

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

Minutes of the Investment Committee Meeting
held April 10, 2025 via teleconference

The meeting was called to order at 9:01 a.m.

Committee Members Present: Matthew Bell
Bill Christianson
Justin DeCleene
Deborah Ford
Timothy Heling
Thomas Klusman, Chair

Committee Members Not Present: Nik Kovac (arrived 9:05 a.m.)
Rudy Konrad (arrived 9:34 a.m.)

ERS 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.
Dan Gopalan, Chief Financial Officer
Jan Wills, Board Stenographer

Others present: Kenneth Little, Bob Schmidt, Lawrence Taylor, Brandes; Jason Ellement, John Jackson, Mike Joecken, Adam Lozinski, Callan; Lauren Albanese, Financial News; Patrick McClain, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc.; six members of the public called into the meeting.

Chief Investment Officer Report. Mr. Silber provided a performance update and commented on the market environment. He noted the Fund was estimated to be down about -4% year-to-date the morning of April 9, but by the end of the day the stock market had a very strong rally and the Fund was estimated to be down about -1.5% year-to-date. Mr. Silber said the Fund was projected to be down -1.1% in March, and for April month-to-date, the Fund is estimated to be down about -2.6%. He said the Fund value as of April 9 is approximately \$5.86 billion. Mr. Silber commented that the Fund has not hit any rebalancing triggers yet and he discussed the ranges for some of the asset classes. Discussion ensued.

Approval of Glide Path. Discussion ensued regarding the various glide paths.

While waiting for additional Committee members to join online, the Chair then paused item II. and took the meeting out of order to item III., the Callan 2025 Work Plan.

Callan 2025 Work Plan. As a matter of information, Committee members received Callan's 2025 Work Plan schedule. Mr. Jackson noted today's meeting included the topics of Asset Allocation

Discussion, Investment Manager Due Diligence Report, and Work Plan Review. He said on May 8th, the topic would be a Real Estate Performance Review; on June 5, the topic would be the Investment Policy Statement Review; on September 4th, the topics would be the Private Equity Pacing Review as well as an Education Presentation on Cryptocurrency; on November 6th, the topics would be another Real Estate Performance Review as well as a Fixed Income Manager Structure Review; and on December 4th, the topic would cover the Public Equity Structure Review.

The Chair continued to take the meeting out of order to item IV., the Callan Investment Manager Due Diligence Report.

Callan Investment Manager Due Diligence Report. As a matter of information, the Committee members received the CMERS Manager Assessment as of December 31, 2024. Mr. Joecken noted this is an ongoing responsibility of Callan's to meet and perform due diligence on the CMERS managers on an ongoing basis. He said Callan has regular calls with CMERS Staff to discuss their findings. Mr. Joecken commented that if there is anything alarming, they contact Staff but there have been none of those calls in the past couple of years. He stated they assign four different views of "within expectations," "notable," "cautionary," and "under review" when reviewing the managers. Mr. Joecken said they look at managers through many lenses, including the organization and how it is performing, how the leadership is performing, the turnover, the ownership situation, product, portfolio managers and analysts who manage the teams, philosophy and process, consistency of money management, short- and long-term performance, product dynamics, how are the asset flows, and whether other clients are investing in the products. Discussion ensued.

The Chair returned the meeting to order to item II., the Approval of Glide Path.

Approval of Glide Path. Mr. Silber encouraged the Committee to think about what risk level they want to take to be fully funded in 30 years at a 5.5% discount rate according to Callan's analysis. He noted all three glide paths would suffer when stocks go down. He said the current Public Equity target is 39% and if glide path A is selected, the existing approach will be maintained for now and noted that Public Equity is currently underweight at 36.5% as a result of recent market declines. Mr. Silber noted that glide path B has a beginning Public Equity target of 36%, and if glide path B is selected, he would look for opportunities to bring the Public Equity allocation down to the 36% target if stocks recover. He said if glide path D is chosen, the Committee would need to discuss the time frame for implementing the Public Equity target, which begins at 34% for glide path D. Discussion ensued.

