

**REGULAR MEETING OF THE ANNUITY AND PENSION BOARD
EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE
789 N. WATER ST. (Employees' Retirement System)
TUESDAY, DECEMBER 21, 2021 – 9:00 A.M.**

Special Notice: Due to the COVID-19 pandemic, the meeting will be held remotely via video conference. Instructions on how to observe the meeting will be available on ERS's website (www.cmers.com) prior to the meeting.

Please note and observe the following remote attendance etiquette to ensure a smooth and productive meeting:

- In order to cut down on background noise, participants in the meeting should put their phones on mute when they are not participating.
- At the start of the meeting, the Chairman will announce the names of the members of the Board present on the call, as well as anyone else who will be participating.
- Please request to be recognized by the Chairman if you would like to speak.
- Those participating on the call should identify themselves whenever they speak, and should ensure that the other participants on the call can hear them clearly.

REGULAR MEETING

I. Approval of Minutes.

- A. Regular Meeting Held November 23, 2021.

II. Chief Investment Officer Report.

Please be advised that the Annuity and Pension Board may vote to convene in closed session on the following item (A.) 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 Board may then vote to reconvene in open session following the closed session.

- A. Approval of Hedge Fund of Funds Manager Search Finalists.

III. Investment Committee Report.

- A. Approval of Statement of Investment Policy Update.

IV. Administration & Operations Committee Report.

- A. Approve Technical Correction to 2020 Expense Reimbursement Report.

V. New Business.

- A. Retirements, Death Claims, and Refunds (November).
- B. Conference Requests – December 2021 Board Meeting.
- C. Proposed 2022 Board and Committee Meeting Dates.
- D. Review of Board Rule II.A.2.

VI. Medical Reports.

- A. All Duty & Ordinary Disability Applications & Re-examinations (December).

VII. Unfinished Business.

- A. Pending Legal Opinions and Service Requests Report.
- B. Pending Legislation Report.
- C. Executive Director's Report – Inventory of ERS Projects.

VIII. Informational.

Please be advised that the Annuity and Pension Board may vote to convene in closed session on the following item (A.), 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.

- A. Pending Litigation Report.
- B. Conferences.
- C. Class Action Income 2021 YTD.
- D. Minutes of the Investment Committee Meeting Held November 11, 2021.
- E. Report on Bills.
- F. Deployment of Assets.
- G. Securities Lending Revenue and Budget Report.
- H. Preliminary Performance Report/Asset and Manager Allocation Pie Charts.

MEETING REMINDERS

ANNUAL MEETING OF THE ANNUITY AND PENSION BOARD

WEDNESDAY, JANUARY 26, 2022 – 9:00 A.M.

789 N. WATER ST.

REGULAR MEETING

I.

APPROVAL OF MINUTES

- A. Regular Meeting Held November 23, 2021.

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

Minutes of the Regular Meeting
held November 23, 2021 via teleconference during COVID-19

The meeting was called to order at 9:02 a.m.

Board Members Present: Matthew Bell
 Joshua Benson
 James Campbell
 Deborah Ford
 Tom Klusman
 Rudolph Konrad, Chair

Board Members Not Present: Molly King (arrived at 9:04 a.m.)
 Nik Kovac (excused)

Retirement System Staff Present: Jerry Allen, Executive Director
 Melody Johnson, Deputy Director
 Daniel Gopalan, Chief Financial Officer
 David Silber, Chief Investment Officer
 Jeff Shober, Chief Technology Officer
 Erich Sauer, Deputy Chief Investment Officer
 Anthony Lubarsky, Pension Investment Analyst
 Gust Petropoulos, Deputy Director Disability
 Mary Turk, Business Operations Analyst
 Jan Wills, Board Stenographer

Others Present: Hannah Ross, Avi Josefson, BLB&G; Chinonso Osuji, Reinhart Boerner Van Deuren S.C.; Andrea Fowler, Patrick McClain, City Attorney's Office; John Barmore, Retired Fire & Police Association; Terry Siddiqui, DS Consulting, Inc., six members of the public called in to the meeting.

Regular Meeting.

Mr. Konrad took the meeting out of order to agenda item VII.A. Pending Litigation Report.

Mr. Konrad 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.

A. Pending Litigation Report.

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

The Board convened in closed session at 9:04 a.m.

Ms. King arrived at 9:04 a.m.

The Board reconvened in open session at 9:30 a.m.

Mr. Konrad returned the meeting to agenda item I. Approval of Minutes.

Approval of Minutes.

Regular Meeting Held October 26, 2021. It was moved by Mr. Benson, seconded by Mr. Bell, and unanimously carried, to approve the Minutes of the Regular Meeting Held October 26, 2021.

Mr. Konrad then took the meeting out of order to agenda item III. Investment Committee Report.

Investment Committee Report. Mr. Bell reported that at its November 11th meeting, Callan provided an update on the Fund's Real Estate portfolio, and then the Committee went into closed session to receive an update from Callan regarding the Hedge Fund of Funds Manager search, which was approved in September. He noted the Committee decided to hold over the Approval of Hedge Fund of Funds Manager Search Finalists agenda item to an upcoming meeting. Back in open session, Mr. Bell said Callan provided a Fixed Income Portfolio Structure Study presentation, and after some discussion, the Committee approved, within Callan's Presentation, the Fixed Income Structure identified as Mix 3. He said the new Fixed Income Structure replaces the U.S. Bloomberg Barclays Aggregate Bond Index with the U.S. Government Index, reduces the overall allocation to the Index from 36% to 25% of the Fund's Fixed Income allocation, and increases the allocation to Reams from 32% to 45% of the Fund's Fixed Income allocation. Mr. Bell commented that Loomis Sayles' allocation will be reduced slightly from 32% to 30% of the Fund's Fixed Income allocation. He stated that according to Callan's presentation, the new Mix is expected to reduce tracking error to the Aggregate Index, reduce correlation to Public Equity, increase the information ratio, and provide similar alpha potential, compared to the Fund's current Fixed Income structure. Mr. Bell said Staff presented a routine due diligence report on Abbott Capital, one of the Fund's Private Equity Fund of Funds managers, and then presented the 3rd Quarter performance report. He noted that highlights of the performance report showed that the Fund's market value remains above \$6 billion and the one-year return as of September 30, 2021 is 25.7%, net of fees, representing 7.7% of excess returns above the benchmark. Mr. Bell concluded that the Investment Committee recommends approval of the Approval of Fixed Income Structure (Mix 3).

Approval of Fixed Income Structure. It was moved by Mr. Bell, seconded by Mr. Campbell, and the motion passed, with the exception of Mr. Klusman who recorded a "no" vote.

Mr. Konrad returned the meeting to agenda item II. Chief Investment Officer Report.

Chief Investment Officer Report. Mr. Silber reminded the Board members of the December 9, 2021 Investment Committee Meeting. As a matter of information, Board members received the November 23, 2021 Performance Update. Mr. Sauer noted the Fund as of October 31, 2021, had a value of \$6.12 billion. He said the Fund return of 2.2%, gross of fees, underperformed the blended benchmark by 10 basis points. Mr. Sauer commented that the Fund outperformed in the year-to-date, one-, five-, 10- and 20-year periods, and underperformed in the 15-year period, net of fees. He said the October relative performance drivers were Style Bias, which detracted 24 basis points and Brandes' underperformance, which detracted 13 basis points. He noted the Real Estate

Managers offset some of the Fund's underperformance by adding 21 basis points. Mr. Sauer stated as of November 19, the Fund return was 0.6% in November, bringing the year-to-date return to 16.5%, net of fees. He noted the Fund's approximate value is \$6.16 billion and 11 out of the Fund's 15 active mandates are outperforming year to date, net of fees. Mr. Sauer said the Total Fund, along with all of the Fund's assets classes, are exceeding their respective benchmarks year to date, net of fees. He commented that year-to-date, the Fund has generated investment gains of \$905.4 million, paid benefits and expenses of \$384.0 million and received contributions of \$104.7 million. Mr. Sauer said the monthly withdrawals for November were \$12 million from the NT S&P 500 Index, \$7.5 million from DFA US Small Cap Value, \$5.5 million from Polen, \$4.5 million from Earnest, \$3.5 million from CastleArk, \$3 million from MFS, and \$2 million from DFA US Large Cap Value.

New Business.

Retirements, Death Claims, and Refunds (October). Mr. Allen presented the following activity for the month of October 2021.

Active Death Benefits reported	\$0.00
Deferred Death	\$187,355.30
Ordinary Death Benefits reported	\$10,790.36
Retired Death Benefits reported	\$214,428.22
Survivor Death – Termination Benefits reported	\$4,743.50
Refund of Member Contributions paid	\$283,625.05

It was moved by Mr. Campbell, seconded by Ms. King, and unanimously carried, to approve the Retirements, Death Claims, and Refunds (October).

Conference Requests – November 2021 Board Meeting. Staff noted there were no requests this month to attend conferences.

Pension Board Election Results – At Large Member Election. Staff reported that incumbent Matthew Bell was re-elected to the Annuity and Pension Board at the November 5, 2021 election with 1,279 votes. Opponent Michelle (Mickie) Pearsall had 782 votes.

Proposed 2022 Board and Committee Meeting Dates. Staff said a trustee had conflicts with Board meetings held on the usual fourth Mondays of the month and proposed 2022 dates generally for the fourth Tuesdays of the month with proposed exceptions being the fourth Wednesday of the month in January, June, July and September . Another trustee also asked to start Wednesday meetings earlier, due to his meeting conflicts, if the Board meetings were expected to go past Noon. A third trustee, , had a conflict with an Administration & Operations Committee meeting date with a Finance & Personnel Committee meeting date on June 15th. Staff suggested the Proposed 2022 Board and Committee Meeting Dates be revised to avoid conflicts and returned for discussion at the December 21, 2021 Board meeting

Mr. Konrad 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.

Consider and potentially take action regarding DDR Benefits for Non-compliance with Re-exam Requirements of MCC-36 – DeRonn D. Gillum.

It was moved by Mr. Bell and seconded by Mr. Benson to convene in closed session. The motion prevailed by the following roll call vote: AYES: Mses. Ford and King; Messrs. Bell, Benson, Campbell, Klusman, and Konrad. NOES: None.

The meeting convened in closed session at 9:48 a.m.

The meeting re-convened in open session at 10:02 a.m.

It was moved by Mr. Campbell, seconded by Ms. Ford, and unanimously carried, to suspend the DDR Benefits for Non-compliance with Re-exam Requirements of MCC-36 – DeRonn D. Gillum.

Review of Board Rule II.A.2. As a matter of information, Board members received Board Rule II.A.2. From the Board Rules and Regulations, Membership On The Board. Staff said a trustee asked to review this item and perhaps refer to the Legislative Committee for possible amendment. Rule II.A2. states: “The City Comptroller, ex-officio, or, in case of sickness or absence, his or her deputy.” Staff further said the City Comptroller who was on leave, requested the matter be held over until next month so the Comptroller can participate in the discussion upon her return from leave.

Mr. Konrad then took the meeting out of order to agenda item II.A. Chief Investment Officer Report -- Approval of Abbott Capital Private Equity Investors 2022, L.P. Side Letter.

Mr. Konrad 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)(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 Board may then vote to reconvene in open session following the closed session.

Approval of Abbott Capital Private Equity Investors 2022, L.P. Side Letter.

It was moved by Mr. Benson and seconded by Mr. Bell to convene in closed session. The motion prevailed by the following roll call vote: AYES: Mses. Ford and King; Messrs. Bell, Benson, Campbell, Klusman, and Konrad. NOES: None.

The meeting convened in closed session at 10:07 a.m.

The meeting reconvened in open session at 10:16 a.m.

It was moved by Ms. Ford, seconded by Ms. King, and unanimously carried, to approve the Approval of Abbott Capital Private Equity Investors 2022, L.P. Side Letter.

At this point, Mr. Konrad returned the meeting to agenda item V. Medical Reports.

Medical Reports.

All Duty & Ordinary Disability Applications & Re-examinations (November). Staff presented certifications (November 2021) of the Fire and Police Medical Panel Physicians and the Medical Council relative to Duty & Ordinary Disability Retirement benefits as follows:

<u>Police – Re-examinations – Duty</u>	<u>Recommendation</u>
Bryan Norberg	Approval
Jill Riley	Approval
<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
Nicholas Adamski	Approval
Mark Ashworth	Approval
Kyle Dannies	Approval
<u>Fire – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Dennis Kowalski	Approval
<u>GC – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Valerie Chapman	Approval
Bonnie Heikkinen	Approval
Edward Nelson	Approval

It was moved by Ms. King, seconded by Mr. Campbell, and unanimously carried, to approve the Duty & Ordinary Disability Applications & Re-examinations (November).

Unfinished Business.

Pending and Legal Opinions and Service Requests Report. As a matter of information, Board members received the Pending Legal Opinions and Service Requests Report.

Pending Legislation Report. As a matter of information, Board members received the Pending Legislation Report. Staff noted a communication transmitting the report of the Mayor's Task Force on the City of Milwaukee's Pension System has been assigned to the Finance & Personnel Committee and placed on file.

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 ERS.

Informational.

The following is a list of informational items:

- 1) Pending Litigation Report.
- 2) Conferences.
- 3) Class Action Income 2021 YTD.
- 4) Minutes of the Investment Committee Meeting Held November 11, 2021.

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

- 5) Report on Bills.
- 6) Deployment of Assets.
- 7) Securities Lending Revenue and Budget Report.
- 8) Preliminary Performance Report/Asset and Manager Allocation Pie Charts.

It was moved by Mr. Klusman and seconded by Mr. Bell to adjourn the meeting. Mr. Konrad adjourned the meeting at 10:44 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.)

II.

CHIEF INVESTMENT OFFICER REPORT

Please be advised that the Annuity and Pension Board may vote to convene in closed session on the following item (A.) 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 Board may then vote to reconvene in open session following the closed session.

- A. Approval of Hedge Fund of Funds Manager Search Finalists.

Summary

The ERS Fund had an estimated return of -1.3% in November, gross of fees, that underperformed the blended benchmark by approximately 10 basis points. The Fund's style bias was the main detractor from relative performance, with asset allocation slightly detracting as well. Manager selection contributed to relative performance during the month. As of December 13, 2021, the Fund's estimated value was \$6.07 billion, which represented a year-to-date capital market gain of approximately \$849.4 million.

November Relative Performance Summary

Manager Selection (+19 basis points)

For the most part, the Fund's Manager Selection held up relatively well compared to respective manager benchmarks in what turned out to be a volatile month for markets. Outperformance within this category can be attributed to the lagged nature of Real Estate reporting from **LaSalle** and **JP Morgan**, two of the Fund's core Real Estate managers, along with a very strong quarterly return reported by **Bryanston**, one of the Fund's non-core investments that has benefited from its grocery-anchored real estate holdings. LaSalle's 3rd quarter return of 5.7%, JP Morgan's month of November return of 4.1%, and Bryanston's very strong quarterly return, are being compared to a benchmark that only reports a return at quarter-end months. For an asset class like private Real Estate, evaluating performance on a quarterly basis is typically more meaningful because doing so removes the variability caused when different managers report returns on different schedules. This outperformance was partially offset by underperformance within the Fund's Fixed Income allocation, where **Loomis Sayles'** had a return of -0.8% that underperformed its benchmark by 1.1%. Loomis' underperformance came from its more risky holdings, as credit spreads widened during the month. The Fund's Public Equity, Private Equity, and Absolute Return allocations did not have a material impact in the aggregate within this category during the month.

Broad Category Group Allocation (-2 basis points)

The Fund went into the month with a roughly 2% overweight allocation to Private Equity and a roughly 3% underweight allocation to Absolute Return. The returns of both the Absolute Return benchmark, which represents a premium above the 90-day Treasury bill interest rate, and the Private Equity benchmark, which only reports its return at quarter-end, were higher than the Fund's blended benchmark, which was negatively impacted by the stock market declines in November. As a result, the benefit of being overweight to Private Equity was a little more than offset by the underweight to Absolute Return.

Style Bias (-27 basis points)

The Fund's strategic **Value** and **Small Cap Biases** within Public Equity both detracted from relative performance during the month. U.S. value stocks, as represented by the Russell 3000 Value index, had a return of -3.5%, which trailed the 0.3% return of the Russell 3000 Growth index. Similarly, U.S. small cap stocks, as represented by the Russell 2000 index, had a return of -4.2%, which trailed the -1.3% return of U.S. large cap stocks, as represented by the Russell 1000 index. Furthermore, non-U.S. public equity markets underperformed the U.S. broad market, and as a result the Fund's exposure to non-U.S. public equity also ended up detracting from the Fund's returns.

KEY ATTRIBUTION DESCRIPTIONS

Broad Category Group Allocation – This compares the Fund's actual Asset Class allocation to its policy benchmark allocation. If the Fund's actual Asset Class allocation was always equal to the policy benchmark allocations of 44% Public Equity, 23% Fixed Income, 13% Real Assets, 10% Absolute Return, and 10% Private Equity, this amount would be 0. In reality, market movements mean that the Fund almost always has some deviation from the policy benchmark. The impact of this deviation is measured here.

Deviations are usually within the allowed range. If market movements cause an asset class to move outside of an allowed range, triggering a rebalance, the Board would be notified, and the calculation in this section would be adjusted to incorporate the impact of the rebalance.

If the Fund is overweight (underweight) an Asset Class that has a higher (lower) return than the Fund's Blended Benchmark return, the contribution to return is positive (negative). Similarly, if the Fund is underweight (overweight) an Asset Class that has a lower (higher) return than the Fund's Blended Benchmark return, the contribution is also positive (negative). Note: The actual return of the Fund and its investment managers does not impact this amount.

Manager Selection – This compares the return of each of the Fund's investment managers to the manager's designated benchmark. If all of the Fund's investment managers delivered a return equal to their designated benchmark, the amount in this category would be 0.

If a manager outperforms (underperforms) its designated benchmark, the contribution to return is positive (negative).

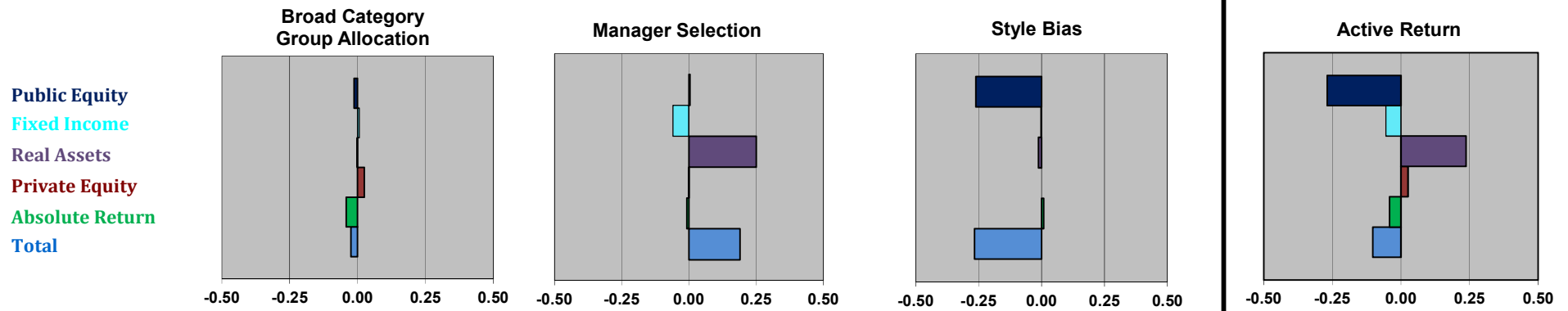
Style Bias – This compares the Fund's investment managers' designated benchmarks to the Asset Class benchmarks designated by the Fund. If all of the Fund's investment managers had a designated benchmark that was the same as the Asset Class benchmark designated by the Fund, this amount would be 0. For example, if every public equity manager's designated benchmark was the ACWI IMI, and every fixed income manager's designated benchmark was the Barclays U.S. Aggregate, the amount in this category would be 0. However, many of the Fund's investment managers have a designated benchmark that is reflective of their specific mandate rather than the Asset Class benchmark designated by the Fund. The impact of this deviation is measured here.

If an investment manager's designated benchmark outperforms (underperforms) the designated Asset Class benchmark, the contribution is positive (negative). Note: The actual return of the Fund and its investment managers does not impact this amount.

Active Return – This amount is the sum of the 3 components described above. The Total Active Return amount equals the difference between the ERS Fund Return and the Fund's Blended Benchmark Return.

