

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

Minutes of the Investment Committee Meeting
held May 8, 2025 via teleconference

The meeting was called to order at 9:33 a.m.

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

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

Others present: Mike Joecken, Munir Iman, Callan; Lauren Albanese, Financial News; Patrick McClain, Travis Gresham, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc.; four members of the public called into the meeting.

Mr. Silber stated the ERS has several categories of investments and investment managers that manage the funds' investments on the ERS' behalf. He noted one of the categories is Public Equity. Mr. Silber said Public Equity investment managers manage investments that are publicly traded on the stock market. He commented that one of the current investment managers has had some organization and investment developments that Staff feels are notable and would like to discuss with the Committee and then request direction from the Committee. Mr. Silber stated these discussions need to be done in closed session for competitive and reputational reasons, so Staff is requesting of the Committee to now convene in closed session to discuss the matter.

Mr. Klusman 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.

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

The Committee convened in closed session at 9:37 a.m.

The Committee re-convened in open session at 10:12 a.m.

It was moved by Mr. Konrad, seconded by Mr. Bell, and unanimously carried, to authorize the Chief Investment Officer to proceed as directed in the closed session.

Mr. Silber stated BlackRock is one of the investment managers that manages some of the ERS' Fixed Income and Public Equity investments. He said Fixed Income investment managers manage investments that mostly track the bond market and Public Equity investment managers manage investments that are publicly traded on the stock market. Mr. Silber said Staff would like the Committee to consider amending the current contract with BlackRock to update certain terms and conditions. He said that for competitive and bargaining reasons, to fully discuss the potential impact of these changes, review the proposed changes, and to obtain direction from the Committee, Staff requests that the Committee convene in closed session to discuss this matter.

Mr. Klusman advised that the Investment Committee 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 Investment Committee may then vote to reconvene in open session following the closed session.

Consider, Discuss, Potentially Negotiate, and Potentially Approve the BlackRock Institutional Trust Company, N.A. Contract Amendment.

It was moved by Mr. Konrad, 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, Konrad, and Kovac. NOES: None.

The Committee convened in closed session at 10:20 a.m.

The Committee re-convened in open session at 10:36 a.m.

It was moved by Ms. Ford, seconded by Mr. DeCleene, and unanimously carried, to approve the BlackRock Institutional Trust Company in a Contract Amendment.

Approval of Statement of Investment Policy Update. As a matter of information, Committee members received the Statement of Investment Policy Update with a redline of the changes as well as a clean copy. Mr. Silber noted there are three pages to be updated in the Statement of Investment Policy. He commented that the Statement of Investment Policy is being updated to reflect the new asset allocation target weights that were approved as part of the Glide Path in April. Mr. Silber stated Fixed Income increased from 29% to 32%, stocks decreased from 39% to 36%, Absolute

Return increased from 7% to 9%, and Real Estate and Private Equity decreased by 1% each, respectively. He said the benchmark will become effective July 1, 2025 for performance reporting purposes. Mr. Silber noted he has begun taking some incremental steps to move the stock and bond allocations closer to their new targets. He noted \$68 million was added last month to Fixed Income managers. Mr. Silber said that they withdrew some money from international stock managers in April, all of whom had positive returns year-to-date. Mr. Silber said the Fund benefited by not selling any U.S. stocks in April, as the markets have seen a quick recovery from the April downturn. He said that they have begun to withdraw from U.S. stock managers in May and hope to make continued progress towards moving the Fund's allocations closer to their new targets over the next few months, while also balancing the need to raise cash for benefit payments.

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

Callan Real Estate Presentation. As a matter of information, Committee members received the "Callan Real Estate Performance Review 4Q24." Mr. Iman provided the Real Estate Performance Review and presented information on the following topics: Market Overview, including U.S. Private Real Estate Performance: 4Q24, and U.S. Private Real Estate Market Trends; Portfolio Summary with Real Estate Objectives and Purpose, Real Estate Portfolio Summary, Portfolio Composition, Portfolio is Diversified by Property Type, Portfolio Returns Are Above Benchmark, and Returns by Style; Conclusions and Recommendations; and J.P. Morgan Strategic Property Fund Update.

Mr. Silber stated in the open session portion of the presentation, Callan had discussed ERS' Real Estate Allocation and he requested the Committee now needs to go into closed session to further expand into the details of certain aspects of the Real Estate Investments that cannot be discussed in open session for competitive and reputational reasons.

Mr. Klusman 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.

It was moved by Mr. Heling, 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, Konrad, and Kovac. NOES: None.

The Committee convened in closed session at 11:01 a.m.

The Committee re-convened in open session at 11:16 a.m.

The Chair called for a break at 11:16 a.m.

The Chair resumed the meeting at 11:23 a.m.

