

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

Minutes of the Regular Meeting
held May 27, 2025 via teleconference

The meeting was called to order at 9:02 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
David Silber, Chief Investment Officer
Daniel Gopalan, Chief Financial Officer
Erich Sauer, Deputy Chief Investment Officer
Thomas Courtright, Pension Investment Analyst – II
Gust Petropoulos, Deputy Director – Disability
Mary Turk, Business Operations Analyst
Jan Wills, Board Stenographer

Others Present: Larry Langer, Aaron Chochon, Cavanaugh Macdonald; Patrick McClain, City Attorney's Office; Lauren Albanese, Financial News; Terry Siddiqui, DS Consulting, Inc., six members of the public called in to the meeting.

Approval of Minutes.

Regular Meeting Held April 22, 2025. It was moved by Mr. Bell, seconded by Mr. Heling, and unanimously carried, to approve the Regular Meeting Held April 22, 2025.

Special Board Meeting Held May 8, 2025. It was moved by Mr. Bell, seconded by Mr. Konrad, and unanimously carried, to approve the Special Board Meeting Held May 8, 2025.

Chief Investment Officer Report. Mr. Sauer noted the Fund value as of April 30, 2025 was \$6.00 billion. He said the Fund return of 0.3% in April, net of fees, underperformed by approximately 25 basis points. Mr. Sauer said the main relative performance drivers were Manager Selection within Public Equity which detracted 24 basis points, that was due to eight of 10 active mandates underperforming and Public Equity Style Bias detracted nine basis points, primarily from the Fund's value exposure and partially offset by a benefit from the Fund's International bias. He said the Fund underperformed the benchmark in the year-to-date and one-year periods while outperforming in the longer time periods. Mr. Sauer stated through May 26, 2025, the Fund is up

1.1% month-to-date in May, which brings the year-to-date return up 2.6%, and the Fund value is \$6.07 billion. He noted five out of the Fund's 15 active mandates are outperforming year to date. Mr. Sauer said the Public Equity and Fixed Income asset classes are outperforming their respective benchmarks year to date, net of fees. He said year to date, the Fund had a change in the value of investments of \$161.3 million, received contributions of \$224.6 million, and paid benefits and expenses of \$171.5 million. Mr. Sauer concluded that Mr. Silber would touch on cash activity. Mr. Silber noted that the stock market has had a really strong rally since the middle of April. He stated that a new asset allocation, that reduced the target allocation to public equity and increased the target allocation to fixed income, was approved as part of the Glide Path during the peak of the volatility. Mr. Silber said when the stock market rallied and recovered from April's trough, money was rebalanced from Public Equity and into Fixed Income. He said that as the Fund value has continued to increase throughout May, additional money has been rebalanced from Public Equity and into Fixed Income. Mr. Silber said that since interest rates have continued to increase, the allocation to Fixed Income provides a more powerful diversification benefit to the Fund, along with higher return potential going forward. He noted at the upcoming June 5 Investment Committee Meeting, two investment managers will present: one Global Growth Stock manager and one Private Equity manager, who will both hopefully have good perspectives on the market and the Fund's investments.

Investment Committee Report. Mr. Silber stated the closed session item was a placeholder. Mr. Klusman stated, at its May 8th meeting, the Investment Committee approved an update to the Fund's Statement of Investment Policy that incorporates the new asset class targets the Board approved in April. He said while Staff has already begun taking incremental steps to implement the new strategic allocation, the Fund's new benchmark will have an inception date of July 1, 2025 for performance reporting purposes. Mr. Klusman noted that Staff also went over the Fund's 1st quarter performance report, and Callan provided an update on the Fund's Real Estate portfolio in both open and closed session. He said the Committee went into closed session to discuss two additional items. Mr. Klusman said the first item was to Consider, Discuss, and Potentially Approve a Recommendation regarding Public Equity Investment Manager Developments and for this item, the Committee Authorized the Chief Investment Officer to proceed as directed in the closed session. He said the second item was to Consider, Discuss, Potentially Negotiate, and Potentially Approve the BlackRock Institutional Trust Company, N.A. Contract Amendment. Mr. Klusman said for this item, the Committee Approved the BlackRock Institutional Trust Company, N.A. Contract Amendment. Mr. Klusman said since delaying approval of the Amendment would have prevented the Fund from promptly implementing risk reduction measures recently approved by the Committee, Staff utilized its authority to execute an investment-related contract that was approved by the Investment Committee as provided under Board Rule VII.G.2.b. He concluded that the Investment Committee recommends approval of the following two items: 1. Approve Recommendation regarding Public Equity Investment Manager Developments and 2. Approval of Statement of Investment Policy Update.