November Performance Summary

	November
ERS Fund Return	-1.3%
Blended Benchmark Return	-1.2%
Over(Under) Performance	-0.1%



Manager Selection

Name	Asset Class	Attribution Effect
Contributors		
Real Estate	Real Estate	0.25
Earnest	Public Equity	0.05
William Blair	Public Equity	0.04
CastleArk	Public Equity	0.04
Detractors		
Loomis Sayles	Fixed Income	-0.08
Polen	Public Equity	-0.07
Brandes	Public Equity	-0.07
DFA (International)	Public Equity	-0.02
All Other	Various	0.05

Style Bias

Name	Asset Class	Style Bias
Contributors		
NTGI S&P 500	Public Equity	0.11
Real Estate	Real Estate	0.08
Polen	Public Equity	0.05
BlackRock Global Tilts	Public Equity	0.01
Detractors		
Brandes	Public Equity	-0.12
DFA (International)	Public Equity	-0.09
William Blair	Public Equity	-0.09
Principal	Real Assets	-0.09
All Other	Various	-0.13

III.

INVESTMENT COMMITTEE REPORT

- A. Approval of Statement of Investment Policy Update.

STATEMENT OF INVESTMENT POLICY
Updated ~~Sept~~December 2021

**THE EMPLOYEES' RETIREMENT
SYSTEM OF THE CITY OF MILWAUKEE**
789 N. Water Street, 3rd Floor
Milwaukee, WI 53202
(414) 286-3557

Individual manager guidelines are updated upon Annuity and Pension Board Approval

TARGET ALLOCATIONS

The Board has determined that the following asset allocation policy is appropriate for the Fund. This allocation policy will be reviewed periodically and may be modified, if appropriate, in light of changes in the structure or goals of the Fund. The following asset allocation policy reflects ~~an~~ interim Maximum and Minimum ranges implementation structure for the Fixed Income and Absolute Return allocations, respectively, that ~~were~~ was approved by the Board at its ~~April, 2020 and~~ September 2021 meetings. For Real Assets, the target weights below reflect what Callan used in its 2020 ALM Study.

<u>Public Equity</u>	<u>Target</u>	<u>Minimum</u>	<u>Maximum</u>
Domestic Equity			
Passive Large Cap	8.0%		
Active Large Cap	5.2%		
Active Mid/Small Cap	6.8%		
Total Domestic Equity	20.0%	16.0%	24.0%
Total International Equity	16.0%	13.0%	19.0%
Total Global Equity	8.0%	4.0%	12.0%
Total Public Equity	44%	39%	49%
<u>Fixed Income</u>			
Cash	1%	0%	2.0%
Passive Fixed Income	7.95.5%		
Core Opportunistic Fixed Income	14.116.5%		
Total Fixed Income	23%	20%	30%
<u>Real Assets</u>			
Private Real Estate	9.1%	5.0%	10.0%
Public Diversified Real Assets	3.9%	1.9%	5.9%
Total Real Assets	13%	10%	16%
<u>Private Equity</u>	10%	7%	15%
<u>Absolute Return</u>	10%	6%	15%
<u>Total</u>	<u>100%</u>		

Manager: BlackRock
 Role: Passive Fixed Income

Objectives and Guidelines

Investment Objectives

Time Horizon

Performance Standard

~~Less than one market cycle (rolling 3-year periods).~~

Universe
~~Not Applicable~~

Index

One market cycle (rolling 5-year periods).

Not Applicable

~~Track~~ Seek to track the performance of the Bloomberg Barclays U.S. Government Aggregate Bond Index within ~~10 basis points of ex-ante tracking error.~~

Investment Guidelines

- The ~~portfolio Fund~~ will be invested and reinvested primarily in a portfolio of fixed income debt securities issued or guaranteed by the U.S. government and shares of investment companies (including exchange-traded funds), with the objective of ~~fairly~~ approximating as closely as practicable the total rate of return of the Bloomberg market for debt securities as defined by the Barclays U.S. Government Aggregate Bond Index.
- ~~The Fund is an “index fund” that seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the Bloomberg U.S. Government Bond Index (its “Underlying Index”). The Underlying Index is sponsored by an organization (the “Index Provider”) that determines the composition and relative weightings of the securities in the Underlying Index and publishes information regarding the market value of the Underlying Index.~~
- ~~Eligible investments for the portfolio shall be limited to units of the BlackRock U.S. Debt Index Fund.~~
- ~~Cash will be held to a minimum. There will always be a bit of cash, but generally less than 50 bps.~~
- Futures and other derivatives may be used to invest all or any portion of the Fund in one or more futures contracts, forward contracts or other similar assets for the purpose of acting as a temporary substitute for investment in securities.
- The Fund is permitted to engage in securities lending to enhance returns.

Fund: ~~EB NCML Global Real Return Fund~~
Manager: ~~Newton Capital Management Limited (as offices of the Bank of New York Mellon)~~
Role: ~~Absolute Return Strategy~~
Objectives and Guidelines

Investment Objectives

Time Horizon	Performance Standard	Index
Less than one market cycle (rolling 3-year periods).		Achieve a positive absolute return after fees.
One market cycle (rolling 5-year periods).		Exceed (before fees) 1-month Libor by 400 basis points.

Investment Guidelines

ERS will invest in the EB NCML Global Real Return strategy that will be accessed through a collective trust and, therefore, is subject to the terms and provisions of the governing documents for the trust, including its objectives and guidelines as outlined therein. The Manager has informed ERS that as of the date of ERS' initial investment, the investment objectives and guidelines set forth below are consistent with the operative investment objectives and guidelines of the collective trust. The Manager has further informed ERS that the investment guidelines and objectives of the Fund may be subject to change, and the ERS will be notified of any change that requires a modification of the objectives and guidelines stated below. The Global Real Return Fund, may as necessary, sweep cash into the EB Temporary Investment Fund solely on an overnight basis to enable reinvestment.

- ~~Permissible Investments include the following:~~
 - ~~Common Stock~~
 - ~~ADRs~~
 - ~~GDRs~~
 - ~~Preferred Stock~~
 - ~~Exchange-traded Funds ("ETFs")~~
 - ~~Participation Notes~~
 - ~~Fixed Income Securities~~
 - ~~Futures~~
 - ~~Options~~
 - ~~Real Estate (tradable securities)~~
 - ~~Commodities (tradable securities)~~
 - ~~EB Temporary Investment Fund~~
- ~~Currency exposures may be hedged through currency spot, forward, and swap contracts.~~

- ~~No more than 5% of the Fund's assets will be invested in a single issuer (U.S. Governments securities excluded)~~
- ~~No more than 20% of the Fund value will be invested in any of the GICS 24 sub-sectors as defined by MSCI.~~
- ~~The Manager will adhere to the general investment guidelines stated in Section III. 4.~~

~~The representations of the Manager are made solely as of the date of ERS' initial investment in the collective trust and solely with respect to the current version of this Investment Policy. For avoidance of doubt, the Manager expressly disclaims any amendment or revision of this Investment Policy.~~

STATEMENT OF INVESTMENT POLICY
Updated December 2021

**THE EMPLOYEES' RETIREMENT
SYSTEM OF THE CITY OF MILWAUKEE**
789 N. Water Street, 3rd Floor
Milwaukee, WI 53202
(414) 286-3557

Individual manager guidelines are updated upon Annuity and Pension Board Approval

TARGET ALLOCATIONS

The Board has determined that the following asset allocation policy is appropriate for the Fund. This allocation policy will be reviewed periodically and may be modified, if appropriate, in light of changes in the structure or goals of the Fund. The following asset allocation policy reflects interim Maximum and Minimum ranges for the Fixed Income and Absolute Return allocations, respectively, that were approved by the Board at its September 2021 meeting. For Real Assets, the target weights below reflect what Callan used in its 2020 ALM Study.

<u>Public Equity</u>	<u>Target</u>	<u>Minimum</u>	<u>Maximum</u>
Domestic Equity			
Passive Large Cap	8.0%		
Active Large Cap	5.2%		
Active Mid/Small Cap	6.8%		
Total Domestic Equity	20.0%	16.0%	24.0%
Total International Equity	16.0%	13.0%	19.0%
Total Global Equity	8.0%	4.0%	12.0%
Total Public Equity	44%	39%	49%
<u>Fixed Income</u>			
Cash	1%	0%	2.0%
Passive Fixed Income	5.5%		
Core Opportunistic Fixed Income	16.5%		
Total Fixed Income	23%	20%	30%
<u>Real Assets</u>			
Private Real Estate	9.1%	5.0%	10.0%
Public Diversified Real Assets	3.9%	1.9%	5.9%
Total Real Assets	13%	10%	16%
<u>Private Equity</u>	10%	7%	15%
<u>Absolute Return</u>	10%	6%	15%
<u>Total</u>	<u>100%</u>		

Manager: BlackRock
Role: Passive Fixed Income

Objectives and Guidelines

Investment Objectives

Time Horizon

Performance Standard

Universe

Index

One market cycle (rolling 5-year periods).

Not Applicable

Seek to track the performance of the Bloomberg Barclays U.S. Government Bond Index

Investment Guidelines

- The Fund will be invested and reinvested primarily in a portfolio of fixed income securities issued or guaranteed by the U.S. government and shares of investment companies (including exchange-traded funds), with the objective of approximating as closely as practicable the total rate of return of the Bloomberg Barclays U.S. Government Bond Index.
- The Fund is an “index fund” that seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the Bloomberg U.S. Government Bond Index (its “Underlying Index”). The Underlying Index is sponsored by an organization (the “Index Provider”) that determines the composition and relative weightings of the securities in the Underlying Index and publishes information regarding the market value of the Underlying Index.
- Futures and other derivatives may be used to invest all or any portion of the Fund in one or more futures contracts, forward contracts or other similar assets for the purpose of acting as a temporary substitute for investment in securities.
- The Fund is permitted to engage in securities lending to enhance returns.

IV.

ADMINISTRATION & OPERATIONS COMMITTEE REPORT

- A. Approve Technical Correction to 2020 Expense Reimbursement Report.

Employees' Retirement System of the City of Milwaukee
December 6, 2021
Memorandum

To: Bernard J. Allen, Executive Director

From: Daniel Gopalan, CPA, ERS Chief Financial Officer

Re: Final 2020 Payment to the City and 2020 Budget to Actual Expenditures – Technical Correction

Previously, I had submitted a memo in February 2021 indicating the results of my analysis for our expenditure activity for fiscal year 2020. Upon review of the expenditures, we found an error with our spreadsheet that inadvertently overstated the non-trust portion of the total actual administrative expenses. We had previously reported that our non-trust expenses were \$630,121.45, when in fact our non-trust expenses were \$397,581.45. This error understated our final payment to the City by \$252,217.30.

We were able to correct this error prior to submitting the final payment to the City in March 2021, per the intergovernmental cooperation agreement with the City; however, we still will need the Annuity and Pension Board to approve the allocation of the final amounts. The final payment due to the City was \$940,052.41, since we had previously paid \$14,735,000 to the City in 2020. Please note per the chart below the amount of total expenses reimbursed to the City would not change.

	Original	Corrected	Difference
Trust Expenses – 2020	\$15,422,835.11	\$15,675,052.41	\$252,217.30
Non-Trust Expenses – 2020	\$ 630,121.45	\$ 397,581.45	<\$252,217.30>
Total Admin Expenses - 2020	\$16,072,633.86	\$ 16,072,633.86	\$ 0.00

In March 2021, the ERS fully reimbursed the City for \$15,675,052.41, which is the correct total amount of 2020 Trust Expenses incurred by the ERS.

I ask that the Annuity and Pension Board approve the technical correction of the allocation of 2020 Trust Expenses of \$15,657,052.41, 2020 Non-Trust Expenses of \$397,581.45, and the final payment of \$940,052.41 to the City. Again, the amount of expenses reimbursed to the City would not change, only the allocation of expenses.

c David Silber
Melody Johnson



City of Milwaukee
Employees' Retirement System

Bernard J. Allen
Executive Director

David M. Silber, CFA, CAIA
Chief Investment Officer

Melody Johnson
Deputy Director

March 15, 2021

Ms. Aycha Sawa, Comptroller
200 East Wells St Rm 404
Milwaukee WI 53202

Re: ERS Revenue Billing

Dear Ms. Sawa:

We have completed our expenditure activity for the fiscal year ended December 31, 2020, on the City's system. We have incurred a total expense of \$16,072,633.86 of which we have determined \$397,581.45 relates to activities not associated with the Pension Trust Fund. The remaining \$15,675,052.41 represents amounts that should be funded by the Trust for 2020 expenses.

We have previously advanced the City \$14,735,000 toward these costs in 2020, leaving a balance owed of \$940,052.41. Please issue us an invoice for the final payment. Attached is a summary of amounts tied to the City's FMIS.

If you have any questions on the specifics of this amount, please contact Dan Gopalan, ERS Chief Financial Officer at 414-286-3708.

Very truly yours,

Bernard J. Allen
Executive Director

BJA:dg

cc Chris Wanty

Enclosures

Employees' Retirement System - City of Milwaukee
2020 Budget Vs. Actual Expenses
For the Year Ended December 31, 2020

	Budget-Trust Activity	Budget-Non Trust Activity	Total Budget	Actual-Trust Activity	Actual-Non Trust Activity	Total Actual
Direct Salary	\$ 2,807,700.00	\$ 163,200.00	\$ 2,970,900.00	\$ 2,748,229.20	\$ 167,930.00	\$ 2,916,159.20
Indirect Salary (% of DS)	368,510.00	21,359.00	389,869.00	385,562.16	25,910.00	411,472.16
Total Salary	3,176,210.00	184,559.00	3,360,769.00	3,133,791.36	193,840.00	3,327,631.36
Fringe Benefits Applied	1,270,484.00	73,824.00	1,344,308.00	1,487,925.96	91,800.00	1,579,725.96
City Indirect Cost	109,000.00	-	109,000.00	115,900.00	-	115,900.00
Other Operating Expenditures	15,959,200.00	5,800.00	15,965,000.00	10,945,333.35	\$45,641.45	10,990,974.80
Equipment	144,000.00	-	144,000.00	58,401.74	-	58,401.74
Sub Total	20,658,894.00	264,183.00	20,923,077.00	15,741,352.41	331,281.45	16,072,633.86
Indirect-Non Trust Activity*	(52,800.00)	52,800.00	-	(66,300.00)	66,300.00	-
Total O&M Activity	20,606,094.00	316,983.00	20,923,077.00	15,675,052.41	397,581.45	16,072,633.86
Grand Total	\$ 20,606,094.00	\$ 316,983.00	\$ 20,923,077.00	\$ 15,675,052.41	\$ 397,581.45	\$ 16,072,633.86

* Management oversight, share of other operating expenditures

Salary Detail of Non-ERS

Activity	Non Trust Gross Salary Budget	Gross Salary Budget	Total Actual Gross Salary	Total Actual Direct Salary	Non Trust Gross Salary Actual	Non Trust Direct Salary Actual
Oby/Johnson Health	47,019.00	49,494.00	78,784.73	51,875.75	74,845.00	49,282.00
Hann Dental/Health	43,984.00	43,984.00	37,790.59	37,790.59	37,791.00	37,791.00
Gary Life	43,984.00	43,984.00	39,033.43	39,033.43	39,033.00	39,033.00
Freeman Life	43,984.00	43,984.00	38,449.93	38,449.93	38,450.00	38,450.00
Niemiec Health/LIS	1,350.00	67,504.00	34,344.27	29,381.98	687.00	588.00
Niemiec PABF/FABF	2,762.00	55,230.00	34,344.27	29,381.98	1,717.00	1,469.00
Priem Life	1,476.00	59,024.00	52,694.77	52,694.77	1,317.00	1,317.00
	-	-	-	-	-	-
\$	184,559.00	\$ 363,204.00	\$ 315,441.98	\$ 278,608.42	\$ 193,840.00	\$ 167,930.00

Salary Additives for 2020

Indirect as % of Direct	13.15%	Indirect as % of Gross	11.6%
Fringe as % of Direct	40.00%		

Employees' Retirement System - City of Milwaukee
2020 Budget Vs. Actual Expenses
For the Year Ended December 31,2020

Non Salary Direct Costs PABF:	Budget	
Actuary	-	PABF is PAYGO for 2018 and beyond
NT Processing	1,300.00	2017 Actual was \$960.30
	<u>\$ 1,300.00</u>	

Est % of PABF Portfolio	PABF no longer has any assets
Budgeted Manager & Callen	N/A
Approximate Budget	N/A

List any non-trust expenses

Date	Group/ Source	Vendor	Descr	Non-Trust	PABF
3/31/2020	0000449320	Cavanaugh Macdonald	File #191455 Resolution relating to studying impacts of EE t/o	2,397.25	
4/30/2020	0000453231	Cavanaugh Macdonald	Analysis for MPA collective bargaining File #191455	3,033.75	
5/31/2020	0000454452	Cavanaugh Macdonald	Analysis for MPA collective bargaining File #191455	13,138.00	
6/30/2020	0000456750	Cavanaugh Macdonald	Analysis for MPA collective bargaining File #191455	6,300.00	
7/31/2020	0000466777	Cavanaugh Macdonald	Analysis for MPA collective bargaining File #191455	6,164.50	
12/31/2020	0000466777	Cavanaugh Macdonald	Progress billing for City of Milwaukee modeling	14,104.75	
3/13/2020	0000448724	NORTHERN TRUST	2019 4TH QTR PABF 19		127.60
6/11/2020	0000453596	NORTHERN TRUST	1ST QTR PABF 2020		132.45
9/16/2020	0000459795	NORTHERN TRUST	2ND QTR PABF 2020		149.30
12/8/2020	0000465606	NORTHERN TRUST	3RD QTR PABF 2020		93.85
				<u>\$45,138.25</u>	<u>\$503.20</u>
Total Non-Trust Expenses					<u><u>\$45,641.45</u></u>

V.

NEW BUSINESS

- A. Retirements, Death Claims, and Refunds (November).
- B. Conference Requests – December 2021 Board Meeting.
- C. Proposed 2022 Board and Committee Meeting Dates.
- D. Review of Board Rule II.A.2.