CMERS 1st Quarter 2025 Performance Update. As a matter of information, Committee members received the 1st Quarter Performance Report. Mr. Sauer provided the Committee with an overview of the total Fund performance. He said Public Equity was down 1.6% during the 1st quarter while Fixed Income was up 2.8%, Real Assets was up 1.9%, Private Equity was up 3.0%, and Absolute Return was up 1.8% which led to a CMERS Benchmark return of 0.9%. Mr. Sauer discussed Relative Performance Expectations and said the Russell 3000 Value was only down 2.9%, which held up better than the Russell 3000 Growth which was down 8.4%. He noted the other biases went against the Fund, with Small Cap down 6.8% versus Large Cap which was down 5.8%. Mr. Sauer said Fixed Income with Loomis was up 2.3% versus 2.8% from the Bloomberg Agg. He mentioned for Private Equity that the negative 0.1% represents fees taken out of capital calls and he compared that to the benchmark of 3.0%. Mr. Sauer said for the first quarter the Fund was up 1.2% versus 0.9% for the CMERS benchmark. He noted that for the Total Fund Performance, the Fund outperformed in the quarter, but underperformed in the one- and three-year periods, with a nice outperformance in the longer term. Mr. Sauer said for the 1st Quarter Fund Attribution there was a nice benefit from Style Bias with International (Brandes and DFA International) and Value as well. He noted Private Equity detracted 40 basis points. Mr. Sauer said for the ERS' performance versus the universe, the quarter is above median at 48% and is underperforming over the one-year period with the benchmark being difficult to outperform. He noted three years is slightly below median, but there is a strong five-year number compared to the Fund's peers and the seven- and 10-year are just below the first quartile.

Mr. Dickerson then noted the Public Equity performance had a solid quarter relative to the benchmark with the Fund up 0.3%, net of fees and the benchmark returning minus 1.6%. He said over the annualized return periods, the Fund is below in the one-year period, but meeting or exceeding the benchmark in all the longer term periods. Mr. Dickerson said the rolling excess returns chart demonstrates good excess returns on the Public Equity side. He said with respect to the peer group, there was a strong performance in the 1st quarter with the Fund ranking in the top quartile and looking across all periods, the Fund is in the top half of the peer group with the exception of the one-year period. Mr. Dickerson said the five-year period ranks in the top quartile. He discussed the Public Equity Portfolio Snapshot and said weightings and financials increased by 1.3% from the previous quarter, information technology exposure decreased by 2.1% from the previous quarter, and he said it was not much of a surprise to see a move like this, given how value performed relative to growth and financials make up a large part of the value index and information technology makes up a large part of the growth index. Mr. Dickerson discussed the weightings in North America versus European-developed markets and noted exposure in North America decreased by 1.7%, and Europe increased by 1.3%. He said for the Top 10 Holdings, TSMC moved into the third-largest position, replacing NVIDIA who is now in the fourth-largest position. Mr. Dickerson said Tencent Holdings is the ninth-largest holding. He stated for the Top 10 Managers, the BlackRock Russell 1000 Value Index moved into the top five, swapping spots with the Northern Trust S&P 500 Index Fund. He discussed the Public Equity Statistics, and Public Equity Valuation Characteristics, and said both were looking as they should. Mr. Dickerson said from an individual manager performance perspective, DFA International, Brandes, and BlackRock Global

Alpha Tilts all outperformed during the quarter. He stated DFA International, the performance could be attributed to the value factor and exposure from international banks which had a strong quarter, Brandes' performance could be attributed to strong stock selection within consumer discretion and health care and an overweight to the consumer staple section which outperformed during the quarter. Mr. Dickerson stated for the Relative Investment Performance of the Active Equity Managers, there were more underperforming managers than outperforming managers, with the exception of Blair, but the underperformance is not cause for alarm. He said Blair's performance was impacted from their stock selection within consumer discretionary and financials as well as their positioning and stock selection within information technology. Mr. Dickerson said MFS' performance was driven by stock selection within industrials and health care and an underweight position in energy which impacted performance. He then discussed Fixed Income and said, net of fees, Fixed Income underperformed the Bloomberg US Aggregate Index by 2.8% and the portfolio returned 2.7%, but with outperformance over the longer terms. Mr. Dickerson stated the portfolio fell below the benchmark from a peer group perspective rating, coming in at the 44th percentile and the benchmark was at the 41st percentile. He noted for the manager performance, Loomis underperformed by 0.5% and Reams outperformed by 0.1%. Mr. Dickerson said the BlackRock Index tracked the index closely. He stated for the Absolute Return Managers, both were able to generate positive performance over the quarter, but Aptitude did underperform the benchmark by 1.5% and UBS outperformed by 0.1% with solid outperformance over the first three quarters. Mr. Sauer then provided the Performance Update and stated the estimated market value was \$6.02 billion as of May 7, 2025. He noted the Fund is expected to have a positive return in April, even with the April 2nd Liberation Day tariff announcements causing the market to drop, but he said the Fund ended up getting most of that back. Mr. Sauer said the Fund was up 0.2% in April, even with a lot of volatility throughout the month and against the benchmark of up 0.5%. He stated that month-to-date through May 7, the Fund was up 0.4% versus the 0.4% benchmark. He noted that year-to-date through May 7, the Fund was up 1.8% versus 1.9% for the benchmark. Discussion ensued.

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

There being no further business, Mr. Klusman adjourned the meeting at 11:49 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.)