Please be advised that the Investment Committee may vote to convene in closed session on the following item as provided in Section 19.85(1)(e) and Section 19.85(1)(f), 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 and 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. The Investment Committee may then vote to reconvene in open session following the closed session.

Consider, Discuss, and Potentially Approve Recommendation regarding Public Equity Investment Manager Developments.

The Board did not convene in closed session as noticed. It was moved by Ms. Ford, seconded by Mr. Christianson, and unanimously carried, to Consider, Discuss, and Potentially Approve Recommendation regarding Public Equity Investment Manager Developments.

Approval of Statement of Investment Policy Update. It was moved by Mr. Bell, seconded by Mr. Konrad, and unanimously carried, to approve the Approval of Statement of Investment Policy Update.

New Business.

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

Administrative Withdrawal	\$7,813.07
Full Refund	\$347,173.59
Active Death Benefits reported	\$0.00
Deferred Death	\$42,797.64
Deferred Death-Member Only Refund	\$0.00
Ordinary Death Benefits reported	\$0.00
Retired Death Benefits reported	\$8,264.43
Survivor Death – Termination Benefits reported	\$6,916.68
Refund of Member Contributions paid	\$102,754.58

It was moved by Mr. Bell, seconded by Mr. Heling, and unanimously carried, to approve the Retirements, Death Claims, and Refunds report for April 2025.

Conference Requests – May 27, 2025 Board Meeting. Mr. Allen presented the conference requests for May.

Bill Christianson	NCPERS 2025 Annual Conference & Exhibition (ACE)
Sponsor:	NCPERS
Location:	Denver, CO
Date(s):	May 18-21, 2025
Estimated Cost:	\$2,420.00

David Silber	Mid-Year Outlook 2025 – Austan Goolsbee, President & CEO Federal Reserve Bank of Chicago
Sponsor:	Milwaukee Business Journal, Baird, CIBC, Foley and Lardner
Location:	Milwaukee, WI
Date(s):	June 23, 2025
Estimated Cost:	\$85.00

Erich Sauer, Keith Dickerson	Principal Due Diligence
Sponsor:	Principal Asset Management
Location:	Des Moines, IA
Date(s):	July 7-8, 2025
Estimated Cost:	\$700.00 per person

Erich Sauer	LaSalle Annual Conference / Principal Due Diligence
Sponsor:	LaSalle / Principal
Location:	New York, NY
Date(s):	September 9-11, 2025
Estimated Cost:	\$1,500.00

Keith Dickerson	Prologis Investor Conference and Principal Due Diligence
Sponsor:	Prologis and Principal Asset Management
Location:	New York, NY
Date(s):	September 10-12, 2025
Estimated Cost:	\$2,200.00

It was moved by Mr. DeCleene, seconded by Mr. Klusman, and unanimously carried, to approve the Conference Requests – May 27, 2025 Board Meeting.

Actuarial Reconciliation Letter Requested as Follow-up from the April 16, 2025 F&P Meeting – Larry Langer of Cavanaugh Macdonald to Present. As a matter of information, Board members received from Cavanaugh Macdonald (CavMac) a memo regarding the Actuarial Reconciliation Letter regarding Reconciliation of City Contributions, a copy of which is on file with the Board Secretary and is by reference incorporated as a part of these minutes. Messrs. Langer and Chochon provided a presentation to the Board. Discussion ensued.

The Chair called for a break at 10:53 a.m.

The Chair resumed the meeting at 11:02 a.m.

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)(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). The Board did not convene in closed session as noticed. It was moved by Mr. Bell, seconded by Mr. DeCleene, and unanimously carried, to approve the corrected pay increase for the ERS Investment Staff Compensation (Analyst) as outlined in a memo from deputy Chief Investment Officer, Erich Sauer, dated May 27, 2025 .