Board Report - November 2021

Retirements

Retirement Type	Retirement SubType	Last Name	First Name	Retirement Date	Option	Department
Regular	Service	COLE	DENISE	7/23/2021	MAX	MILWAUKEE PUBLIC SCHOOLS
Regular	Deferred	OVERSON	RONALD	9/23/2021	100	MILWAUKEE PUBLIC SCHOOLS
Regular	Service	DOROW	CRAIG	10/2/2021	100	MILWAUKEE METROPOLITAN SEWERAGE DISTRICT
Regular	Service	RODRIGUEZ	MANUEL	10/2/2021	MAX	MILWAUKEE PUBLIC SCHOOLS
Regular	Service	JONES	LOUIS	10/4/2021	MAX	DPW-OPS-FLEET SERVICES
Regular	Service	MOODY	DIANE	10/4/2021	MAX	HACM
Regular	Deferred	BAUMANN	DAWN	10/6/2021	MAX	CITY OF MILWAUKEE
Regular	Deferred	GRAAN	SUSAN	10/8/2021	MAX	DPW
Regular	Service	FENNING	GREGORY	10/8/2021	MAX	DPW-OPS-SANITATION
Regular	Service	CARABAJAL	ANTHONY	10/9/2021	50	DPW-OPS-FLEET SERVICES
Regular	Service	SCHLOTTER	RANDY	10/9/2021	MAX	DPW-WATER-DISTRIBUTION
Regular	Deferred	PERRY	MORRIS	10/11/2021	50	CITY OF MILWAUKEE
Regular	Deferred	PORTER	MARIAN	10/11/2021	MAX	WISCONSIN CENTER DISTRICT
Regular	Deferred	CORDOVA	SONIA	10/13/2021	60	MILWAUKEE PUBLIC SCHOOLS
Regular	Service	WINDING	GERALD	10/14/2021	100	MILWAUKEE POLICE DEPARTMENT
Regular	Service	JAMALUDIN	DOREEN	10/15/2021	MAX	MILWAUKEE PUBLIC SCHOOLS
Regular	Service	DADTKA	JEFFREY	10/16/2021	100	DPW-INFRASTRUCTURE-BRIDGES & BLDGS
Regular	Service	JASICKI	ALAN	10/16/2021	100	DPW-WATER-ENGINEERING
Regular	Service	MASTROGIOVANNI	FRANCES	10/16/2021	MAX	MILWAUKEE POLICE DEPARTMENT
Regular	Service	UNGERER	BRANT	10/16/2021	90	MILWAUKEE POLICE DEPARTMENT
Regular	Deferred	ADAMAK	MARK	10/19/2021	MAX	DEPT OF CITY DEVELOPMENT
Regular	Deferred	VAZQUEZ	LYDIA	10/21/2021	MAX	MILWAUKEE PUBLIC SCHOOLS
Regular	Service	CARINI	STEVEN	10/23/2021	MAX	CITY ATTORNEY
Regular	Deferred	LLOYD	RODNEY	10/24/2021	MAX	MPD - OPERATIONS
Regular	Deferred	GROSZKIEWICZ	LORA	10/25/2021	MAX	DPW - WATER DEPARTMENT
Regular	Deferred	CAINE	JEFFREY	10/27/2021	MAX	DPW - INFRASTRUCTURE
Regular	Service	KRYGIEL	RICHARD	10/29/2021	100	FIRE - FIREFIGHTING
Regular	Service	MARTIN	SHARON	10/29/2021	MAX	MILWAUKEE PUBLIC SCHOOLS
Regular	Service	ROBINSON	CARRIE	10/29/2021	MAX	MILWAUKEE PUBLIC SCHOOLS
Regular	Early	PARR	ZITELKA	10/30/2021	MAX	LIBRARY - CENTRAL LIBRARY
Regular	Early	SHIELDS	SAMANTHA	10/30/2021	MAX	CITY OF MILWAUKEE
Regular	Service	ALLEN	GLENN	10/30/2021	MAX	LIBRARY - CENTRAL LIBRARY
Regular	Service	BRIGHUM	PATRICK	10/30/2021	100	HACM
Regular	Service	BUSH	RONALD	10/30/2021	MAX	HACM
Regular	Service	CIESIELCZYK	MARY ANN	10/30/2021	50	VEOLIA ENVIRONNEMENT
Regular	Service	DALLAS	CHARLES	10/30/2021	MAX	DCD - PUBLIC HOUSING
Regular	Service	FORD	DAVID	10/30/2021	MAX	DPW-OPS-FLEET SERVICES
Regular	Service	GLADNEY	TONY	10/30/2021	50	MILWAUKEE PUBLIC SCHOOLS
Regular	Service	HALE	RAY	10/30/2021	MAX	DPW-INFRASTRUCTURE-BRIDGES & BLDGS
Regular	Service	HALTON	QUENTIN	10/30/2021	MAX	MILWAUKEE PUBLIC SCHOOLS
Regular	Service	HUNT	DENNIS	10/30/2021	100	DPW-OPS-FLEET SERVICES
Regular	Service	KOLBERG	JOHN	10/30/2021	MAX	DEPT OF NEIGHBORHOOD SRVCS
Regular	Service	LLOYD	JOHN	10/30/2021	MAX	LIBRARY - CENTRAL LIBRARY
Regular	Service	PHILLIPS	LISA	10/30/2021	MAX	MILWAUKEE PUBLIC SCHOOLS
Regular	Service	SCHAAFSMA	ARTHUR	10/30/2021	50	DPW-INFRASTRUCTURE-ST/BRIDGES
Regular	Service	SIMMONS	RONNIE	10/30/2021	50	DPW-OPS-SANITATION
Regular	Service	YEHLE	PAUL	10/30/2021	100	COMMON COUNCIL - CITY CLERK

Retirement Type	Retirement SubType	Last Name	First Name	Retirement Date	Option	Department
Regular	Service	GORGEN	DUANE	10/31/2021	50	DPW-WATER-HOWARD
Regular	Conversion (Duty Disability to Regular)	BAERWALD	PAUL	11/1/2021	53	FIRE - FIREFIGHTING
Regular	Early	MARINO	ANN	11/1/2021	75	MILWAUKEE PUBLIC SCHOOLS
Regular	Service	CROCKETT	JULENE	11/1/2021	MAX	MILWAUKEE PUBLIC SCHOOLS
Regular	Service	LUDAN	THOMAS	11/1/2021	MAX	CITY OF MILWAUKEE
Regular	Service	VINCENT	RICHARD	11/1/2021	50	MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

Board Report - November 2021
Deaths

Type	Last Name	First Name	Death Date	Payment Date	Amount
Deferred Death	KOSPER	DONALD	9/18/2021	11/30/2021	\$ 41,447.46
Deferred Death-Member Only Refund	ARLT	PETER	7/21/2021	11/30/2021	\$ 1,911.82
Deferred Death-Member Only Refund	LESHIN	PETER	9/1/2021	11/30/2021	\$ 826.99
Deferred Death-Member Only Refund	TURNER	JUTUN	10/9/2019	11/30/2021	\$ 355.02
Ordinary Death	NELSON	DONALD	4/2/2018	11/30/2021	\$ 219,870.16
Retiree Death-Termination	BROADY	DELORES	10/18/2021	11/30/2021	\$ 205.78
Retiree Death-Termination	CAMPBELL	DELIA	9/12/2021	11/30/2021	\$ 143.81
Retiree Death-Termination	FREDERICK	YVONNE	8/20/2021	11/30/2021	\$ 241.59
Retiree Death-Termination	GARACCI	MARLENE	9/28/2021	11/30/2021	\$ 1,377.24
Retiree Death-Termination	GRACE	LENORA	8/27/2021	11/30/2021	\$ 424.99
Retiree Death-Termination	HANOSKI	BONNIE	10/4/2021	11/30/2021	\$ 49.83
Retiree Death-Termination	HARDRICK	WILLIE	8/6/2021	11/30/2021	\$ 89.05
Retiree Death-Termination	JOHNSON	DORIS	1/31/2021	11/30/2021	\$ 138.24
Retiree Death-Termination	KOEPP	GEORGE	9/8/2021	11/30/2021	\$ 304.39
Retiree Death-Termination	KOEPL	BERNICE	4/4/2020	11/30/2021	\$ 35.82
Retiree Death-Termination	KRIEGSMAN	BRIAN	10/5/2021	11/30/2021	\$ 64,997.77
Retiree Death-Termination	KRUSICK	RONALD	10/21/2019	11/30/2021	\$ 64.68
Retiree Death-Termination	LONGMIRE	LOIS	6/24/2021	11/30/2021	\$ 1,551.18
Retiree Death-Termination	MAZUR	DONALD	10/17/2021	11/30/2021	\$ 2,586.80
Retiree Death-Termination	PICKERING	HOLLY	4/13/2020	11/30/2021	\$ 148.55
Retiree Death-Termination	PORNAT	JOHN	6/17/2021	11/30/2021	\$ 360.87
Retiree Death-Termination	SHORT	WESLEY	9/26/2021	11/30/2021	\$ 2,098.70
Retiree Death-Termination	WEBER	KENNETH	9/26/2021	11/30/2021	\$ 416.30
Retiree Death-Termination	YOUNG	EDWARD	8/19/2019	11/30/2021	\$ 766.79
Surv Death-Termination	BOSCHKE	FLORENCE	7/14/2021	11/30/2021	\$ 256.71
Surv Death-Termination	ENDREAS	LYDIA	9/5/2021	11/30/2021	\$ 94.05
Surv Death-Termination	FOUCAULT	AUDREY	9/29/2021	11/30/2021	\$ 2,052.78
Surv Death-Termination	FULLER	DELOIS	10/7/2021	11/30/2021	\$ 513.37
Surv Death-Termination	GOLDMAN	SALLY	4/6/2020	11/30/2021	\$ 258.65
Surv Death-Termination	JASTER	JACQUELINE	10/9/2021	11/30/2021	\$ 435.07

Type	Last Name	First Name	Death Date	Payment Date	Amount
Surv Death-Termination	ORLOWSKI-ROCKE	VIRGINIA	10/10/2021	11/30/2021	\$ 195.72
Surv Death-Termination	SCHWALBACH	DOLORES	9/3/2021	11/30/2021	\$ 193.92
Surv Death-Termination	SILVERSTEIN	RITA	9/5/2021	11/30/2021	\$ 251.43
TOTAL					\$ 344,665.53

Retiree Death-Cont Opt	ALESSI	DAVID	11/2/2021	11/1/2021
Retiree Death-Cont Opt	BAUMANN	HANS	10/9/2021	11/1/2021
Retiree Death-Cont Opt	BLUMENBERG	WILLIAM	10/20/2021	11/1/2021
Retiree Death-Cont Opt	BOURDO	MICHAEL	11/10/2021	11/1/2021
Retiree Death-Cont Opt	BOYCE	DANIEL	11/7/2021	11/1/2021
Retiree Death-Cont Opt	COSEY	GEORGE	11/4/2021	11/1/2021
Retiree Death-Cont Opt	DEMBOWSKI	RICHARD	10/28/2021	11/1/2021
Retiree Death-Cont Opt	ESQUEDA	TRINIDAD	10/25/2021	11/1/2021
Retiree Death-Cont Opt	GROTH	DAVID	10/22/2021	11/1/2021
Retiree Death-Cont Opt	KEHRING	ERWIN	11/5/2021	11/1/2021
Retiree Death-Cont Opt	STOCKAMP	GEORGE	11/2/2021	11/1/2021
Retiree Death-Cont Opt	TOELLNER	VERNON	10/19/2021	11/1/2021
Retiree Death-Cont Opt	WICHGERS	JEROME	11/11/2021	11/1/2021

Board Report - November 2021**Withdrawals**

Type	Last Name	First Name	Payment Date	Amount
Administrative Withdrawal	ADEMI	NUSRET	11/30/2021	\$ 739.00
Administrative Withdrawal	ALLEN	SUZETTE	11/30/2021	\$ 3,462.94
Administrative Withdrawal	BELT	JASON	11/30/2021	\$ 560.61
Administrative Withdrawal	BRANKOV	OLGA	11/30/2021	\$ 1,065.36
Administrative Withdrawal	DOCKINS	AGNES	11/30/2021	\$ 567.20
Administrative Withdrawal	FIGUEROA-GARCIA	RAFAEL	11/30/2021	\$ 789.73
Administrative Withdrawal	FINNEY	VICQUE	11/30/2021	\$ 397.38
Administrative Withdrawal	GARNER	SHONNETTE	11/30/2021	\$ 586.41
Administrative Withdrawal	GETZ	ANDREA	11/30/2021	\$ 321.09
Administrative Withdrawal	GRUNDLE	KATHRYN	11/30/2021	\$ 371.39
Administrative Withdrawal	HANSEN	ANNAMARIE	11/30/2021	\$ 644.60
Administrative Withdrawal	JACKSON	KAYCESS	11/30/2021	\$ 2,452.64
Administrative Withdrawal	KINGSBY	TYSON	11/30/2021	\$ 1,476.90
Administrative Withdrawal	KIRSCHBAUM	DIANE	11/30/2021	\$ 46.89
Administrative Withdrawal	MORGAN	ANTHONY	11/30/2021	\$ 115.20
Administrative Withdrawal	OLIVER	LAURA	11/30/2021	\$ 505.82
Administrative Withdrawal	SANTIAGO	HECTOR	11/30/2021	\$ 1,146.96
Administrative Withdrawal	SCHAUER	JODIE	11/30/2021	\$ 2,518.42
Administrative Withdrawal	STANBURY	ROBERT	11/30/2021	\$ 6,319.90
Administrative Withdrawal	WIPPERFURTH	JENNIFER	11/30/2021	\$ 638.82
Full Refund	AVERY	KATRINA	11/30/2021	\$ 10,810.59
Full Refund	COLLIER	TAKEISHA	11/30/2021	\$ 6,295.11
Full Refund	HASLETT	LENARD	11/30/2021	\$ 4,604.34
Full Refund	JONETH	CHERYL	11/30/2021	\$ 7,801.54
Full Refund	PLANT	JOEL	11/30/2021	\$ 39,794.31
Full Refund	ROESKE	TARA	11/30/2021	\$ 15,731.86
Full Refund	TROTTER	CASEY	11/30/2021	\$ 11,941.17
Full Refund	WADE	LAKISHA	11/30/2021	\$ 7,944.98
Full Refund	WASHINGTON	BRANDYE	11/30/2021	\$ 5,756.38
Member Only Refund	BERRY	SEARRA	11/30/2021	\$ 829.66
Member Only Refund	BODUS	BENJAMIN	11/30/2021	\$ 580.80
Member Only Refund	BOYD	JACQUELYN	11/30/2021	\$ 1,519.92

Type	Last Name	First Name	Payment Date	Amount
Member Only Refund	CANO	ALICIA	11/30/2021 \$	1,306.10
Member Only Refund	DAVIS	VARLEER	11/30/2021 \$	782.40
Member Only Refund	DYSZELSKI	AARON	11/30/2021 \$	4,369.41
Member Only Refund	FISHLER	STEVEN	11/30/2021 \$	5,431.65
Member Only Refund	GARCIA	RUBEN	11/30/2021 \$	1,947.12
Member Only Refund	HARDEMON	MELVIN	11/30/2021 \$	2,052.58
Member Only Refund	HUGHES	CHERESSE	11/30/2021 \$	2,634.58
Member Only Refund	IMBRIE	MOLLY	11/30/2021 \$	2,328.07
Member Only Refund	KIMMONS	LATEGRA	11/30/2021 \$	578.48
Member Only Refund	KING	CHERYL	11/30/2021 \$	462.06
Member Only Refund	LOR	LINDA	11/30/2021 \$	8,772.74
Member Only Refund	MAIORELLE	NICHOLAS	11/30/2021 \$	544.80
Member Only Refund	MARTINKA	REGGIE	11/30/2021 \$	4,292.13
Member Only Refund	MICHALSKI	DANIEL	11/30/2021 \$	4,712.66
Member Only Refund	SATTERFIELD	KIARA	11/30/2021 \$	1,225.54
Member Only Refund	TORRES	GRISELLE	11/30/2021 \$	6,214.35
Member Only Refund	UNDERWOOD	JASON	11/30/2021 \$	4,762.03
Member Only Refund	VILLEGAS	NATALIE	11/30/2021 \$	689.49
Member Only Refund	WHITFIELD	VANESSA	11/30/2021 \$	201.73
TOTAL \$				191,645.84

2022

Board and Committee Meeting Dates

All meetings begin at 9:00 a.m. unless otherwise noted.

January	26	Board (<i>Wednesday</i>)
February	10 22	Investment (<i>Thursday</i>) Board (<i>Tuesday</i>)
March	17 29	A&O (<i>Thursday</i>) Board (<i>Tuesday</i>)
April	14 27	Investment (<i>Thursday</i>) Board (<i>Wednesday</i>)
May	24	Board (<i>Tuesday</i>)
June	09 16 30	Investment (<i>Thursday</i>) A&O (<i>Thursday</i>) Board (<i>Thursday</i>)
July	27	Board (<i>Wednesday</i>)
September	08 21 28	Investment (<i>Thursday</i>) A&O (<i>Wednesday</i>) Board (<i>Wednesday</i>)
October	25	Board (<i>Tuesday</i>)
November	10 22	Investment (<i>Thursday</i>) Board (<i>Tuesday</i>)
December	08 15 20	Investment (<i>Thursday</i>) A&O (<i>Thursday</i>) Board (<i>Tuesday</i>)

4. MEMBER means any person eligible for membership as follows who has not otherwise waived, terminated or been denied membership:
 - a. Any employee who is entitled to and who elected membership at the time of the creation of the retirement system;
 - b. Any person who became an employee after January 1, 1938, and who is eligible under the provisions of Chapter 36 and who is:
 - i. a full-time employee;
 - ii. a part-time employee eligible for membership under the Board's Rules and Regulations; or
 - iii. an elected official who has evidenced an intention to join the ERS.

6. RETIRED MEMBER means a person who had been a member but who has retired from the retirement system and receives a retirement allowance.

Source: Milwaukee City Charter § 36-02-8; § 36-03; § 36-02-21; City Attorney Opinion Letter, November 19, 1984.

7. An APPLICATION FOR DUTY DISABILITY shall consist of the Duty Disability Application Form, A Physician Statement, copies of appropriate Worker's Compensation EB-49's, and properly executed medical authorizations.
8. An Application for Duty Disability is filed when all documentation set forth in I.F.7 above is submitted and certified as complete by the ERS.

II. MEMBERSHIP ON THE BOARD

A. NUMBER OF BOARD MEMBERS AND TERMS

The Board shall consist of:

1. Three Board members to be appointed by the President of the Common Council subject to the confirmation of such common council for a term of 2 years.

Commencing in 1997, when terms expire for members appointed by the President of the Common Council, members shall be appointed for terms expiring the 3rd Tuesday of April 2000. Thereafter, the President of the Common Council shall appoint members for a term of 2 years within 60 days of the commencement of a new Common Council term, and then within 60 days following 2 years of the commencement of a Common Council term. If a vacancy occurs in a Board position, the President shall appoint within 60 days after the vacancy occurs.

2. The City Comptroller, ex-officio, or, in case of sickness or absence, his or her deputy.
3. Three employee Board members who shall be members of the ERS and who shall be elected at large by the members of the ERS for a term of 4 years according to such rules and regulations as the Board shall adopt from time to time to govern such election.
4. One retired Board member elected each fourth year by members of the ERS who are retired and are receiving a retirement allowance for a term of 4 years, which term shall begin on the first day of January following election and that person shall serve until his or her successor has been elected and qualifies.

Source: Milwaukee City Charter 36-15-2; Rules and Regulations, II Officers and Employees)

B. SELECTION PROCESS AND ELECTIONS

1. Chair and Vice-Chair

The members of the Board shall elect from its membership at each annual meeting a Chair and a Vice-Chair who shall serve until their successors are elected.

Source: Milwaukee City Charter § 36-15-7; Rules and Regulations, § 1.4 (a) (Officers and Employees)

2. Employee Board Member

The following rules shall govern the election of an employee member of the Board:

To be eligible for nomination and election, candidates must be in active service. A regularly scheduled election to fill a Board member vacancy due to expiration of the term of office will be held on the first Friday in November. A special election may be called at any time to fill a vacancy which occurs due to the removal, resignation, retirement or death of an employee Board member. Such special election shall be conducted as determined by the Board under rules published in the election bulletin adopted by the Board.

In the event that only two candidates file for a regularly scheduled election, the election will be held in November. In the event there are more than two candidates and one candidate receives one more than half the number of the legal votes cast at the election, then the person receiving said vote shall be declared elected to the office. In the event of failure of any one candidate to receive one more than half the number of the legal votes cast, then the two candidates having the highest number of votes shall have their names placed on a ballot for a run-off election to be held five weeks after the primary

VI.

MEDICAL REPORTS

- A. All Duty & Ordinary Disability Applications & Re-examinations (December).

MERITS	CITY OF MILWAUKEE EMPLOYEES' RETIREMENT SYSTEM	Page Number: 1 OF 1
	Medical Panel Approvals Report	DATE RAN : 12/10/2021
Approved by Executive Director	Pension Board Meeting Date 12/21/2021	TIME RAN : 11:27

DOCTOR DECISION										
Case Number	Name	DOB	Title	Employer	Case Type	Case Sub-Type	City	Union	Third	Disability Date
921	BALTUTIS, GILBERT	04/25/1978	FIRE FIGHTER	FIRE	DD 75%	Re-Examination	Approved	Approved		08/24/2011
1051	MERCHANT, JAMES	06/15/1968	LIEUTENANT	FIRE	DD 75%	Re-Examination	Approved	Approved		02/26/2013
1096	SCHMAELZLE, JOHN	08/28/1972	FIRE FIGHTER	FIRE	DD 75%	Re-Examination	Approved	Approved		08/27/2013
1219	MANNEY, CHRISTOPHER	01/13/1976	POLICE OFFICER	MPD	DD 75%	Re-Examination	Approved	Approved		11/12/2014
989	SCHMIDT, JUSTINE	06/08/1971	DETECTIVE	POLICE	DD 75%	Re-Examination	Approved	Approved		04/14/2012

Number of Cases: 5

This report includes Fire duty disabilities with an application date prior to July 29, 2016; Police MPA duty disabilities with an application date prior to June 19, 2016; and Police MPSTO duty disabilities with an application date prior to January 1, 2016.