It was moved by Mr. Klusman, seconded by Mr. Bell, and unanimously carried, to approve the Approval of Glide Path for Glide Path B in the Glide Path Analysis. The motion to approve Glide Path B prevailed by the following roll call vote: AYES: Ms. Ford; Messrs. Bell, Christianson, DeCleene, Heling, Konrad, Kovac, and Klusman. NOES: None.

The Chair called for a break at 10:31 a.m.

Mr. Christianson exited the meeting at 10:31 a.m. due to a City Hall event.

The Chair resumed the meeting at 10:39 a.m.

Mr. Christianson returned to the meeting at 10:49 a.m.

The Chair continued the meeting at item V., the Brandes Investment Partners Presentation.

Brandes Investment Partners Presentation. Mr. Silber stated Brandes, a global firm, has been managing money for CMERS since 1998 in an International Value Strategy. As a matter of information, Committee members received the Brandes presentation booklet, “Relevancy of Value Investing Today, Insights from the Past 50 Years.” Mr. Taylor introduced Mr. Little, a Managing Partner overseeing Brandes’ research effort and a member of the Large Cap Global Investing Committee and Mr. Schmidt, Executive Director of the Brandes Institute at University of California-San Diego Rady School of Management. Mr. Taylor said the school was endowed by Brandes’ founder Charles Brandes to investigate structural behavioral factors in global markets, with a focus on value investing. Mr. Little gave a presentation on several topics to the Committee, including Ben Graham – Market Timer?; The Future of Common Stocks; A Timely Beginning and the First 20 Years; Tech Bubble: The Boom and the Bust; U.S. Dominated the Last Decade; 10-year Annualized Return Decomposition; Nifty Fifty Revisited; Japanese Stocks Peaked in Late 1980s; The U.S. Now Accounts for 60% of MSCI ACWI; Global Value Stocks’ Relative Valuation; and 50 Years of Fundamental Value. Mr. Schmidt of the Brandes Center then gave a presentation to the Committee on Social Media and Investment Decision-Making. His topics included Two of Social Media’s Greatest Dangers; Diversity in Newsfeeds and Returns; and Social Media Influence: Not Just Individuals. Discussion ensued.

Style Bias Overview Presentation. As a matter of information, Committee members received Mr. Silber’s presentation booklet, “Style Bias Overview.” Mr. Silber gave a presentation to the Committee on the following topics: Putting Style Bias in Perspective, What is Style Bias?; Public Equity Style Biases; Why Has CMERS Implemented Public Equity Style Biases for almost 30-years?; Long-Term Value Premium; Long-Term Small Capitalization Premium; CMERS experience with DFA & Brandes; Additional Notable Value & Small Cap Style Bias Findings from 2022 Structure Study; Rationale for non-U.S. Stock exposure; Why Doesn’t Everyone Do This?; Secrets to CMERS Successful Implementation of Biases; Risks continued; and Final Thoughts on Risk. Discussion ensued.

Value Add Analysis. As a matter of information, Committee members received the “Historical Value Add – January 1, 1995 – December 31, 2024 CMERS Total Fund (everything except Real Assets).” Mr. Silber noted this document is updated every year and are net of investment manager fees. He said the Value Add Analysis is like a report card and is one way to evaluate how the organization is doing compared to low-cost passive benchmarks over the long-term. Mr. Silber indicated approximately one billion dollars has been added, net of investment fees, over this time period. He said the chart shows 10-year increments and over the last 10 years, the Fund has added a little over \$300 million dollars.

The Chair called for a second break at 12:33 p.m.

The Chair resumed the meeting at 12:43 p.m.

Mr. Klusman advised that the Investment Committee may vote to convene in closed session on the following items (VIII. and IX.) 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 Investment Committee may then vote to reconvene in open session following the closed session.

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

The Committee convened in closed session at 12:44 p.m.

Callan LLC Contract Update.

Advisor Compliance Associates LLC Contract Update.

The Committee reconvened in open session at 1:20 p.m.

It was moved by Mr. Bell and seconded by Mr. Heling to adjourn the meeting.

There being no further business, Mr. Klusman adjourned the meeting at 1:20 p.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.)