Medical Reports.

Mr. Petropoulos presented certifications (May 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>
Anthony Bialecki	Approval
John Fredericks	Approval
Dexter Love	Approval
Christopher Manney	Approval
<u>Police – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Angela Algee-Cotton	Approval
Lisa Heath	Approval
James McNichol	Approval
<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
Bradley Davis	Approval
John Schmaelzle	Approval
William Soderbeck	Approval
<u>General City – Applications – Duty</u>	<u>Recommendation</u>
Dawn Warfield	Denial
01/15/2025	

<u>General City – Applications – Ordinary</u>	<u>Recommendation</u>
Cheryl Strand 09/27/2024	Approval
Dawn Warfield 01/15/2025	Approval
<u>General City – Re-examinations – Duty</u>	<u>Recommendation</u>
Thomas Weir	Approval
<u>General City – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Renee Gibbs	Approval

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

Unfinished Business.

Pending Legal Opinions and Service Requests Report. Mr. McClain stated he did not have any specific comments to make in addition to what is listed in the report, but would be happy to answer any questions. Mr. Klusman asked that the Pending Litigation Report be moved to the Unfinished Business section rather than the Informational section. He thought it was an important issue that Mr. McClain could speak to each month. Mr. McClain said he would support that and would put together a brief update each month. He noted that in Litigation, there can be big movements in cases and then there can be four or five months where nothing changes, but Mr. McClain said he can provide more information if that is the Board's pleasure. Mr. McClain noted he will make a comment if there have been big movements in cases, but when he does not comment on cases, it means there is a relative stasis. Mr. Bell noted no one was opposed to moving the Litigation Report and it was agreed to move the Litigation Report to Unfinished Business rather than Informational.

Pending Legislation Report. Mr. Allen stated there was nothing to report in the Pending Legislation Report.

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.

2026 Budget – 5% Reduction from 2025 Adopted Budget. As a matter of information, Board members received from Mr. Gopalan, a memo regarding the "2026 Budget – 5% Reduction from 2025 Adopted Budget." He noted under Act 12, the City of Milwaukee is required to submit two budgets each year – the 2026 Budget and an additional 2026 Budget with a 5% reduction. He said the normal budget request was approved by the Board last month and then a 2026 budget with

a 5% reduction, based on the 2025 adopted budget. Mr. Gopalan said the 2025 adopted budget for the ERS was about \$24.5 million dollars and a 5% reduction would require the ERS to reduce the maximum 2026 budget to \$23.3 million. He said the 2026 adopted budget approved by the Board was \$24.6 million and to comply with the Act 12, the 5% reduction, the 2026 approved budget needs to be reduced by \$1.3 million. Mr. Gopalan said he would do that with three reductions, the first one being a reduction in investment management fees of \$425,000. He noted they would also cut the IT budget by \$413,000 which is split between systems support and equipment purchases which can be pushed to 2027. Mr. Gopalan said the final item is a \$500,000 reduction in fiduciary insurance. He said \$1,075,000 was budgeted for that which includes the fiduciary insurance premiums of \$575,000 and he proposed removing the \$500,000 deductible. Discussion ensued. Mr. Bell accepted and placed the 2026 Budget – 5% Reduction from 2025 Adopted Budget on file.

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.

Mr. McClain said closed session is not required today as all three active matters in the report are pending either dispositive motions or appellate briefs and the three cases are in stasis until decisions are received back from the court.

The Board did not convene in closed session as noticed.

- 1) Pending Litigation Report.
- 2) Conferences.
- 3) Class Action Income 2025 YTD.
- 4) Adjusted Quarterly Cost Basis of Equity.
- 5) Minutes of the Investment Committee Meeting Held April 10, 2025.
- 6) Minutes of the Special Administration & Operations Committee Meeting scheduled for April 17, 2025.
- 7) Minutes of the Legislative Committee Meeting Held April 22, 2025.
- 8) Minutes of the Investment Committee Meeting Held May 8, 2025.

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

- 9) Report on Bills.
- 10) Deployment of Assets.
- 11) Securities Lending Revenue and Budget Report.
- 12) 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 11:25 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.)