MERITS	CITY OF MILWAUKEE EMPLOYEES' RETIREMENT SYSTEM	Page Number: 1 OF 1
	Medical Council Approvals Report	DATE RAN : 12/11/2021
	Board Meeting: 12/20/2021	TIME RAN : 17:12

<u>Name</u>	<u>DOB</u>	<u>Title</u>	<u>Employer</u>	<u>CaseType</u>	<u>Case Sub-Type</u>	<u>Disability Date</u>	<u>Medical Council Meeting Date</u>
MCNEARY TERRY, JANICE	03/09/1962	EDUCATIONAL ASST - PARA	MPS	Ordinary Disability	Re-Examination	12/03/2011	12/03/2021
ORY, LAURIE	06/11/1969	OFFICE ASST IV	DCD	Ordinary Disability	Re-Examination	12/28/2018	12/03/2021
ROWSEY-BROWN, SHERRY	01/25/1963	CUSTODIAL WORKER II- C L	MPD	Ordinary Disability	Re-Examination	10/09/2016	12/03/2021
TOMASELLO, SHERRY	10/06/1968	BRIDGE OPERATOR	DPW-INFRASTRUCTURE	Ordinary Disability	Re-Examination	07/28/2020	12/03/2021
URIBE, SAMUEL	05/05/1986	FIREFIGHTER	MFD	Ordinary Disability	Re-Examination	07/02/2018	12/03/2021
YOUNGBLOOD, JAMES	10/01/1968	HEAVY EQUIPMENT OPERATOR	MFD	Duty Disability 75%	Re-Examination	11/01/2020	12/03/2021

Number of Cases: 6

This report includes all GC disabilities; all ordinary disabilities; Fire duty disabilities with an application date on/after July 29, 2016; Police MPA duty disabilities with an application date on/after June 19, 2016; and Police MPSO duty disabilities with an application date on/after January 1, 2016.

VII.

UNFINISHED BUSINESS

- A. Pending Legal Opinions and Service Requests Report.
- B. Pending Legislation Report.
- C. Executive Director's Report – Inventory of ERS Projects.



December 21, 2021 Board Meeting

PENDING LEGAL OPINIONS AND SERVICE REQUESTS REPORT

PART 1. LEGAL OPINIONS - OFFICE OF CITY ATTORNEY

None.

PART 2. LEGAL OPINIONS - OUTSIDE LEGAL COUNSEL

None.

PART 3. SERVICE REQUESTS - OFFICE OF CITY ATTORNEY

09/10/21 **Request for Mailing Services**
ERS staff requests assistance of legal counsel in the RFQ process for mailing services.
10/06/21 City Attorney's Office completed review and forwarded its response to ERS staff.
12/21/21 On Pension Board Agenda.

PART 4. SERVICE REQUESTS - OUTSIDE LEGAL COUNSEL

11/19/21 **BlackRock Investment Management Agreement**
ERS requests City Attorney's Office to review and negotiate proposed amendments to current investment agreement with BlackRock Institutional Trust Company.
12/09/21 On Investment Committee Agenda for approval pursuant to RR VII.G.2.b.



December 21, 2021 Board Meeting

PENDING LEGISLATION REPORT

PART 1. PENDING CHARTER ORDINANCES FOR COMMON COUNCIL ACTION

- CCFN 210811** **Substitute resolution authorizing city departments to expend monies appropriated in the 2022 city budget for Special Purpose Accounts, Debt Service Fund, Provisions for Employees' Retirement Fund, Delinquent Tax Fund, Common Council Contingent Fund, Grant and Aid Fund, and Special Capital Projects or Purposes.**
09/21/21 Common Council assigned file to the Finance & Personnel Committee.
12/02/21 Draft resolution submitted.
12/08/21 Recommended for adoption by Finance & Personnel Committee.
12/14/21 On Common Council agenda for consideration.

PART 2. PENDING CHANGES TO THE RULES & REGULATIONS

None.

PART 3. PENDING LEGISLATIVE COMMITTEE REFERRALS

Pension Contribution Offset.

12/13/16 ERS requested legal guidance on whether the 5.8% pension contribution offset for public safety employees pursuant to recent labor contract settlements or interest arbitration, is includable as "salary" for adjusting duty disability retirement allowance.
02/16/17 City Attorney issued a legal opinion advising that since members receiving a duty disability retirement allowance have not paid the member contributions, they are not entitled to the 5.8% pension contribution offset.
02/27/17 Opinion referred to Legislative Committee for consideration on whether the pension contribution offset received by general city and protective service members should be included in the calculation of the Conversion to Service Retirement and Extended Life retirement allowances.
07/31/17 Committee recommended this matter be held pending resolution of litigation.

Employees' Retirement System – Executive Director's Report

April 2021

I. Personnel Update

- A. ERS is working with DER to fill the Network Administrator position.
- B. The following positions have been filled: ERS Operations Director, Records Technician II and Accounting Assistant II positions.

II. Member Services

- A. New retirees on payroll in March - 39; 31 are currently anticipated for the April payroll.
- B. All Retirement seminars are being done virtually until further notice. There was a Retirement Workshop for General City on 2/26/21 and 42 members were signed up and there was a Special Virtual New Employee Orientation Session for DPW on 3/30/21 with 18 new DPW employees. A second Special Virtual New Employee Orientation Session is scheduled for 5/3/21 and approximately 40 new employees are expected to attend.
- C. Below is a breakdown of to-date ERS benefits payouts/active/deferred counts:

Category	Count
Annuitants	
Death - Duty	28
Death - Ordinary	87
Disability - Duty	406
Disability - Ordinary	610
Retirement	12,510
Separation	39
Total Annuitants	13,680
Active	10,964
Deferred	2,953
Total Population	27,597

III. Financial Services

- A. The 2022 Budget is before the A&O Committee this month and is being presented to the full Board for approval.
- B. Staff continues to work with the actuary and financial auditor in the preparation of the Actuarial Valuation and Comprehensive Annual Financial Report (CAFR).
- C. ERS received the Certificate of Achievement for Excellence in Financial Reporting award from the Government Finance Officers Association for our 2019 Comprehensive Annual Financial Report. This prestigious award requires a significant amount of work that goes above and beyond the minimum requirements of generally accepted accounting principles needed as part of our financial audit.

IV. Information Services

- A. SSRS Reports Migration in progress.
- B. Titan Content Management System Upgrade in progress.
- C. Vulnerability Assessment – 2020 completed.

- D. MS Windows Desktop OS Upgrade completed.
- E. Printer Firmware Upgrade in progress.
- F. PC Firmware Upgrade completed.
- G. Desktop PC Upgrade in progress.
- H. Proof of Concept (POC) for Struts Upgrade and Modernize MERITS website in progress.
- I. Proof of Concept (POC) for FileNet to BAW Upgrade in progress.
- J. IP Address Review and Cleanup 2020 completed.
- K. DNS Review and Cleanup 2020 in progress.
- L. AD Review and Cleanup 2020 in progress.
- M. Firewall Review and Cleanup 2020 in progress.
- N. Femrite SAN Upgrade/Replacement in progress.
- O. Symantec Endpoint Protection Upgrade in progress.
- P. Backup Exec Application Upgrade in progress.
- Q. Backup Exec Physical Server Upgrade in progress.

V. Administration

- A. In connection with the claim filed by ERS with its cyber insurance carrier, Chubb, an independent forensic investigation was conducted by Charles River Associates under contract to Chubb that concluded that there was no evidence of an unauthorized actor exploiting the ERS e-mail server and there is a low risk of any data or other information in the server being compromised.

B. LEGISLATIVE COMMITTEE

1. Legislative Matters

The Board of the ERS has a responsibility to monitor and, where appropriate, participate in legislative matters which may impact the ERS for the purpose of safeguarding the stability of the ERS, the Board shall advise the Common Council as to the actuarial soundness of any suggested proposal, amendment, alteration or modifications to existing pension, annuity or retirement systems, and the necessary contributions required as the result of the suggested change. To oversee this responsibility, the Chair of the Board shall appoint a Legislative Committee. The Executive Director shall regularly monitor proposed legislation impacting the ERS and shall report to the Legislative Committee concerning the potential impact of such legislation and where appropriate, make recommendations regarding a position of the Board as to proposed legislation. The Legislative Committee shall review, consider, and recommend to the Board specific positions on any legislation having potential impact on the Board or the ERS. Thereafter, the Board shall consider and take action on the recommendations of the Legislative Committee.



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March 18, 2021

Mr. Bernard J. Allen
Executive Director
City of Milwaukee Employees' Retirement System
789 North Water Street, Suite 300
Milwaukee, WI 53202
(414) 286-3557

Re: Annuity and Pension Board Discretion Relating to Plan Sponsor Efforts to Seek
State Legislation Relating to Employer Contributions

Dear Mr. Allen:

In a letter dated January 15, 2021, you asked for clarification as to whether the Annuity and Pension Board ("Board"), consistent with its fiduciary obligations as trustee of the City of Milwaukee Employees' Retirement System ("ERS"), can take an official position on the city's current lobbying efforts related to the employer pension contribution. Specifically, the city has indicated its intent to pursue state legislation that would allow it to "provide the annual employer pension contribution at an amount more or less than the actuarial determined amount."

Your letter indicates that at least one Board trustee has sought guidance as to what effect, if any, the Board's fiduciary obligations have on its discretion to take a public position or action relative to the city's legislative proposal. For reasons discussed in more detail below, because this issue is still developing, and because your inquiry implicates a matter of Board discretion, this opinion does not recommend a specific course of action. Rather, the purpose of this opinion is to apprise the Board of the numerous legal considerations bearing on the subject, in order to better allow the Board to make informed decisions when exercising its fiduciary discretion.



BACKGROUND

Under the existing provisions of Chapter 36, the city's annual employer pension contribution amount is determined each year based on an "actuarial contribution rate" that is itself reset only once every 5 years. MCC § 36-08-6-h-2. The actuarial contribution rate is required to be calculated in a manner "consistent with standards of actuarial practice" and based on the "current interest, mortality, separation, morbidity and retirement tables as adopted by the board." MCC § 36-08-6-h-2. This rate continues to serve as the basis for the actuary's calculation of the city's annual employer contribution until the rate is reset at the next five year interval. *Id.* The city does not currently have discretion to decline payment of the actuarially calculated contribution amount. Rather, Chapter 36 mandates that the city "shall pay" the amount determined by the actuary each year. MCC § 36-08-6-h-1. This mandate has existed since the inception of the ERS in 1937. *See* Sec. 8, Ch. 396, L. 1937.

Consistent with the schedule set in section 36-08-6-h-2, the actuarial contribution rate is scheduled to be reset in 2023. Due to a variety of factors, the city's annual contribution is expected to increase dramatically in 2023—with many projections forecasting a more than 100% increase (approximately \$70 million) over the current contribution amount. In anticipation of this possibility, the city has begun exploring multiple options to deal with the expected financial burden. As one facet of this effort, the city has indicated its intent to seek state legislation that would allow it to pay the annual employer pension contribution at an amount "more or less than the actuarial determined amount." While the city has not committed to any specific policy it would pursue if granted such flexibility, some of the publicly suggested proposals thus far have included extending the unfunded actuarial liability ("UAL") amortization period beyond that allowable under actuarial standards of practice, and capping the city's annual contribution at a specific dollar amount (for example, capping the city's annual contribution at \$110 million).

As noted above, in light of these developments, at least one trustee has asked to what extent the Board's fiduciary obligations either permit or limit the Board from taking an official position on the city's legislative proposal. As your letter indicates, the considerations bearing on this issue are complex. If left unadjusted, the pension contribution increase will likely require the city to significantly reduce staffing levels across all city departments over several years in order to reduce costs. Such drastic decreases run the risk of destabilizing the city's ability to provide essential services—

potentially to such an extent that the economic viability of the city could conceivably be threatened. As the plan sponsor and sole guarantor of ERS pension benefits, the city's insolvency would necessarily threaten the ERS's ability to continue providing the pension benefits promised by Chapter 36. While these possibilities are just a few of the countless potential outcomes, it is against this backdrop that the Board now seeks guidance regarding its fiduciary duties.

DISCUSSION

A. SCOPE OF THIS OPINION

Before turning to your inquiry in earnest, it is necessary to clearly identify the express objectives and limitations of this opinion. As just noted, the numerous considerations attending the issue at hand are both complex and, in many cases, fairly speculative. Moreover, the legislative proposal at the center of your inquiry is exceedingly general—calling only for pension contribution flexibility that might fail to comport with actuarial standards of practice. The city has not yet indicated what policy modifications it would pursue if it succeeded in securing this flexibility. In other words, it is presently unknown precisely how far the city might deviate (if at all) from its current mandatory and actuarially-sound contribution policy. By consequence, any potential impact on the financial stability of the ERS cannot currently be assessed with any reasonable degree of certainty.

As will become clear below, a trustee's fiduciary obligations in regards to proposed modifications to a plan's funding policy are inextricably linked to the reasonably anticipated financial consequences of those modifications. In other words, fiduciary duties fluoresce most clearly when placed within a defined set of circumstances. Given the somewhat abstract nature of the factors at issue here, your inquiry presents a particular challenge. As such, in light of the foregoing considerations, this opinion addresses the Board's fiduciary obligations within the general context presented. Specific guidance and blackletter rules of law will be articulated whenever possible. However, this opinion is necessarily limited in terms of specificity to the same extent as the circumstances giving rise to its necessity. Rather than recommending a specific course of action, the goal of this opinion is to apprise the Board of the various legal considerations bearing on the issue before it, in order to better allow the Board to make informed decisions when exercising its fiduciary functions. We expressly caution that this opinion

will likely require supplementation as the unfolding of future events provides further information and context to our analysis.

Finally, we wish to make clear that this opinion does not render any final conclusions regarding the legality of the city's current legislative proposal. Indeed, the rather vague nature of the current proposal makes it unlikely that such a definitive determination could responsibly be made at this point. While a discussion of the potential legal issues attending the city's lobbying efforts is necessary to facilitate a thorough assessment of the Board's current fiduciary landscape, nothing in this opinion should be read as a final determination regarding the proposal's ultimate legality. With these considerations in mind, we now turn to your inquiry.

B. THE VARIOUS LEGAL OBLIGATIONS STEMMING FROM THE ERS TRUST

1. THE PARTIES TO THE ERS TRUST

The ERS is, in the most simple sense, a legal trust. MCC § 36-09. A "trust" is "an arrangement whereby a trustee manages property as a fiduciary for one or more beneficiaries." Jesse Dukeminier, et al., *Wills, Trusts, and Estates*, 541 (8th Ed. 2009). There are generally three parties to a trust: (1) A settlor; (2) A beneficiary; and (3) A trustee. *Id.* at 547-553. The settlor both creates and funds the trust through a donation of property, which becomes the corpus of the trust. *Id.* at 547. The beneficiary—as the name implies—is the person or group that is intended to actually receive, or benefit from the trust property in the manner prescribed by the settlor. *Id.* at 553. And finally, the trustee is the individual or group responsible for managing the trust. *Id.* at 548. Because a trustee's sole purpose is to manage the property for the benefit of others, trustees are held to the highest standard of conduct cognizable under American law. These standards of conduct are known as "fiduciary" standards.

Within the pension context, the settlor of a pension trust is known as the "plan sponsor." In the case of the ERS, the plan sponsor is the City of Milwaukee. The city has codified the scope and terms of the ERS trust in MCC Chapter 36, which serves as the trust's "plan document." According to Chapter 36, the express purpose of the ERS is "to assure and guarantee the payment of retirement and other benefits to persons covered by this chapter and to their beneficiaries and to such other persons who are authorized by the

provisions of this chapter to receive benefits explicitly defines the beneficiaries of the ERS.” MCC § 36-01.

The purpose articulated in section 36-01, along with numerous other provisions within Chapter 36, identifies multiple categories of ERS beneficiaries. These various groups can be distilled down into two general categories: (1) ERS “members” (current or separated employees enrolled in the ERS); and (2) “Retirees” (those members who have left active service and have commenced a retirement allowance).¹

Chapter 36 also identifies the plan’s trustee. Section 36-15-1-a vests the “general administration and responsibility for the proper operation of the retirement system and for making effective the provisions of [Chapter] 36]” in the Annuity and Pension Board. The Board therefore serves trustee and fiduciary to the ERS.

2. THE VARYING OBLIGATIONS OF THE TRUST PARTIES

While the city, Board, and members and retirees are commonly bound together by the ERS, the rights held, and duties owed by each party to the others are substantially different. Your inquiry tacitly implicates the interplay of these various interests and obligations. It is therefore essential to initially parse out what duties are owed to whom within the context of the ERS.

a. Duties of the Trustees

The first, and most obvious relationship created by the ERS trust is that of the fiduciary relationship between the Board and ERS beneficiaries. As fiduciary, the Board is obligated to manage and administer the trust for the sole benefit of the ERS members and retirees. Under American law, fiduciary standards of conduct are expressed as a series of duties owed by a trustee to a beneficiary. Dukermier, at 547-553. While these fiduciary

¹ Chapter 36 refers to any member who has commenced a retirement allowance as a “beneficiary.” MCC § 36-02-5. In order to avoid confusing this term with the broader concept of trust beneficiaries generally, this opinion will refer to Chapter 36 “beneficiaries” as “retirees.” Moreover, Chapter 36 recognizes that individuals other than ERS members or retirees have vested interests in the plan, such as non-member spouses eligible to collect benefits upon the death of a member-spouse. However, because a nuanced understanding of these interests is not germane to your inquiry, this opinion will discuss only “members” and “retirees” for the sake of simplicity.

duties have historically been characterized in slightly different ways, the obligations most germane to this opinion can be summarized as follows:

- **Duty of Loyalty** - One of the two core fiduciary obligations, the Duty of Loyalty requires a trustee to act solely for the benefit of the beneficiaries in all matters related to the trust. This obligation both prohibits a trustee from engaging in self-dealing, and from placing the interests of any third party—including those of the settlor—above the interests of the trust’s beneficiaries. *Id.* at 548-53; 675-87. This duty is owed equally to *all* beneficiaries. As such, the Duty of Loyalty further prohibits a trustee from favoring one class of beneficiaries at the expense of another, even if the trustee was elected or appointed by a particular constituency. *See e.g. Withers v. Teachers' Ret. Sys. of City of New York*, 447 F. Supp. 1248 (S.D.N.Y. 1978), *aff'd sub nom. Withers v. Teacher's Ret. Sys. of City of New York*, 595 F.2d 1210 (2d Cir. 1979).
- **Duty of Prudence** - The second of the two core fiduciary obligations, the Duty of Prudence requires a trustee to act with the care, skill and diligence of a reasonably prudent person in all aspects of plan. Dukemier, at 547-553; 688-91. There are numerous facets of this duty, many of which are so significant that they are often referred to as independent obligations, including the **Duty to Diversify Investments**² and the **Duty to Minimize Costs**. *Id.* at 547-553; 693-720. Moreover, the Duty of Prudence requires a trustee to diligently collect all monies owed to the plan by contract or law, including contributions from the plan sponsor. *See e.g. Dadisman v. Moore*, 181 W. Va. 779, 789, 384 S.E.2d 816, 826 (1988).
- **Duty of Communication** - While “Duty of Communication” is not a phrase traditionally used in common law to describe one of the historically recognized fiduciary standards, it is a convenient shorthand for the various communication obligations held by a trustee. A trustee has both affirmative and negative duties of communication. Under the **Duty to Account**, a trustee is required to both keep records of, and inform plan beneficiaries about all transactions affecting the plan. Dukemier, at 547-553; 738-45. The **Duty of Disclosure** similarly requires a

² Wisconsin has formally codified much of the Duty of Prudence through the passage of the Prudent Investor Act (Ch. 811, Wis. Stats.), which encompasses many aspects of the Act’s common law predecessor.

trustee to keep beneficiaries fully informed as to all facts which are, or may be pertinent to the beneficiaries' interests. *Id.* As such, while the Duty to Account applies to transactions occurring in the past, the Duty of Disclosure applies to both past and future concerns. This duty also includes the obligation for a trustee to disclose when there is the potential for, or an actual conflict of interest in any aspect of the plan, or when a breach of a fiduciary obligation has, or is reasonably anticipated to occur. *Id.* Both the Duty to Account and the Duty of Disclosure prohibit a trustee from misleading beneficiaries regarding any aspect of the trust.

