Associates contracts. He concluded that the Investment Committee recommends approval of the following item: 1. Approval of Glide Path – Glide Path B.

Approval of Glide Path. It was moved by Mr. Klusman, seconded by Ms. Ford, and unanimously carried, to approve the Approval of Glide Path B.

Legislative Committee Report. Ms. Ford stated at this morning's meeting, they discussed the RFP responses and narrowed the set of firms to be interviewed to four. She concluded they held the Amendment to Board Rules and Regulations around Elections until a future meeting.

New Business.

Retirements, Death Claims, and Refunds (March). Mr. Allen presented the following activity for the month of March 2025.

Administrative Withdrawal	\$5,006.68
Full Refund	\$123,887.76
Active Death Benefits reported	\$0.00
Deferred Death	\$67,619.01
Deferred Death-Member Only Refund	\$0.00
Ordinary Death Benefits reported	\$0.00
Retired Death Benefits reported	\$118,176.29
Survivor Death – Termination Benefits reported	\$13,315.02

Refund of Member Contributions paid	\$57,366.68
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It was moved by Mr. Bell, seconded by Mr. Christianson, and unanimously carried, to approve the Retirements, Death Claims, and Refunds report for March 2025.

Conference Requests – April 22, 2025 Board Meeting. Mr. Allen presented the conference requests for April.

Thomas Courtright	2025 Madison Investment Conference
Sponsor:	CFA Society
Location:	Madison, WI
Date(s):	May 15, 2025
Estimated Cost:	\$250.00

Erich Sauer,	Abbott Due Diligence; Neuberger Berman
Thomas Courtright	Due Diligence and Annual LP Meeting
Sponsor:	Abbott and Neuberger Berman
Location:	New York, NY
Date(s):	June 16 - 18, 2025
Estimated Cost:	\$1,800.00 per person

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

Approval of Draft ERS 2026 City Budget Request. As a matter of information, Board Members received from Mr. Gopalan the “Summary of 2026 Draft Budget Request as compared to 2025 Adopted Budget and 2024 Actual Expenditures.” Mr. Gopalan said the ERS’ administration operations are funded by the investment earnings of the Plan and seeded by employer and employee contributions which are used to generate the investment income used to fund the benefit payments and administrative expenses. He noted the ERS has an intergovernmental agreement with the City covering the ERS’ administrative expenses. He stated that as the ERS receives the statements and invoices from the vendors, the invoices are submitted to the Comptroller’s office and they process those invoices and pay them on the ERS’ behalf. Mr. Gopalan said every month, ERS takes a look at all its spending and the City is reimbursed by the ERS on a monthly basis. He noted at the end of the year, the ERS reconciles all its expenses versus what the City is reimbursed and closes out the budget, which he said, was done last month for 2024. Mr. Gopalan said he presents the budget to the Board in April, and once the Board approves it, the ERS’ budget is submitted, as of the May 13 requirement, to the City Budget Office. He stated the budget is approved by the Finance & Personnel Committee, and then the Common Council and Mayor approve it in late 2025. Mr. Gopalan said the 2026 budget request is \$24,635,860 which is an increase of \$109,137 from the 2025 budget. He noted the actual spending in 2024 was under \$20 million. Mr. Gopalan said the changes and highlights for 2026 are the professional services line item which went down \$748,000. He noted they are projecting investment manager performance fees to be lower for 2026. Mr. Gopalan said, as a side note, the investment manager fees in 2023 were \$63 million, with only \$10 million of investment manager fees being paid out of the budgeted amount, while the remaining \$53 million was charged against

assets under management. He stated that information technology expenses, including equipment costs, are expected to increase by \$627,000. Mr. Gopalan stated the IT Staff is working on a computer network redesign which will increase the security of the network if breached by a bad actor. He also said facility rent and property services are expected to increase by \$155,000. Mr. Gopalan said the two components to the increase are the three percent rent escalators built into the lease and common area expenses for any shared facilities with other building tenants. He said there will also be security upgrades in the reception area amounting to \$80,000. Mr. Gopalan concluded they are requesting a \$109,000 increase for the 2026 budget. Discussion ensued.

It was moved by Mr. Bell, seconded by Mr. Christianson, and unanimously carried, to approve the Approval of Draft ERS 2026 City Budget Request.

Mr. Klusman left the meeting at 10:30 a.m.

Mr. Bell advised that the Annuity and Pension Board may vote to convene in closed session on the following item (V.D.), as provided in Section 19.85 (1)(c), for considering employment, promotion, compensation or performance evaluation data of any public employee over which the governmental body has jurisdiction or exercises responsibility. The Board may then vote to reconvene in open session following the closed session.

ERS Investment Staff Compensation (Analyst).

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

The Board convened in closed session at 10:35 a.m.

The Board reconvened in open session at 10:42 a.m.

Medical Reports.

Mr. Petropoulos presented certifications (April 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 (April).

<u>Police – Re-examinations – Duty</u>	<u>Recommendation</u>
Jill Riley	Approval
<u>Police – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Matthew Drought	Approval

<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
Andrew Garncarz	Approval
Thomas Ptak	Approval
<u>Fire – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Jared Bertsche	Approval
<u>General City – Applications – Ordinary</u>	<u>Recommendation</u>
Stephen Leisher	Approval
Effective 12/27/2024	
<u>General City – Re-examinations – Duty</u>	<u>Recommendation</u>
Joseph Alferi	Approval

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

Unfinished Business.

Pending Legal Opinions and Service Requests Report. Mr. McClain said they are fairly caught up and dealt with the Service Request related to the Executive Recruiter RFP earlier this morning. He said work on the Legal Opinion related to the delinquent City Agency pension contributions, is continuing to move forward and hopes to have something before the City Attorney for review soon. Mr. McClain said it would then be presented to the Board.

Pending Legislation Report. Mr. Allen said there is no pending legislation and Ms. Ford had given her report earlier.

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.

Mr. Bell thanked Mr. Shew for his time with the ERS and wished him good luck from the Board with his MBA program.

Informational.

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 noticed.

- 1) Pending Litigation Report. Mr. McClain noted for the Kurt Lacina case versus the ERS, it shows the plaintiff filed a motion for summary and default judgment. He said a default judgment is filed against a party who has not responded to a case by filing an answer within the allotted timeline. He noted that motion for default judgment has since been withdrawn. Mr. McClain said it was based on a misunderstanding of the plaintiff's counsel of the meaning of our motions that we filed that obviated the need to file an answer. He concluded that motion is no longer before the Board.
- 2) Conferences.
- 3) Class Action Income 2025 YTD.
- 4) Minutes of the Legislative Committee Meeting Held February 25, 2025.
- 5) Minutes of the Investment Committee Meeting Held March 13, 2025.
- 6) Minutes of the Administration & Operations Committee Meeting Held March 20, 2025.
- 7) Minutes of the Legislative Committee Meeting Held March 25, 2025.

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

- 8) Report on Bills.
- 9) Deployment of Assets.
- 10) Securities Lending Revenue and Budget Report.
- 11) 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. Christianson and seconded by Ms. Ford to adjourn the meeting.

Mr. Bell adjourned the meeting at 11:00 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.)