- **Duty to Follow Plan Document** - A trustee is required to adhere to any document or instrument governing the plan, unless prohibited by law. *See e.g. Wisconsin Professional Police Association, Inc. v. Lighbourn*. 2001 WI 59, 243 Wis.2d 512, 603, 627 N.W.2d 807. This necessarily requires a trustee to adhere to the trust's plan document and any applicable state or federal laws regulating the specific trust at issue. *Id.*

Although already indicated by the Duty of Loyalty, it is worth emphasizing that a trustee's fiduciary duties are owed *solely* to the trust's beneficiaries—here, ERS members and retirees. While a trustee *is* under an obligation to follow the trust's governing documents (which are generally established and controlled by the plan sponsor), this is not the same as the trustee owing an affirmative fiduciary duty to the plan sponsor. To the contrary, placing the interests of a plan sponsor above the interests of the trust's beneficiaries would, depending on the circumstances, likely be viewed as a breach of the Board's fiduciary obligations. *See e.g. Dadisman v. Moore*, 181 W. Va. 779, 384 S.E.2d 816 (1988). This is not to say that the interests of the beneficiaries and plan sponsor can never overlap. *See e.g. Withers*, 447 F. Supp. 1248. Rather, the Duty of Loyalty simply requires the trustee to act solely in the interests of the beneficiaries in the event those interests become divergent from those of the plan sponsor.

Similarly, although the Board owes no fiduciary obligations to the city, it nonetheless maintains a responsibility to "advise the Common Council as to the actuarial soundness of any suggested proposal, amendment, alteration or modifications to existing pension, annuity or retirement systems, and the necessary contributions required as the result of the suggested change." A&P Board Rule IV(B)(1). This requires the Board to "monitor and, where appropriate, participate in legislative matters which may impact the ERS for the purpose of safeguarding the stability of the [fund]..." *Id.* As will be discussed in more detail below, while the city retains the ultimate authority to amend "plan design," the

Board is under a fiduciary obligation to independently assess the legality of any proposed change.

b. Duties of the Plan Sponsor

While a trustee does not owe any fiduciary obligation to the plan sponsor, a similar fact is true of the plan sponsor itself. The city, as plan sponsor, generally does not owe any fiduciary duty to either the ERS or its beneficiaries. While the city is responsible for both plan design and funding, these “settlor functions” are usually insufficient to place the sponsor within a fiduciary capacity. See City Attorney Opinion (“CAO”), dtd. June 21, 2010, at 5 (discussed below); and *Lockheed Corp v. Spink*, 517 U.S. 882 (1996).

This does not mean that the city has *no* legal obligations in regards to its relationship with the ERS. As a governmental entity, the city is bound to follow the terms of its own ordinances. While the state has granted the city home rule authority over the ERS, the city’s ability to modify the ordinance is not plenary. See *Milwaukee Police Ass’n v. City of Milwaukee*, 2018 WI 86, ¶ 1, 383 Wis. 2d 247, 252, 914 N.W.2d 597, 599 (finding that the the city was prohibited from modifying the size, composition, and manner of election of Annuity and Pension Board members because this was an “other right” held by the ERS membership, and was therefore outside the city’s home rule authority).

Moreover, through Chapter 36, the city has granted vested property interests to ERS members and retirees by expressly declaring ERS benefits to be an obligation of contract. See e.g. MCC § 36-13-2-h (“Benefits accrued and rights earned by a member under this chapter ... shall be due as a contractual and vested right...”). The city, as creator and guarantor of those rights, is bound by both contractual obligation and constitutional law to abide by the promises it has made in Chapter 36. While these legal obligations are certainly lofty, they are different in nature from fiduciary duties. The city is free to guide its actions based on considerations *other* than the sole interest of ERS members and retirees—so long as the city does not violate any vested property interest it has already granted under Chapter 36. In this way, both the Board and city owe legal obligations to ERS beneficiaries. However, the Board’s decisional compass has only one direction: the interests of ERS members and retirees. The city’s compass, however, spins relatively freely; It may act based on *any* lawful consideration, so long as it does not afoul of its existing contractual commitments.

C. FIDUCIARY DUTIES WITHIN THE CONTEXT OF CONTRIBUTION POLICY MODIFICATIONS

Having established the roles and responsibilities of the parties to the ERS trust, we now direct our attention to the subject of employer pension contributions. While the city is currently seeking state legislation which would allow it to make pension contributions at a rate that is “*more or less* than the actuarial determined amount,” it is naturally the “*less*” possibility that is currently of primary concern. The discussion which follows therefore focuses solely on the potential for the city’s proposal to result in a reduction of its annual contribution to an amount *less* than that calculated by the actuary.³

This section will address in broader strokes the various legal considerations bearing on a trustee’s duties when faced with the potential for a pension funding shortfall. The purpose of this discussion is not to direct the Board to a particular result, but rather to allow the Board to better make informed decisions regarding its fiduciary obligations when confronting future developments. Since it is ultimately the courts that serve as the final arbiter of fiduciary questions, the following sections will each focus on several of the core considerations highlighted by courts when analyzing circumstances similar to those now facing the city.

1. AMENDMENTS TO FUNDING POLICIES MAY OR MAY NOT IMPLICATE FIDUCIARY OBLIGATIONS DEPENDING ON THE CIRCUMSTANCES

Modifications to funding policy are a subject matter that fall squarely within the scope of a trustee’s fiduciary obligations. In an August 19, 2009 opinion from outside counsel, Whyte Hirschboeck Dudek S.C., the Board was advised that the “establishment of funding policy [is] within the purview of a fiduciary’s responsibility.” Opinion Letter, dtd. August 19, 2009 at 5. The letter discussed a suggestion by the city for the Board to modify the ERS’s funding policy “in order to address the [then] current economic environment and contribution volatility.” *Id.* at 2. The goal of the proposal was to identify a funding policy which could ameliorate the volatility of the city’s pension contributions while continuing to fund the ERS in an actuarially responsible manner. *Id.* The plan called for changes to the asset corridor, smoothing period, and amortization method and period. *Id.* Although the system’s actuary found the proposal to be

³ We briefly observe that we can think of nothing—absent a truly bizarre set of circumstances—that would prohibit the Board from formally supporting a city effort to contribute *more* than the actuarially determined amount under section 36-08-6-h-1. In fact, Chapter 36 already contemplates precisely this result, allowing the city to make “voluntary employer contributions” to the Employers’ Reserve Fund.

acceptable under actuarial standards of practice, the Board nevertheless requested an opinion as to whether the Board could adopt the proposal consistent with its fiduciary obligations.

The opinion letter concluded that the Board was not only authorized, but required to adopt a funding policy. If the Board did not, the Board would be unable to meet its ministerial obligation to certify a contribution amount to the city, and would therefore be in clear violation of its fiduciary duties. *Id.* at 4. Moreover, citing both the Employee Income Retirement Security Act of 1974 (“ERISA”) and Wisconsin caselaw, the opinion stated that the establishment of funding policy has traditionally been recognized as a fiduciary function. The cited authorities made clear that the Board was authorized to “change actuarial rates in response to changed economic conditions upon recommendation of the actuary, or if necessary to maintain proper actuarial funding of the system.” *Id.* However, when considering any such changes, the Board was required to engage “in a process that demonstrates an appropriate level of due diligence,” and must consider “all relevant factors, including the current funding level of the plan, market conditions, and long range funding of the plan sufficient to accumulate assets for paying future benefits.” *Id.* at 5-6. The letter specifically opined that the “city’s ability to manage and budget for annual contributions” was a proper consideration to be weighed by the Board. *Id.*

The letter further highlighted that it was the Board, and not the city, that was responsible for “determining the contribution due from the city” under Chapter 36. *Id.* at 6. It left unanswered the question of whether the city could transfer such authority to itself through future amendments to the city charter. The opinion cautioned, however, that “significant policy reasons” militated against such an action.

Just a year later, the City Attorney issued a related opinion. CAO, dtd. June 21, 2010. Sometime after the 2009 opinion letter, the Board had approved the above-discussed changes to the city’s funding policy. In a new development, however, the Common Council had subsequently amended Chapter 36 to make future funding policy modifications more difficult. Specifically, the charter was amended so that future modifications to the funding policy could not be achieved unless approved by the actuary, adopted by a majority vote of the Board, and subsequently ratified by the Common Council through a charter amendment. *Id.* at 3. In short, the amendments made it such that future funding policy modifications could not be implemented by the Board alone,

but now required legislative approval of the Common Council, and a corresponding signature of the mayor.

The Board subsequently inquired as to whether the charter amendment infringed upon the fiduciary responsibilities of the Board, and whether the Board could be held liable if the policy somehow impaired the fund. In finding that the city's charter ordinance had not infringed the Board's fiduciary duties, the opinion explained that when the city modified the funding policy, it was performing a "settlor function"—that is, not acting as a fiduciary. *Id.* at 5 (citing *Lockheed Corp.*, 517 U.S. 882). In other words, although a corporate or governmental plan sponsor could conceivably wear "two hats" (serving as both settlor and trustee), the subject of "plan design" was one reserved for the settlor, and therefore did not implicate the fiduciary responsibilities that would otherwise accompany trustee-type actions. In that instance, because the Common Council's action was merely a modification of "plan design," the city would likely be viewed as having performed a settlor, and not trustee function. *Id.* at 5.

The opinion further explained that even if the Common Council *had* acted as a fiduciary, no liability would result. Because the actuary had confirmed the policy changes were well within the bounds of actuarial standards of practice, there could be no conceivable fiduciary breach. *Id.* at 5-7. Moreover, because the Chapter 36 amendments were a modification of "plan design"—a settlor function—the Board, as trustee, could not be held liable for its implementation. *Id.* To the contrary, the Board was obligated to comply with the plan document as amended. Since the amendments were not inherently unlawful, there was no possible liability that could attach to the Board through its compliance with the new provisions. *Id.*

2. THERE ARE NO STATUTORILY MANDATED FUNDING REQUIREMENTS IMPOSED ON GOVERNMENTAL PENSION PLANS

Under ERISA, private pension plans are required to continuously satisfy minimum funding standards in order to retain qualified status under the Internal Revenue Code ("IRC"). Governmental pension plans, however, are exempt from ERISA, and consequently have no minimum funding requirements. CAO, dtd. June 21, 2010 at 3; *See also* 26 U.S.C. § 412(h). Instead, governmental plans need only satisfy the requirements of IRC section 401(a)(7) as were in effect on September 1, 1974. *Id.* The 1974 version of section 401(a)(7) did not establish minimum funding standards. Instead, it mandated

only that plans must provide for accrued benefits to become non-forfeitable in the event of either plan termination or contribution discontinuance. *Id.*

In the same City Attorney opinion discussed above, we explained that governmental plans consequently have broad latitude in electing a funding policy. CAO, dtd. June 21, 2010. Specifically, governmental plans must maintain funding sufficient only to meet current and anticipated near-future benefit payments. *Id.* (citing *Gen. Counc. Mem.* 36813 (August 16, 1976)). We have confirmed the continued vitality of this assessment in recent consultation with ERS's retained tax counsel, Ice Miller LLP. So long as the ERS maintains funding sufficient to meet current and near-future benefit commitments, there is no risk presented to the tax-qualified status of the plan under the IRC.

3. GOVERNMENTAL PENSION PLANS ARE GENERALLY HELD TO NOT GUARANTEE A PARTICULAR METHOD OF FUNDING BENEFITS UNLESS A SPECIFIC POLICY THREATENS THE "INTEGRITY AND SECURITY" OF THE PLAN

Although there are no external statutory requirements for the ERS to maintain a certain funding policy (other than the minimal standards under the IRC), that does not mean there is no point at which an ERS funding policy would be considered legally insufficient. Lawsuits challenging pension contribution shortfalls generally allege two primary causes of action: (1) An unconstitutional taking; and (2) violation of a contractual right. *See e.g. Lighbourn*, 2001 WI 59. While each of these claims present different legal theories, they both rely on the same core element—a protectable property interest. Both constitutional takings claims and contractual rights claims require the plaintiff to identify some right or property interest which has been infringed. *Id.* at ¶¶ 132-60. In the most simple sense, if a plaintiff cannot establish entitlement to a thing as a matter of law, the plaintiff has no basis to complain that the thing was unlawfully taken or withheld.

In the pension context, the Wisconsin Supreme Court has made clear that Chapter 36 "unmistakably" grants ERS members "a 'vested and contractual right to the [pension] benefits in the amount and on the terms and conditions' provided for in that chapter. *Madison Tchrs., Inc. v. Walker*, 2014 WI 99, ¶ 145, 358 Wis. 2d 1, 91, 851 N.W.2d 337, 381. While this conclusion is relatively straightforward, the courts have often struggled to identify precisely what aspects of a pension plan should be viewed as contractually guaranteed, and which should not. As it relates to the subject of pension contributions, courts across the board have been reluctant—absent some express provision—to identify

a “right” to a particular funding scheme or contribution level. Instead, the trend among courts to have considered the issue is to distinguish between the “benefits” of the pension plan, and the “contributions” which fund the trust from which those benefits are paid. While this dichotomy seems relatively neat at first blush, these decisions almost universally leave the door open to the possibility that there *is* a point where a funding policy becomes so deficient, it would be viewed as violating the rights of members.

a. Wisconsin Professional Police Association, Inc. v. Lighbourn

To illustrate the above principles, we look first to the 2001 case of *Wisconsin Professional Police Association, Inc. v. Lighbourn*. 2001 WI 59. There, the Wisconsin Supreme Court considered challenges to legislation which enacted several structural amendments and benefit increases within the Wisconsin Retirement System (“WRS”). The legislation closed the WRS’s “transaction amortization account” (“TAA”), which had served as a smoothing mechanism for unrecognized gains and losses in the plan’s assets. In order to offset some of the increased employer contribution costs associated with the legislation’s new benefit enhancements, \$200 million was to be withdrawn from the TAA to serve as employer contribution credits. Consequently, WRS employers were permitted to suspend all cash contributions until their credits were exhausted. *Id.* at ¶ 48.

While all WRS members continued to receive the distributions to which they were entitled, the plaintiffs claimed that the \$200 million credit had the effect of depriving the WRS of employer contributions it would normally have received under the pre-existing plan structure. This, the plaintiffs argued, “threaten[ed] the actuarial soundness of the retirement fund (with no accompanying provision to provide adequate funding at an appropriate future date) and would likely result in nonpayment of or decrease in accrued benefits.” ¶ 121. In sum, the plaintiffs were attempting to enforce a purported interest in the relative financial security of the WRS.

In approaching the plaintiff’s claims, the *Lighbourn* Court began by recognizing that the WRS does grant enforceable property interests to WRS members. The Court identified several specific sources of these rights, two of which are germane here. First, the benefits of WRS members are guaranteed by contract. While this fact certainly conveys property interests to WRS members, the Court was careful to explain that these contractual guarantees were limited. *Id.* at ¶ 111. They do “not extend to every provision of [the plan] or every procedural or substantive aspect of the WRS.” Rather, the guarantee “extends only to rights exercised and benefits accrued which are due for service

rendered.” *Id.* (internal quotation marks omitted). Second, the Court acknowledged that WRS members also have an interest in the “integrity and security of the trust fund.” *Id.* at ¶ 121. Although the Court expressly recognized this interest, it initially declined to articulate any clear definition. It was not until later in its written decision that the contours of this newly recognized interest began to take shape.

In ultimately affirming the plan amendments, the Wisconsin Supreme Court distinguished between accrued “benefits” themselves, and the method of funding those benefits. The Court held that “benefits accrued...for services rendered” are the “essence” of property rights enjoyed by WRS members. ¶ 175. The statutes governing the WRS, however, offer no equivalent guarantee for “a particular regimen of employer funding.” *Id.* at ¶ 176. As such, WRS members have a right only to “have[] their benefit commitments fulfilled,” not a “right to determine exactly *how* employers fulfill [those] benefit commitments.” *Id.* (emphasis added). There can therefore be “no taking of property or impairment of contract when everyone concedes that accrued benefits must be paid.” *Id.*

As indicated above, however, although the *Lightbourn* Court rejected the plaintiffs’ claims, it left open the possibility that WRS members could enforce an interest in the “integrity and security” of the fund under the right circumstances. In numerous dicta, the Court suggested that it might have treated the plaintiffs’ claims differently if the challenged legislation had, in fact, sufficiently threatened the financial security of the fund. In one instance, the Court observed that the legislature may act to hold down employer costs only “so long as it is not attempting to abrogate benefit commitments or *compromise the security of the fund.*” *Id.* at ¶ 193 (emphasis added). In another instance, the Court suggested that non-annuitant members had the right to “protect the *integrity and security* of the employer reserve so that benefit commitments will be fulfilled.” *Id.* at ¶ 190 (emphasis added). Finally, in perhaps its most clear pronouncement on the matter, the Court declared that “[p]articipants do not have a legal right to veto legislative decisions about benefit funding without showing some *tangible injury.*” *Id.* at ¶ 179. The *Lightbourn* Court therefore appeared to suggest that while the plaintiffs there had identified only speculative threats to the WRS’s financial integrity, a future scenario involving a more concrete risk might warrant some relief.

b. Madison Teachers, Inc. v. Walker

In 2014, the Wisconsin Supreme Court’s decision in the case of *Madison Teachers, Inc. v. Walker* further reinforced many of the conclusions previously announced in *Lightbourn*.

2014 WI 99. In *Madison Teachers*, several governmental employee unions challenged the sweeping budget repair bill, 2011 Act 10. Amongst the many reforms implemented in the legislation was a prohibition on Wisconsin cities of the first class (which then and now includes only Milwaukee) from paying the employees' share of the annual pension contribution. The plaintiffs argued that because Chapter 36 had previously allowed the city to pick up employee contributions, Act 10's prohibition effectively impaired a contractual right of ERS members.

In ultimately affirming the constitutionality of Act 10, the Court familiarly distinguished between the "benefits" which Chapter 36 guarantees by contract, and the "funding provisions of Chapter 36, which are not considered a 'benefit' under the charter." *Id.* at ¶ 155. The Court concluded that nothing in Chapter 36 suggested that "the City of Milwaukee intended to classify contribution rates as a contractually protected 'benefit.'" *Id.* *Madison Teachers* thus further called into question the extent to which an ERS member could challenge the plan's funding policy.

c. Jones v. Kentucky Retirement Board

In addition to *Lightbourn* and *Madison Teachers*, several notable cases outside of Wisconsin have reached similar conclusions. In the 1995 case of *Jones v. Kentucky Retirement Board*, the Kentucky Supreme Court considered a challenge to legislation that temporarily affected the employer contribution to the state's pension fund ("KERS"). 910 S.W.2d 710 (Ky. 1995). Much like Chapter 36, the Kentucky statutes governing KERS required the state to make contributions each year. *Id.* at 712. The KERS board of trustees, in conjunction with its actuary, normally set the contribution rate each year utilizing book valuation of assets. *Id.* In 1991, the board determined that due to several factors, the state's contribution would increase from the prior year. The governor balked at the increased rates and instead submitted a budget proposal with a state contribution unchanged from the prior year. The budget proposal further recommended that the annual contributions should be calculated based on a modified market valuation of assets, rather than book value. The legislature ultimately adopted the governor's proposal. *Id.*

The KERS board subsequently filed a petition for declaration of rights, claiming that the budget bill usurped its authority to set an actuarially sound contribution rate, and that the state's failure to meet the board's contribution request violated the contractual rights of members. Although the trial court initially found in favor of KERS, the Kentucky Supreme Court eventually reversed. Identically to *Lightbourn*, the *Jones* Court began

with the observation that “[a]t the simplest level, [KERS members] have the right to the pension benefits they were promised as a result of their employment, at the level promised by the Commonwealth.” *Id.* at 715. Again, as in *Lightbourn*, however, the *Jones* Court explained that “[t]his right does not include oversight of every aspect of the process...” The Court expressly distinguished the circumstances presented there from ones involving “cuts in pension funding” that would “result[] in endangerment to current and future pension benefits.” *Id.* While the Court acknowledged that “[a]ny reduction or demonstrable threat to those promised benefits” would likely result in “a substantial impairment of the contractual pension rights of employees,” the Court nonetheless found the budget bill then at issue to be a “far cry” from such an extreme scenario. *Id.* The Court instead concluded that because “there was no showing that any benefit commitment made to KERS members was infringed, or threatened, the board had no power to mandate rates of contribution and require their adoption.” *Id.* at 713.

d. Dadisman v. Moore

While *Lightbourn*, *Madison Teachers*, and *Jones* collectively illustrate the limitations of the “integrity and security” interest, the case of *Dadisman v. Moore* contrarily presents a set of facts which appear to cross the “tangible injury” threshold first discussed in *Lightbourn*. In *Dadisman*, the Supreme Court of West Virginia considered the legal effects of a years-long underfunding of the state pension plan. 181 W. Va. 779, 384 S.E.2d 816 (1988). Much like the ERS, the statutes governing the West Virginia Public Employees Retirement System (“PERS”) mandated that the governor “shall” include the annual pension contribution amounts certified by the PERS board in the state’s annual appropriations bill. *Id.* at 786. Over a period of several years, however, the governor routinely refused to include the full certified amount in the budget bill. *Id.* In a similar failure, the state legislature routinely appropriated the requested amount, but subsequently “transferred and expired” the appropriation, thus freeing its use for non-pension purposes. *Id.* Although the PERS board was aware of both the governor’s and legislature’s failures, it took no action to pursue the outstanding contributions. *Id.* By the time the case came before the courts, it was estimated that PERS had been underfunded by approximately \$80 million. *Id.*

The West Virginia Supreme Court ultimately found both the governor and legislature in breach of their statutory obligations, and similarly found that the PERS board had breached its fiduciary duties. *Id.* The Court, however, did not just rely on the obvious statutory violations as the basis for its decision, but also spent considerable time

discussing what it found to be independent violations of trust and contract. In regards to the trust, the Court found the PERS board to be in egregious violation of its fiduciary duties. The Court bluntly described the trustees as having “at best...acted with gross negligence in failing to draw down earned and appropriated funds or protest lack of adequate appropriations as earned.” *Id.* at 789.

The Court next concluded that the “inadequate funding” of PERS additionally constituted a breach of contract. *Id.* In doing so, the Court explicitly rejected the defendants’ arguments that there could be no violation of contract since “pension benefits are currently being paid.” *Id.* Citing a California case, the *Dadisman* Court explained that even when a funding shortfall “does not result in out-of-pocket losses for plan participants, they still have a vested interest in the integrity and security of the funds available to pay future benefits.” *Id.* (citing *Valdes v. Corey*, 139 Cal. App. 3d 773, 189 Cal. Rptr 212 (1983)). In dicta, the Court seemed to suggest that its decision was buoyed by the state’s failure to articulate any legitimate pension purpose for withholding the contributions. For example, the state had not argued that the “underfunding serves to keep the pension system sound and flexible or is offset by comparable new advantages to the participants.” *Id.* at 791. The Court left for another day the question of whether, and to what extent the presence of these factors would have altered its analysis. In any event, the Court ordered the trustees to conduct an analysis of the fund to determine whether it was “actuarially unsound.” If it was, the trustees were consequently required to “develop an appropriation plan which will return the system to actuarial soundness.” *Id.* at 792

e. Scope of Members’ Interest in the “Integrity and Security” of a Pension Fund

Taking *Lightbourn*, *Madison Teachers*, *Jones*, and *Dadisman* together, the contours of the property interest in the “integrity and security” of a pension fund begin to take a somewhat identifiable shape. Beginning with the most obvious, a member’s rights to accrued benefits are guaranteed by contract. As such, any non-consensual impairment of an accrued benefit would constitute a breach of contract, and is per se unlawful. *Lightbourn*, 2001 WI 59, ¶ 170. Employer contributions, however, do not fall within the gamut of contractually protected “benefits.” *Madison Tchrs.*, 2014 WI 99, ¶ 155. To use the words of the Wisconsin Supreme Court, ERS members have a right only to “have[] their benefit commitments fulfilled,” not a “right to determine exactly *how* employers fulfill [those] benefit commitments.” *Lightbourn*, 2001 WI 59, ¶ 176 (emphasis added).

This does not mean, however, that a member's rights are impaired only when past- or currently-due benefits go unpaid. *Dadisman*, 181 W. Va. at 789. To the contrary, pension members retain an often difficult-to-define interest in the "integrity and security" of the pension fund. *Lightbourn*, 2001 WI 59, ¶ 121. While this interest is ever-present, it does not become enforceable until a member can show some "tangible injury." *Id.* at ¶ 179.

Precisely where this threshold lies is not entirely clear. The Wisconsin Supreme Court's decision in *Lightbourn* suggests that it requires a plaintiff to show that a policy "compromise[s] the security of the fund" to such an extent that the plan may not be able to meet its future benefit commitments. *Id.* at ¶¶ 190-193. The Kentucky Supreme Court similarly indicated that an enforceable right would likely be found if a member could establish a "demonstrable threat to...promised benefits." *Jones*, 910 S.W.2d at 715. In perhaps the most liberal interpretation of this elusive interest, the West Virginia Supreme Court endorsed the invocation of the right when the employer had failed to make actuarially required employer contributions.

Different still, was the approach of the U.S. District Court for the Northern District of Illinois. In a case not yet discussed here, the U.S. District Court held that a plan member had standing to assert a claim for breach of fiduciary duty against an ERISA plan's trustees for failure to collect required member contributions. *Bator v. Bd. of Trustees of Inter-Loc. Pension Fund of Graphic Commc'ns Conf. of Int'l Bhd. of Teamsters*, No. 18 CV 01770, 2019 WL 2616988 (N.D. Ill. June 26, 2019), *aff'd sub nom. Bator v. Dist. Council 4*, 972 F.3d 924 (7th Cir. 2020). There, the Court held that the plaintiff-member had sufficiently pled a cognizable claim since the complaint alleged that the trustees' failures had "materially increased the risk that [the members] might not receive their pensions." *Id.* The District Court found that this allegation, while non-specific, was a sufficient injury-in-fact to state a proper claim for relief. *Id.*

In summary, future legal developments are necessary to properly determine the scope of members' interests in the "integrity and security" of governmental pension plans. What is clear, however, is that the enforceability of this right turns on the extent to which a challenged action could conceivably threaten the plan's ability to pay future benefits. While an analysis of this kind will always be characterized by uncertainty, it nonetheless must be considered when assessing risk in relation to funding policy amendments.

4. TRUSTEES HAVE AN OBLIGATION TO INDEPENDENTLY ASSESS THE LEGALITY OF QUESTIONABLE PLAN AMENDMENTS

The preceding section provides a convenient segue into the next subject. The city's current lobbying efforts are designed to achieve changes in the ERS plan design, specifically in regards to the employer contribution requirements. While as noted above, the Board has a fiduciary duty to follow the plan document, the Board is also obligated to conduct an independent assessment of any plan amendments for legality.

This requirement was best articulated in one of the seminal Wisconsin cases concerning governmental pension benefits, *Wisconsin Retired Teachers Association, Inc. v. Employee Trust Funds Board*, 207 Wis. 2d 1 (1997). There, the Wisconsin legislature passed a law requiring the WRS to issue a "special performance dividend" to pre-1974 annuitants. Because the scheme was funded with investment earnings that would have otherwise also benefitted *post*-1974 annuitants, the legislation effectively used trust funds to benefit one class of annuitants (pre-1974 annuitants) at the expense of another (post-1974 annuitants). Prior to enacting the legislation, the WRS's governing body, the Employee Trust Fund Board ("ETF board"), sought an opinion from the Attorney General ("AG") as to the legality of the dividend. The AG subsequently issued a formal opinion confirming the legality of the dividend, and the ETF board, relying in good faith on the AG's advice, implemented the legislation.

Several WRS beneficiary classes subsequently filed suit claiming the dividend was an unconstitutional taking. The Circuit Court initially agreed, and ruled that the ETF board had violated its fiduciary obligations by implementing the legislation without first seeking a declaration of its legality by a court of law. The Court of Appeals, however, reversed that decision, finding that while the ETF board "had an obligation to administer the trust for the benefit of the trust beneficiaries...they also had an obligation to administer the trust according to the terms of the trust instrument...." *Wisconsin Retired Teachers Ass'n, Inc. v. Employee Tr. Funds Bd.*, 195 Wis. 2d 1001, 1042 (Ct. App. 1995). The court explained that when the ETF board identified a potential legal issue concerning the new dividend structure, it "appropriately requested an attorney general's opinion on the constitutionality of the legislation." *Id.* Further, because the ETF board implemented the new legislation only after the AG had issued a favorable opinion, the board could not be held liable for a breach of fiduciary obligation. The court declared that "it would be unfair to penalize public officials for relying on the advice of governmental counsel." *Id.* at 1043. The Wisconsin Supreme Court later agreed, and expressly adopted the Court of

Appeals' reasoning as its own. *Wisconsin Retired Tchrs. Ass'n, Inc. v. Employee Tr. Funds Bd.*, 207 Wis. 2d at 26. In doing so, the Wisconsin Supreme Court made clear that a trustee does not run afoul of their fiduciary duties by implementing a questionable plan amendment, so long as the trustee does so only in good faith reliance on the advice of their designated legal counsel. *Id.*

5. TRUSTEES MAY SUPPORT ARGUABLY IMPRUDENT POLICIES ONLY WHEN THE SOLVENCY OF THE PLAN IS THREATENED

The preceding sections have discussed how a trustee's obligation to preserve members' contractual and other property interests serves to alternatively prohibit or compel a trustee to act. We have, until this point, left unaddressed the question of when a trustee's duties might prohibit or compel an action that, while not inherently unlawful, is nonetheless prohibited by the independent standards of fiduciary conduct.

This question was directly addressed in the 1978 case of *Withers v. Teachers' Retirement System of the City of New York*, 447 F. Supp. 1248 (S.D.N.Y. 1978). In *Withers*, the U.S. District Court for the Southern District of New York considered a case involving the Teachers Retirement System ("TRS"), which was then in dire financial condition. As part of an effort to stave off New York City's insolvency, the TRS agreed to purchase \$2.53 billion in city bonds as part of a "three-year plan for the financial recovery of the city." *Id.* at 1255. The TRS's investment policy called for the purchase of only highly-quality, preferably A-rated securities, and also required a diversification of assets. *Id.* The city bonds, however, had an "extremely low rating," and were thus considered a highly speculative investment. *Id.* Moreover, the bond purchase would result in approximately 37% of the TRS's total assets being invested in city or city-related securities. *Id.*

Prior to the purchase of the bonds, the TRS board conducted an extensive analysis of the fund's options. *Id.* at 1251-52. After substantial due diligence, which involved consultation with advisors, the city comptroller, and the city attorney, the TRS board concluded with reasonable certainty that the city would become insolvent without the TRS's purchase of bonds. *Id.* The trustees assessed that the city's insolvency would all but eliminate cash contributions to the fund. *Id.* at 1252. In the absence of city contributions, the TRS calculated that continued payment of all accrued benefits under the plan would require an immediate invasion of capital, and the trust's reserves would be

fully depleted within eight to ten years. The trustees therefore determined that continued cash flow from city contributions was of paramount concern for the TRS. *Id.*

With this goal in mind, the trustees first assessed what effect bankruptcy would have on the TRS's cash flow. While recognizing that it was impossible to predict with any certainty how city funds would be allocated in bankruptcy, the board reasonably assumed that essential city services and bondholders would be prioritized over TRS contributions, and, as such, cash contributions would likely cease. *Id.* The TRS board next went to "great lengths" to identify any reasonable possibility that the city could obtain the needed money from some source other than the TRS. *Id.* It was only after the TRS board was convinced that it was the city's lender of last resort, that the board agreed to the bond purchase. Before doing so, however, the board was able negotiate several favorable concessions from the city and state designed to maximize protection of the TRS and its participants. *Id.* at 1253.

Several member constituencies subsequently sued the TRS board. The plaintiffs argued that the board's purchase of "unmarketable and highly speculative bonds"—although not unlawful per se—was a breach of its fiduciary duties because it was both an imprudent investment decision, and because it effectively prioritized the interests of the city over TRS participants. The District Court ultimately rejected both claims. The Court first recognized that the board had clear statutory authority to purchase the type of bonds offered by the city. The Court next found that while the bonds purchase was clearly favorable to the city, the trustees did not impermissibly put the interests of the city above TRS beneficiaries. To the contrary, the board considered the interests of the city "solely in its capacity as the major and indispensable contributor of monies to the pension system." *Id.* at 1256. "[T]he importance of the solvency of the city to the TRS lay not only in its role as the major contributor of funds but also as the ultimate guarantor of the payment of pension benefits to participants in the TRS." *Id.* at 1256. In other words, the "extension of aid to the City was simply a means, the only means in their assessment, to the legitimate end of preventing the exhaustion of the assets of the TRS in the interest of all of the beneficiaries." *Id.* at 1256.

Finally, the Court roundly rejected the notion that the Board had acted imprudently. It highlighted that the purchase of city bonds was "not made in isolation" but as part of "a cooperative three-year plan providing an apparently solid basis for the city's financial recovery." *Id.* at 1259. Moreover, the Board's "process of decision...was a rational one of weighing the negative against the positive." *Id.* The Court concluded that "since the

trustees had firm grounds for believing, after careful deliberation, that the alternative to purchasing the ‘highly speculative’ city bonds would be the bankruptcy of their own retirement fund, their decision to accept the terms of the [purchase] on behalf of the TRS, was a prudent one.” Although *Withers* ultimately ratified the TRS board’s decision, it nonetheless highlights the proposition that a trustee, as fiduciary, must guide its decisions based on more than the inherent lawfulness of a proposed action. It further emphasizes the importance of a trustee’s deliberative process, due diligence, and weighing of options when approaching any particular decision.

CONCLUSIONS

Having conducted an extensive survey of the various considerations bearing on the Board’s fiduciary obligations in relation to the city’s current legislative proposal, we offer the following summaries of guidance relative to your inquiry.

1. Regardless of the city’s legislative proposal, the Board is required to continue to collect all payments due under the current funding policy established by Chapter 36. While this policy may be amended in the future, as long as the current provisions remain in effect, the Board is compelled by its fiduciary obligations to continue pursuing all amounts due under the charter until such time as a new policy is implemented.
2. As the plan sponsor, the City retains the authority to amend “plan design,” which includes the plan’s funding policy. Because the Board is required by fiduciary duty to follow the plan documents, the Board does not breach its obligations by implementing a lawful policy modification it disagrees with. **Moreover, consistent with the Board’s duties and its own rules, the Board should continue to “advise the Common Council as to the actuarial soundness of any suggested proposal, amendment, alteration or modifications to existing pension, annuity or retirement systems, and the necessary contributions required as the result of the suggested change.” A&P Board Rule IV(B)(1). In pursuit of this end, the Board should monitor, and may “where appropriate, participate in legislative matters which may impact the ERS for the purpose of safeguarding the stability of the [fund]...” *Id.***
3. Although the city, as plan sponsor, retains ultimate authority to modify “plan design,” the Board is bound by fiduciary obligation to independently assess the

legality of any plan amendment. The Board must ensure a proposal does not violate any contractual right guaranteed to ERS members by Chapter 36. The Board must additionally consider whether the proposal so negatively affects the “integrity and security” of the fund, that it would constitute a “tangible injury” to the property interests of ERS members. In conducting such an assessment, the Board should consult with subject matter experts, including the actuary, and its designated legal counsel, the City Attorney, or other outside counsel as appropriate. The Board cannot be held liable for implementing a plan amendment that is ultimately held to be unlawful, so long as it did so only in good faith reliance on the advice of its designated counsel.

4. The Board is expressly authorized—but not necessarily required—to take a position on proposed legislation affecting the plan, and to participate in the legislative process if necessary. While both the level of involvement and particular position taken by the Board (if any) is ultimately a matter of discretion, the Board must view its decision-making process solely through the lens of its fiduciary responsibilities. This requires the Board to focus exclusively on the interests of the ERS members and retirees.


The Board, however, must also be cognizant of the fact that numerous considerations dynamically factor into what course of action will likely produce the most favorable result for ERS members. This reality requires the Board to engage “in a process that demonstrates an appropriate level of due diligence,” and must consider “all relevant factors, including the current funding level of the plan, market conditions, and long range funding of the plan sufficient to accumulate assets for paying future benefits.” *Whyte Hirschboeck Dudek S.C. Opinion Ltr.*, at 5-6. The city’s ability to manage and budget for annual contributions is a proper consideration. *Id.* However, the Board may consider this factor only within the context of maximizing a favorable outcome for ERS beneficiaries—that is, only for the “purpose of safeguarding the stability of the [fund]...” A&P Board Rule IV(B)(1). In sum, the Board may permissibly take an affirmative position or no position at all, so long as the Board engages in a reasoned and deliberative process that maintains as its sole guiding principle the best interests of ERS members and retirees.

5. Finally, while both the extent to which the Board chooses to be involved in the current legislative process, and its particular stance, if any, are ultimately matters

of discretion, we wish to convey an explicit caveat. The Board should exercise extreme caution when considering *support* for any proposal which would reduce pension contributions below actuarially-approved levels. In a recent consultation, Ice Miller LLP advised that the Board's proactive support for an actuarially unsound contribution policy, absent extreme circumstances, would likely be viewed as a violation of its fiduciary duties. We agree. While as noted above, the ultimate legality of such a proposal is uncertain, the Board's fiduciary obligations serve as an independent prohibition on support for a proposal of this kind absent catastrophically dire circumstances. While the cases cited above suggest that there *may* be a scenario under which a trustee could properly advocate for an actuarially unsound funding policy, the set of circumstances necessary to achieve that result would likely be nothing short of the plan sponsor's imminent, and unavoidable insolvency. In short, a trustee will likely be viewed as having breached their fiduciary obligations by supporting an actuarially unsound funding policy, unless it could be shown that adoption of the policy was a last resort to stave off the insolvency of the plan..

We hope this opinion has adequately addressed the concerns raised in your letter. We anticipate that future developments will necessitate additional guidance on this subject, and we are happy to provide further assistance at your request. To that end, should you have additional questions or concerns, or wish to discuss this matter further, please do not hesitate to contact the undersigned.

Very truly yours,



TEARMAN SPENCER

City Attorney



PATRICK MCCLAIN

Assistant City Attorney

1054-2021-83:273751



City of Milwaukee
Employees' Retirement System

Bernard J. Allen
Executive Director

David M. Silber, CFA, CAIA
Chief Investment Officer

Melody Johnson
Deputy Director

January 22, 2021

Tearman Spencer, City Attorney
200 E. Wells St., Rm 800
Milwaukee WI 53202

Attn: Kimberly Walker, Special Deputy City Attorney, Scott Brown, Deputy City Attorney,
Patrick McClain, ACA

**RE: Annuity & Pension Board Discretion Relating to Plan Sponsor Efforts to Seek State
Legislation Relating to Employer Contributions**

The Common Council adopted a resolution authorizing the City's 2021 legislative package which in part requests the ability for the City to contribute either more or less than the actuarially required annual contribution to the ERS. One of the Annuity & Pension Board Trustees has requested guidance regarding the Board's fiduciary duty in connection with the Board taking a position on the City's requested contribution flexibility.

Specifically, is it permissible for the Board to support the City's resolution requesting flexibility in making actuarially required pension contributions, if the Board determines that it is in the best interests of ERS members and beneficiaries to support the City's request for contribution flexibility in order to avoid insolvency of the plan sponsor or destabilizing the delivery of essential City services to the degree that would threaten the economic viability of the plan sponsor and its ability to continue funding the plan?

Sincerely,

Bernard J. Allen
Executive Director

BJA:jmw

Discussions between GOP state Sen. Dale Kooyenga, Milwaukee leaders could offer way forward with pension crisis looming

[Alison Dirr](#) | Milwaukee Journal Sentinel
18 hours ago



State Sen. Dale Kooyenga along with Milwaukee County Executive David Crowley, Milwaukee Common Council President Cavalier Johnson speak at a panel emceed by Tim Sheehy, president of the Metropolitan Milwaukee Association of Commerce, at the Bradley Symphony Center in Milwaukee Tuesday. *Alison Dirr/Milwaukee Journal Sentinel*

The state relief that cash-strapped Milwaukee and Milwaukee County have been calling for could come to fruition after all — but there's a long road ahead and many details yet to work out.

Chief among them is whether the city can commit long-term to maintaining its police force, which has declined in recent years as budget pressures have grown.

State Sen. Dale Kooyenga, R-Brookfield, at a panel discussion Tuesday raised the possibility that the state could permit the sales tax increase [local leaders have been seeking](#), allowing the city and county to address pressing pension obligations while lowering property taxes.

But Kooyenga said he needed a commitment that the city wouldn't cut police positions given [concerns about crime](#).

That's a promise Mayor Tom Barrett said he's unable to make for the long term due to the city's fiscal challenges, though he floated the idea of implementing a different structure in which the state would help support public safety services in the city.

Between Milwaukee and Milwaukee County, it is the city that is facing the more immediate financial challenge. A [significant increase in its annual pension contribution starting in 2023](#) could require a quarter of the city's workforce to be let go between 2023 and 2025, a report from the city's Pension Task Force [found](#).

That leaves city leaders less than a year before they're making final decisions on the 2023 budget, though federal pandemic relief could lessen the blow for a few years.

Already the city's fiscal pressures have led to cuts in police positions through attrition, including [60 in 2020](#) and [120 in the 2021 budget](#). In 2022, the department's sworn strength is [expected to drop by about two dozen](#) to 1,657 on average over the course of the year.

The city's cuts to the police and fire departments are not philosophical but rather fiscal, Common Council President Cavalier Johnson said during the panel discussion that also included County Executive David Crowley.

"We've seen this problem progress and get incrementally worse as we get closer to that 2023 date," he said. "This is having a tremendous impact on our ability to deliver public services, especially as it relates to public safety."

The police and fire departments are two of the city's largest departments and the city's fire and police sworn personnel make up about 80% of the total pension costs.

Crowley said Tuesday that about one-third of the approximately \$300 million the county collects in property taxes each year goes toward its pension. It's an element of the financial pressure making it difficult for the county to fund services that are not mandated by the state, including the [parks](#).

Local leaders, including in the business community, have also argued that state limits on revenue generation through measures such as a local sales tax coupled with stagnant shared revenue coming back to the city and county from the state has led to fiscal challenges as costs continue to rise.

"State fiscal constraints have posed a clear and present danger to the quality of life services in Milwaukee," said Tim Sheehy, president of the Metropolitan Milwaukee Association of Commerce and emcee of the panel discussion at the association's all-member meeting Tuesday night.

"The past decade, the state has broken its commitment to share revenue it collects from growth of sales and income taxes generated here," Sheehy said.



At Tuesday's panel discussion, Kooyenga said while shared revenue has to increase, pensions are the primary problem.

'Soft freeze' floated for city, county pension systems

The city and county each has its own pension system [while the widely heralded state retirement system includes](#) not only state employees but also those of most local governments in Wisconsin.

Kooyenga, a certified public accountant, advocated for putting a "soft freeze" on the city and county pension systems. That would mean employees who are already part of the local systems would remain in those systems while new employees would enter the state system.

The purpose of the sales tax would be to address the pension problems and the cuts to public safety services, he said, not to serve as a funding option for other priorities such as cultural assets.

He said including elements such as a commitment to maintaining police sworn strength could help open the door to consideration in the Republican-controlled state Legislature.

Still, Kooyenga told the Journal Sentinel that he didn't think it was likely that a bill would come together soon.

A primary hurdle, he said, is Barrett's inability to commit to ending the decreases to public safety.

"The county's been great to work with and the staff at the city has been good to work with, but I think Mayor Barrett can't make the numbers work for him as far as what we would like to see and what his concerns are," he told the Journal Sentinel.

Kooyenga also noted the nearly \$400 million in federal American Rescue Plan Act funds the city is set to receive between this year and next, which could help stave off major service cuts in the next few years depending on how it is used.

Barrett said Wednesday that while he, too, would like to maintain the number of police officers, he did not want to make a commitment that would make it more difficult for the city to maintain all services.

He said he was comfortable with the idea of not making further police cuts for three years, based on the possibility of using ARPA funds and the approximately \$82 million the city has saved to ease the spike in the city's pension contribution.

"I'm not comfortable saying we can do it beyond three years without either dramatic cuts in other areas, unless there is a reset button hit with the state," Barrett said.

That reset could take the form of a "public safety maintenance of effort" program in which the state would help the city maintain its police strength, he said. It would be a recognition, Barrett said, that the city does not have the resources to maintain the department at the level the state would like to see.

A sales tax will help the city, but it is not anticipated to address all of the fiscal challenges that are putting pressure on public safety services, he said.

Barrett also acknowledged that he's part of the negotiations even as the city prepares for the likelihood that a new mayor will be taking the helm in the near future. His nomination to become ambassador to Luxembourg is [pending in the U.S. Senate](#).

Once Barrett leaves, Johnson will become acting mayor until an election is held to finish out Barrett's term that ends in 2024. Johnson is one of seven candidates at this point who plan to run for the permanent position.

Other key details of any potential legislation also have yet to be worked out, Kooyenga said. They include provisions such as the amount of the sales tax, when it would sunset, and whether local support would come through a referendum or the votes of local elected officials.

Contact Alison Dirr at 414-224-2383 or adirr@jrn.com. Follow her on Twitter [@AlisonDirr](#).

Basic Website Metrics

	2020		2021										
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.
Visits	4,692	5,041	5,153	4,673	5,542	5,405	4,842	4,479	4,188	4,592	4,678	5,442	5,180
Users	3,604	3,794	3,872	3,563	4,050	4,029	3,816	3,440	3,203	3,566	3,533	4,015	3,813
Page Views	14,468	15,407	16,062	13,815	17,353	15,863	13,287	11,539	11,411	11,868	12,240	16,046	13,712
Pages/ Visit	3.08	3.06	3.12	2.96	3.13	2.93	2.74	2.58	2.72	2.58	2.62	2.95	2.65
Ave. Visit	2:35	2:15	2:38	2:21	2:40	2:19	2:07	2:07	2:10	2:10	2:23	2:35	2:10

VIII.

INFORMATIONAL

Please be advised that the Annuity and Pension Board may vote to convene in closed session on the following item (A.), 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.

- A. Pending Litigation Report.
- B. Conferences.
- C. Class Action Income 2021 YTD.
- D. Minutes of the Investment Committee Meeting Held November 11, 2021.
- E. Report on Bills.
- F. Deployment of Assets.
- G. Securities Lending Revenue and Budget Report.
- H. Preliminary Performance Report/Asset and Manager Allocation Pie Charts.



December 21, 2021 Board Meeting

PENDING LITIGATION REPORT

Part 1. ERS Litigation through the City Attorney

MPSO, Local 215, et al. v City of Milwaukee, et al; Case Nos. 2019AP001319; 2018CV001274

MPSO and Local 215 have filed suit on behalf of certain duty disability retirees against the City of Milwaukee and the Employees' Retirement System alleging the defendants violated the collective bargaining agreements as it relates to the payment of the 5.8% pension offset.

****See prior Reports for case history****

➤ **11/17/21** Defendants-Appellants' Response in Opposition to Petition for Review filed with court.

James Miller and Marion Holley v. City of Milwaukee, et al; Case Nos. 2020AP001346; 2019CV008924

Claimants allege the City of Milwaukee failed to advise two former police employees in deferred status that upon return to active employment as general city employees, their retirement eligibility would be reclassified under the terms set forth in Chapter 36 for General City members.

****See prior Reports for case history****

➤ **06/09/21** Awaiting Court of Appeals decision.

Part 2. ERS Administrative Appeal Hearings through the City Attorney

Jason Rodriguez; Administrative Case No. 1443

Status: Hearing scheduled for January 12, 2022.

Sandrah Crawford; Administrative Case No. 1457

Status: Hearing stayed by request of Appellant for the purpose of locating and retaining counsel. Status hearing scheduled for January 27, 2022.

Kenyatte Wooden; Administrative Case No. 1484

Status: Hearing Examiner Findings received on November 17, 2021 recommending denial of application. Position briefs to Board (if any) due December 8, 2022.

Part 3. Notice of Claim filed with ERS

Kurt Lacina, et al v. City of Milwaukee and Employees' Retirement System and Annuity and Pension Board

Mr. Lacina was granted a worker's compensation permanent partial disability award for a physical injury occurring in January 2008. However, claimant was approved for a duty disability benefit based on a mental injury that resulted from the same date of injury in January 2008. Mr. Lacina alleges the City of Milwaukee and the Employees' Retirement System improperly applied an offset against his duty disability benefit based on a legal opinion issued by the City Attorney's Office in April 2020.

➤ 09/09/21 Notice of Claim served upon ERS.

➤ 09/21/21 Letter and Notice of Claim to City Attorney's Office.

Part 4. ERS Litigation through Outside Legal Counsel

ERS v Allianz Global Investors U.S. LLC, et al; Case No. 20-CV-08642

Lawsuit against defendants alleging negligence and breach of contractual and fiduciary duties arising from misconduct and gross mismanagement of two investment funds (i.e., AllianzGI Structured Alpha 1000 Plus LLC and Allianz GI Structured Alpha U.S. Fixed Income 250 LLC).

See prior Reports for case history

➤ 08/24/21 Litigation is on-going.

DATE(S)	CONFERENCE(S) / LOCATION(S)	SPONSOR(S)
January 19, 2022 11:30 am – 12:30 pm	Callan's 10-year Capital Market Assumptions Virtual	Callan Associates
April 25 – 27, 2022	Callan Institute's 2022 National Conference San Francisco, CA	Callan Associates

Trustee Conferences 2022

Board Meeting: December 21, 2021

DATE(S)	CONFERENCE(S) / LOCATION(S)	SPONSOR(S)
January 13, 2022 5:00 pm – 8:00 pm	3 rd Annual Outlook Dinner with Jim Bianco Milwaukee, WI	CFA Society of Milwaukee
January 24 – 26, 2022	2022 Visions, Insights & Perspectives (VIP) Americas Carlsbad, CA	Institutional Real Estate, Inc.
February 1 – 2, 2022	Global Real Assets Forum 2022 Austin, TX	Institutional Investor
March 1, 2022 5:00 pm – 8:00pm	Global Macroeconomic and Investment Outlook – Tony Crescenzi Milwaukee, WI	CFA Society of Milwaukee
March 2 – 3, 2022	Certificate Series – Investment Basics San Diego, CA	International Foundation of Employee Benefit Plans
March 7 – 9, 2022	CII Spring 2022 Conference Washington, DC	Council of Institutional Investors
April 18-20, 2022	Pension Bridge Annual San Francisco, CA	Pension Bridge
May 1 – 4, 2022	25 th Global Conference Los Angeles, CA	Milken Institute
May 10 – 11, 2022	8 th Annual Redefining Fixed Income Forum Chicago, IL	Institutional Investor
May 21 – 22, 2022	Trustee Educational Seminar (TEDS); NCPERS Accredited Fiduciary (NAF) Program Washington, DC	NCPERS
May 22 – 25, 2022	Annual Conference & Exhibition (ACE) Washington, DC	NCPERS
June 6 – 7, 2022	Certificate of Achievement in Public Plan Policy (CAPPP®): Pensions Part I Santa Monica, CA	International Foundation of Employee Benefit Plans

Trustee Conferences 2022

Board Meeting: December 21, 2021

DATE(S)	CONFERENCE(S) / LOCATION(S)	SPONSOR(S)
June 8 – 9, 2022	Certificate of Achievement in Public Plan Policy (CAPPP®): Pensions Part II Santa Monica, CA	International Foundation of Employee Benefit Plans
July 21, 2022	ALTSCHI Chicago, IL	Markets Group
August 21-23, 2022	Public Pension Funding Forum Los Angeles, CA	NCPERS
September 14, 2022	6 th Annual Midwest Institutional Real Estate Investor Forum Chicago, IL	Markets Group
September 20 – 22, 2022	CII Fall 2022 Conference Boston, MA	Council of Institutional Investors
September 23, 2022	Certificate Series – Investment Basics Washington DC	International Foundation of Employee Benefit Plans
October 22 – 23, 2022	Certificate of Achievement in Public Plan Policy (CAPPP®): Pension Part II Las Vegas, NV	International Foundation of Employee Benefit Plans
October 22 – 23, 2022	NCPERS Accredited Fiduciary (NAF) Program Nashville, TN	NCPERS
October 23 – 26, 2022	Public Safety Conference Nashville, TN	NCPERS

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

Minutes of the Investment Committee Meeting
held November 11, 2021 via teleconference during COVID-19

The meeting was called to order at 9:02 a.m.

Committee Members Present: Matthew Bell, Chair
James Campbell
Deborah Ford
Molly King
Thomas Klusman
Nik Kovac
Aycha Sawa

Board Members Not Present: Rudy Konrad (Excused)

ERS Staff Present: Jerry Allen, Executive Director
David Silber, Chief Investment Officer
Erich Sauer, Deputy Chief Investment Officer
Anthony Lubarsky, Pension Investment Analyst
Dan Gopalan, Chief Financial Officer
Gust Petropoulos, Deputy Director Disability
Robin Earleywine, Pension Accounting Manager

Others Present: Munir Iman, John Jackson, Mike Joecken, Sean Lee, Joe McGuane, John Pirone, Callan; Terry Siddiqui, DS Consulting, Inc.; seven members of the public called in.

Callan Real Estate Presentation. As a matter of information, Committee members received the “Real Estate Performance Review” booklet. In open session, Mr. Iman discussed the topics of Market Overview, Portfolio Objectives, Portfolio Summary, Conclusions and Recommendations.

Mr. Bell advised that the Annuity and Pension Board may vote to convene in closed session on the following items (I. II., and III.), 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 Board may then vote to reconvene in open session following the closed session.

Callan Real Estate Presentation.

Callan Hedge Fund of Funds Manager Search Update.

Approval of Hedge Fund of Funds Manager Search Finalists.

It was moved by Mr. Campbell and seconded by Ms. King to convene in closed session. The motion prevailed by the following roll call vote: AYES: Mses. Ford, and King; Messrs. Bell, Benson, Campbell, Klusman, and Kovac. NOES: None.

The Committee convened in closed session at 9:27 a.m.

The Committee re-convened in open session at 9:57 a.m.

Mr. Bell noted the “Approval of Hedge Fund of Funds Manager Search Finalists” item would be held over until an upcoming meeting.

Callan Fixed Income Portfolio Structure Study Presentation. As a matter of information, Committee members received the “Fixed Income Portfolio Structure Study” booklet. Mr. Jackson commented that structure reviews are done periodically and the Real Assets Structure and Absolute Return Allocation reviews were done earlier this year. He noted fixed income excluding cash represents 22% of the portfolio on a target basis and the study concentrates on how to allocate the assets within the Fixed Income asset class. He said it is benchmarked to the Bloomberg Aggregate Index. Mr. Pirone noted that the Fixed Income comprises \$1.4 billion of the \$6 billion fund. Mr. Pirone discussed the 2021-2030 Capital Market Assumptions, Current Fixed Income Structure and Considerations, Role of Fixed Income, Fixed Income Diversification with Equity, Strategies, Structure Analysis, Mix Diversification with Equity, Tracking Error of the Mixes, Mix Historical Performance, Summary of Mix Characteristics, and the Case for Each Mix.

Approval of Fixed Income Structure. It was moved by Ms. King, and seconded by Mr. Benson, to approve Mix 3 for the Fixed Income Structure which allocates 45% to Reams, 30% to Loomis, and 25% to the Government Index. The Approval of Fixed Income Structure for Mix 3 was approved by Committee members, with the exception of Mr. Klusman who requested to be recorded as a “No” regarding the approval.

Abbott Capital Due Diligence Report. As a matter of information, Committee members received a memorandum regarding the Abbott Capital Due Diligence Report. Mr. Sauer presented the results of the due diligence virtual meeting he and Mr. Lubarsky had on October 13, 2021. He said Abbott is one of two Fund of Fund managers to provide the core of CMERS’ exposure to Private Equity. Mr. Sauer noted everything is going well with Abbott. He said Abbott’s president will retire with a reduced role in 2023. Mr. Sauer said opportunistic investments will increase to 25% from 20%. He noted that Abbott is growing assets at a measured pace from \$800 million to \$1 billion. Mr. Sauer concluded the Staff is comfortable with the Private Equity allocation to Abbott.

3rd Quarter 2021 Performance Report. Mr. Silber provided a Fund overview and noted three takeaways from the 3rd Quarter Performance Report. He said CMERS had strong outperformance versus the benchmark, strong total net-of-fee performance for longer time periods, and all parts of the Fund are contributing to returns year-to-date. Mr. Silber noted year-to-date through September, the Fund had a return of 13.4%, net of fees. He said very few public funds have attained higher returns than the CMERS Fund during the past year. He added that the Capital Market gain was over \$738 million dollars for the first nine months of the year.

Mr. Campbell left the meeting at 10:29 a.m.

Mr. Sauer discussed Public Equity, Fixed Income, Absolute Return, Private Equity, and provided a recent performance update. Mr. Sauer noted a recent manager event where the Staff worked with the City Attorney's office and Reinhart to complete a Most Favored Nation election related to CMERS' investment in the LaSalle Property Fund. Mr. Sauer stated that the ERS Total Fund Market Value is \$6.17 billion as of November 10, 2021. He concluded that year-to-date through September 2021, the Fund had a 13.4% return versus the benchmark of 8.9%.

Mr. Klusman left the meeting at 11:00 a.m.

Mr. Bell, in honor of Veterans' Day, thanked and appreciated any Staff, Board members, or persons on the phone line for serving in the Armed Forces.

It was moved by Ms. King, seconded by Mr. Kovac, and unanimously carried, to adjourn the meeting.

There being no further business, Mr. Bell adjourned the meeting at 11:19 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.)

Class Action Income 2021 YTD

Asset Description	Date(s)	Amount
American Realty Cap Properties, Inc.	1/19/2021 \$	4,562
Affiliated Computer Services, Inc.	2/11/2021 \$	46
Zimmer Biomet	3/1/2021 \$	262
PPG Industries, Inc.	4/21/2021 \$	123
HP Company	6/8/2021 \$	1,430
Alibaba Group Holding, Ltd.	6/21/2021 \$	3,314
Equifax, Inc.	7/8/2021 \$	5,154
Constant Contact, Inc.	8/5/2021 \$	2,622
Lehman Bros.	8/9/2021 \$	131
Lehman Bros.	8/10/2021 \$	211
Intuitive Surgical, Inc.	8/12/2021 \$	29,740
Northern Trust	8/16/2021 \$	2,778
Extreme Networks, Inc.	9/8/2021 \$	979
Keurig Green Mountain	9/24/2021 \$	164
American Realty Cap Properties, Inc.	9/27/2021 \$	5,995
Bank of New York Mellon	9/28/2021 \$	1,347
Bank of America	10/6/2021 \$	56
Flowers Foods, Inc.	10/14/2021 \$	1,903
Bank of New York Mellon	10/25/2021 \$	357
Bank of New York Mellon	11/4/2021 \$	6,526
General Motors Co.	11/9/2021 \$	8,966
Curo Group Holdings Corp.	11/22/2021 \$	17,601
Trinity Industries	12/1/2021 \$	34
Total Class Action Income Received in 2021 YTD	\$	94,301

Fiscal Year 2021 Department Employees' Retirement System		City of Milwaukee Departmental Appropriation Budget Balances				As of: 2021-11-30		
Class/ Account		Budget	2021-9	2021-10	2021-11	Year to Date Expended	Life to Date Commitments	Remaining Budget
<i>Regular Departmental Appropriations:</i>								
Employee Salaries & Wages	006000	3,570,428.00	-	-	-	-	-	3,570,428.00
Base Pay-Salary & Wage	600101	-	226,684.95	357,136.72	203,854.97	2,728,513.58	-	(2,728,513.58)
Overtime Premium	602101	-	348.08	450.28	161.46	1,931.01	-	(1,931.01)
Other Worked Compensation	602301	-	-	235.81	-	1,733.51	-	(1,733.51)
Non-Worked Compensation	602401	-	-	-	-	12,798.39	-	(12,798.39)
Time Paid Not Worked	602501	-	33,868.65	41,758.40	56,214.45	399,253.66	-	(399,253.66)
Employee Sa R999		\$ 3,570,428.00	260,901.68	399,581.21	260,230.88	\$ 3,144,230.15	\$ -	\$ 426,197.85
Fringe Benefits Applied	006180	1,642,397.00	-	-	-	-	-	1,642,397.00
Fringe Benefits Applied	618001	-	106,348.75	169,139.96	53,409.60	1,248,078.79	-	(1,248,078.79)
Applied Empl R999		\$ 1,642,397.00	106,348.75	169,139.96	53,409.60	\$ 1,248,078.79	\$ -	\$ 394,318.21
Operating Expenditures	006300	14,577,000.00	-	-	-	-	-	14,577,000.00
Office Supplies	630101	-	300.23	1,302.01	1,552.76	7,276.34	-	(7,276.34)
Printed Forms	630104	-	-	-	14,136.93	14,136.93	-	(14,136.93)
Magazines, Subscription	630107	-	149.97	3,668.26	338.65	14,367.63	-	(14,367.63)
Postal and Mailing Services	630108	-	9,248.39	9,527.84	18,595.55	124,513.10	-	(124,513.10)
Electricity	631502	-	-	9,849.03	13,660.90	35,946.45	-	(35,946.45)
Other Operating Supply	632013	-	-	-	-	39,374.48	-	(39,374.48)
Building Rental	632502	-	30,778.12	34,076.76	32,576.76	390,600.05	-	(390,600.05)
Passenger Vehicle Rental	633007	-	-	-	-	69.01	-	(69.01)
Printing & Dupl Machine Rental	633501	-	937.18	1,148.40	3,105.24	17,280.73	-	(17,280.73)
Consulting	634001	-	50,452.33	42,833.33	54,780.25	471,890.32	-	(471,890.32)
Medical, Surgical & Lab	634003	-	12,542.96	9,839.94	16,101.01	140,855.64	-	(140,855.64)
Administrative Charges	634004	-	42,943.58	18,678.40	117,044.27	603,251.16	-	(603,251.16)
Other Professional Services	634005	-	312,399.13	1,528,769.66	1,298,555.58	5,696,279.53	-	(5,696,279.53)
Systems Support	634502	-	47,974.00	72,075.95	23,325.00	488,719.45	-	(488,719.45)
IT Infrastructure	634504	-	34,189.72	4,201.50	55,097.50	106,565.86	-	(106,565.86)
Infrastructure	634505	-	-	577.45	535.01	7,468.73	-	(7,468.73)
Telephone, Communications	635002	-	138.98	1,721.17	10,953.58	58,136.92	-	(58,136.92)
Bldgs-Machinery & Equip Repair	635006	-	1,186.34	-	-	5,431.34	-	(5,431.34)
Travel & Subsistence	636501	-	141.84	2,825.88	1,823.82	4,866.27	-	(4,866.27)
Equipment Repair (Parts & Labo	636502	-	-	-	-	276.00	-	(276.00)
Printing Services	636504	-	580.40	1,119.21	1,290.00	7,582.78	-	(7,582.78)
Insurance-Non Health	636505	-	-	317,455.00	149,374.00	478,616.00	-	(478,616.00)
Other Misc Services	636508	-	1,970.30	1,511.26	1,508.03	50,211.42	-	(50,211.42)
Operating Ex R999		\$ 14,577,000.00	545,933.47	2,061,181.05	1,814,354.84	\$ 8,763,716.14	\$ -	\$ 5,813,283.86
All Equipment	006800	875,000.00	-	-	-	-	-	875,000.00
Computer Server & Components	681010	-	21,759.00	-	-	342,287.97	-	(342,287.97)
Total Equipm R999		\$ 875,000.00	21,759.00	-	-	\$ 342,287.97	\$ -	\$ 532,712.03
Total Regular R999		\$ 20,664,825.00	934,942.90	2,629,902.22	2,127,995.32	\$ 13,498,313.05	\$ -	\$ 7,166,511.95
<i>Other Departmental Appropriations:</i>								
Pol Pension Lump-Sum Sup Cont R443		10,000.00	-	-	-	10,000.00	-	-
PABF Payroll R444		83,250.00	13,732.50	4,577.63	4,577.63	53,428.14	-	29,821.86
Group Life Insurance Premium S139		4,560,000.00	371,755.75	374,050.09	375,815.91	4,134,694.07	-	425,305.93
Retiree's Benefit Adjustment S165		41,000.00	455.34	910.68	3,292.66	20,966.08	-	20,033.92
Other Classes		\$ 4,694,250.00	385,943.59	379,538.40	383,686.20	\$ 4,219,088.29	\$ -	\$ 475,161.71
Total Dept Appropriations		\$ 25,359,075.00	1,320,886.49	3,009,440.62	2,511,681.52	\$ 17,717,401.34	\$ -	\$ 7,641,673.66

Monthly Board Report

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Account number COMALL

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Manager Mix Report

Account Name/ Account Number	Cash/ % of account	Short Term/ % of account	Equity/ % of account	Fixed/ % of account	R.E. and Other/ % of account	Pendings/ % of account	Total Market Value/ % of consolidation
MILWAUKEE-TOWNSEND CASH	0.00	3,350,315.13	0.00	0.00	0.00	0.00	3,350,315.13
2602846	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.06%
MILWAUKEE-CASH ACCOUNT	0.00	65,361,809.11	0.00	0.00	0.00	0.00	65,361,809.11
2605491	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	1.08%
MILWAUKEE-THE NORTHERN TRS	0.00	0.00	329,994,993.60	0.00	0.00	0.00	329,994,993.60
2605496	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	5.47%
MILWAUKEE-ERS EXPENSE FUND	0.00	506,043.85	0.00	0.00	0.00	0.00	506,043.85
2605504	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.01%
MILWAUKEE-PABF BENEFIT PAYMENT	0.00	2,500.00	0.00	0.00	0.00	0.00	2,500.00
2610128	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
MILWAUKEE-DFA INTERNATIONAL	0.00	0.00	186,436,794.70	0.00	0.00	0.00	186,436,794.70
2619838	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	3.09%
MILWAUKEE-EARNEST -SL	0.00	1,994,157.78	117,053,701.90	0.00	0.00	253,818.97	119,301,678.60
2630942	0.00%	1.67%	98.12%	0.00%	0.00%	0.21%	1.98%
MILWAUKEE - UBS A&Q	0.00	0.00	0.00	0.00	434,909,841.20	0.00	434,909,841.20
2637239	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	7.20%
MILWAUKEE-DFA	0.00	0.00	192,443,680.80	0.00	0.00	0.00	192,443,680.80
2637848	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	3.19%
MILWAUKEE-BAIRD	0.00	8,588,750.93	0.00	33,514,607.84	0.00	0.00	42,103,358.77
2674604	0.00%	20.40%	0.00%	79.60%	0.00%	0.00%	0.70%
MILWAUKEE-CASTLEARK	0.00	1,178,180.25	92,830,572.19	0.00	0.00	-121,786.25	93,886,966.19
2697782	0.00%	1.25%	98.87%	0.00%	0.00%	-0.13%	1.56%
MILWAUKEE-BLACKROCK US AGG-SL	0.00	0.00	0.00	496,745,741.40	0.00	0.00	496,745,741.40
4467868	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	8.23%
MILWAUKEE - BLACKROCK R1000V	0.00	0.00	156,496,433.30	0.00	0.00	0.00	156,496,433.30
4472746	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	2.59%
MILWAUKEE-LOOMIS SAYLE	20,903,017.98	0.00	16,032,981.62	405,166,312.40	0.00	-3,202,159.14	438,900,152.80
CME01	4.76%	0.00%	3.65%	92.31%	0.00%	-0.73%	7.27%
MILWAUKEE-BRANDES INT'L EQUITY	12,716,642.39	0.00	353,115,266.40	0.00	1,048,497.27	-1,879,347.17	365,001,058.90
CME03	3.48%	0.00%	96.74%	0.00%	0.29%	-0.51%	6.05%

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Manager Mix Report

Account Name/ Account Number	Cash/ % of account	Short Term/ % of account	Equity/ % of account	Fixed/ % of account	R.E. and Other/ % of account	Pendings/ % of account	Total Market Value/ % of consolidation
MILWAUKEE-REAMS	30,586,661.92	0.00	0.00	400,286,420.50	1,880,480.63	14,181,865.22	446,935,428.20
CME04	6.84%	0.00%	0.00%	89.56%	0.42%	3.17%	7.40%
MILWAUKEE-BLAIR	3,839,768.05	0.00	283,106,431.00	0.00	580,971.99	1,983.47	287,529,154.50
CME05	1.34%	0.00%	98.46%	0.00%	0.20%	0.00%	4.76%
MILWAUKEE-MFS	3,146,702.20	0.00	189,708,308.00	0.00	339,458.91	-1,090,714.23	192,103,754.80
CME12	1.64%	0.00%	98.75%	0.00%	0.18%	-0.57%	3.18%
MILWAUKEE-POLEN	0.00	4,212,013.07	150,897,416.10	0.00	0.00	0.00	155,109,429.20
2644553	0.00%	2.72%	97.28%	0.00%	0.00%	0.00%	2.57%
MILWAUKEE - PRINCIPAL DRA -SL	0.00	0.00	247,956,372.50	0.00	0.00	0.00	247,956,372.50
2677436	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	4.11%
MILWAUKEE-BLACKROCK GLOBAL-SL	0.00	0.00	297,057,252.30	0.00	0.00	0.00	297,057,252.30
2683493	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	4.92%
MILWAUKEE- AQR-SL	0.00	0.00	90,603,675.00	0.00	0.00	0.00	90,603,675.00
4468331	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	1.50%
MILWAUKEE - DFA US LCV	503,952.75	0.00	152,436,468.10	0.00	0.00	0.00	152,940,420.80
CME15	0.33%	0.00%	99.67%	0.00%	0.00%	0.00%	2.53%
MILWAUKEE-REAL ESTATE	0.00	0.00	0.00	0.00	516,854,606.47	0.00	516,854,606.47
MULTIPLE	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	8.56%
MILWAUKEE-PRIVATE EQUITY	0.00	0.00	0.00	0.00	724,051,471.00	0.00	724,051,471.00
MULTIPLE	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	11.99%

Monthly Board Report

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Manager Mix Report

Account Name/ Account Number	Cash/ % of account	Short Term/ % of account	Equity/ % of account	Fixed/ % of account	R.E. and Other/ % of account	Pendings/ % of account	Total Market Value/ % of consolidation
Total for consolidation	71,696,745.29	85,193,770.12	2,856,170,347.51	1,335,713,082.14	1,679,665,327.47	8,143,660.87	6,036,582,933.12
% for consolidation	1.19%	1.41%	47.31%	22.13%	27.82%	0.13%	100.00%

Please note that this report has been prepared using best available data. This report may also contain information provided by third parties, derived by third parties or derived from third party data and/or data that may have been categorized or otherwise reported based upon client direction - Northern Trust assumes no responsibility for the accuracy, timeliness or completeness of any such information. Northern Trust assumes no responsibility for the consequences of investment decisions made in reliance on information contained in this report. If you have questions regarding third party data or direction as it relates to this report, please contact your Northern Trust relationship team.

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Employees' Retirement System
Securities Lending Income and Expenses: 2021
As of November 30, 2021

Date	Income From Lending	Amounts Expended		Balance
		Fees	Administrative Transfers	
Balance 12-31-20				\$797,198.15
Quarter 1 Totals	\$133,847.42	\$26,724.45	\$798,000.00	106,321.12
Quarter 2 Totals	\$204,353.89	\$40,853.13	\$0.00	269,821.88
Quarter 3 Totals	\$195,607.05	\$39,086.26	\$0.00	426,342.67
10/05/21	\$20.54	\$0.00	\$0.00	\$426,363.21
10/15/21	\$49,224.95	\$9,839.65	\$0.00	\$465,748.51
11/03/21	\$23.56	\$0.00	\$0.00	\$465,772.07
11/15/21	\$50,299.72	\$10,054.21	\$0.00	\$506,017.58
Current Totals	\$633,377.13	\$126,557.70	\$798,000.00	\$506,017.58

Note: Expenses for Board Travel/Education, Computer Equipment, Publications and Consulting are now paid from the Operations/Management account

MERS PERFORMANCE ESTIMATES
November 30, 2021

Account	2020 Return	1st Quarter 2021	2nd Quarter 2021	3rd Quarter 2021	Oct 2021	Nov 2021	YTD Thru 11/30/21
Northern Trust S&P 500 Index	18.42%	6.18%	8.55%	0.59%	7.00%	-0.69%	23.19%
S&P 500	18.40%	6.18%	8.55%	0.58%	7.01%	-0.69%	23.18%
Difference	0.02%	0.00%	0.00%	0.01%	-0.01%	0.00%	0.01%
BlackRock Russell 1000 Value Index	3.00%	11.27%	5.20%	-0.79%	5.11%	-3.52%	17.77%
Russell 1000 Value	2.80%	11.25%	5.21%	-0.78%	5.08%	-3.52%	17.73%
Difference	0.20%	0.02%	-0.01%	-0.01%	0.03%	0.00%	0.04%
DFA US Large Cap Value	-1.56%	15.05%	5.25%	-1.50%	3.95%	-2.96%	20.31%
Russell 1000 Value	2.80%	11.25%	5.21%	-0.78%	5.08%	-3.52%	17.73%
Difference	-4.35%	3.80%	0.04%	-0.72%	-1.13%	0.56%	2.58%
Polen	35.14%	1.79%	13.22%	2.89%	6.24%	-3.27%	21.85%
S&P 500	18.40%	6.18%	8.55%	0.58%	7.01%	-0.69%	23.18%
Difference	16.74%	-4.39%	4.67%	2.31%	-0.77%	-2.58%	-1.33%
Ernest	21.61%	9.62%	4.10%	-0.94%	5.62%	-0.95%	18.25%
Russell MidCap	17.10%	8.14%	7.50%	-0.93%	5.95%	-3.48%	17.77%
Difference	4.51%	1.48%	-3.40%	-0.01%	-0.33%	2.53%	0.48%
CastleArk	45.10%	6.41%	5.34%	-4.54%	6.95%	-2.71%	11.34%
Russell 2000 Growth	34.63%	4.88%	3.92%	-5.65%	4.68%	-4.88%	2.38%
Difference	10.47%	1.53%	1.42%	1.11%	2.27%	2.17%	8.96%
DFA US Small Cap Value	3.84%	26.82%	4.64%	-0.66%	3.84%	-2.85%	32.98%
Russell 2000 Value	4.63%	21.17%	4.56%	-2.98%	3.81%	-3.42%	23.24%
Difference	-0.79%	5.65%	0.08%	2.32%	0.03%	0.57%	9.74%
Brandes	-1.45%	9.05%	6.17%	-1.43%	0.42%	-5.70%	8.07%
EAFE	7.82%	3.48%	5.17%	-0.45%	2.46%	-4.65%	5.84%
Difference	-9.26%	5.57%	1.00%	-0.98%	-2.04%	-1.05%	2.23%
William Blair	30.50%	-0.66%	9.86%	0.91%	3.81%	-3.62%	10.18%
ACWI ex US	11.13%	3.60%	5.64%	-2.88%	2.41%	-4.49%	3.97%
Difference	19.38%	-4.26%	4.22%	3.79%	1.40%	0.87%	6.21%
DFA Int'l Small Cap Value	0.82%	8.05%	4.57%	0.59%	2.45%	-6.32%	9.09%
EAFE Small Cap	12.34%	4.50%	4.34%	0.90%	1.57%	-5.59%	5.50%
Difference	-11.53%	3.55%	0.23%	-0.31%	0.88%	-0.73%	3.59%
AQR	17.39%	5.02%	6.51%	-9.29%	-1.08%	-4.38%	-4.03%
MSCI EM	18.31%	2.29%	5.05%	-8.09%	0.99%	-4.08%	-4.34%
Difference	-0.92%	2.73%	1.46%	-1.20%	-2.07%	-0.30%	0.31%
BlackRock Global Alpha Tilts	16.44%	5.07%	7.09%	-1.52%	4.56%	-2.03%	13.51%
ACWI	16.25%	4.57%	7.39%	-1.05%	5.10%	-2.41%	13.98%
Difference	0.18%	0.50%	-0.30%	-0.47%	-0.54%	0.38%	-0.47%
MFS	22.23%	3.77%	7.65%	-1.33%	5.66%	-3.07%	12.89%
ACWI	16.25%	4.57%	7.39%	-1.05%	5.10%	-2.41%	13.98%
Difference	5.97%	-0.80%	0.26%	-0.28%	0.56%	-0.66%	-1.09%
BlackRock US Agg. Index	7.67%	-3.40%	1.85%	0.08%	-0.03%	0.30%	-1.27%
Barclays US Aggregate	7.51%	-3.37%	1.83%	0.05%	-0.03%	0.30%	-1.29%
Difference	0.16%	-0.03%	0.02%	0.03%	0.00%	0.00%	0.02%
Reams	17.27%	-3.53%	1.94%	0.05%	-0.13%	0.59%	-1.15%
Barclays US Aggregate	7.51%	-3.37%	1.83%	0.05%	-0.03%	0.30%	-1.29%
Difference	9.76%	-0.16%	0.11%	0.00%	-0.10%	0.29%	0.14%
Loomis Sayles	7.26%	-0.83%	2.94%	0.13%	-0.20%	-0.83%	1.17%
Barclays US Aggregate	7.51%	-3.37%	1.83%	0.05%	-0.03%	0.30%	-1.29%
Difference	-0.25%	2.54%	1.11%	0.08%	-0.17%	-1.13%	2.46%
Newton	11.69%	2.19%	3.16%	2.44%			8.00%
One Month Libor + 4%	4.49%	1.02%	1.01%	0.75%			2.80%
Difference	7.20%	1.17%	2.15%	1.69%			5.20%
UBS A&Q	12.29%	2.28%	0.13%	2.97%	0.56%	0.26%	6.32%
One Year Libor + 4%	6.63%	1.16%	1.13%	1.09%	0.35%	0.36%	4.15%
Difference	5.67%	1.12%	-1.00%	1.88%	0.21%	-0.10%	2.17%
Principal	4.08%	4.16%	6.24%	1.50%	3.56%	-2.87%	12.98%
Blended Benchmark	2.08%	3.99%	5.88%	1.20%	3.06%	-3.00%	11.39%
Difference	1.99%	0.17%	0.36%	0.30%	0.50%	0.13%	1.59%
Baird	2.65%	-0.06%	0.13%	0.03%	-0.20%	-0.10%	-0.20%
Barclays Govt/Credit 1-3 Year	3.33%	-0.04%	0.04%	0.09%	-0.33%	-0.08%	-0.32%
Difference	-0.69%	-0.02%	0.09%	-0.06%	0.13%	-0.02%	0.12%
Total MERS	6.62%	3.54%	7.45%	1.92%	2.17%	-1.31%	14.34%

The calculation for the Fund's total rate of return is based on the Modified Dietz method. Although periodic cash flows (i.e., contributions, redemptions) are not time weighted, they are accounted for in the Fund's total rate of return. Therefore, this estimated rate of return may vary slightly from the rate of return reported by the custodian.

The returns shown are gross of fees (except Total MERS, DFA International Small Cap Value, William Blair International Growth, AQR, Principal, and UBS A&Q)

The returns for Newton are through 9/7/21.

ACTUAL ALLOCATIONS

November 30, 2021

		Target	Market Value	Allocation
EQUITY				
Public Equity				
Domestic				
Passive Large Cap Equity	Northern Trust (S&P 500)	5.40%	\$ 329,994,994	5.49%
	BlackRock (Russell 1000 Value)	2.60%	\$ 156,496,433	2.61%
	Sub-Total Passive Large Cap Equity	8.00%	\$ 486,491,427	8.10%
Active Large Cap Equity	Polen (S&P 500)	2.60%	\$ 155,109,429	2.58%
	DFA (Russell 1000 Value)	2.60%	\$ 152,940,421	2.55%
	Sub-Total Active Large Cap Equity	5.20%	\$ 308,049,850	5.13%
Active Mid/Small Cap Equity	Earnest Partners (Russell MidCap)	2.00%	\$ 119,301,679	1.99%
	CastleArk (Russell 2000 Growth)	1.60%	\$ 93,886,966	1.56%
	DFA (Russell 2000 Value)	3.20%	\$ 192,139,257	3.20%
	Sub-Total Active Mid/Small Cap Equity	6.80%	\$ 405,327,902	6.75%
Total Domestic		20.00%	\$ 1,199,869,179	19.98%
International				
Active International Equity	Brandes (EAFE)	6.40%	\$ 365,001,059	6.08%
	William Blair (ACWI ex US)	4.80%	\$ 287,529,154	4.79%
	DFA (EAFE Small Cap)	3.20%	\$ 186,436,795	3.10%
	AQR (MSCI EM)	1.60%	\$ 90,603,675	1.51%
Total International		16.00%	\$ 929,570,683	15.48%
Global				
Active Global Equity	BlackRock (ACWI)	4.80%	\$ 297,057,252	4.95%
	MFS (ACWI)	3.20%	\$ 192,103,755	3.20%
Total Global		8.00%	\$ 489,161,007	8.15%
Total Public Equity		44.00%	\$ 2,618,600,869	43.60%
Private Equity				
	Abbott Capital (Russell 3000 Quarter Lag + 2%)	3.50%	\$ 336,510,394	5.60%
	Mesirow (Russell 3000 Quarter Lag + 2%)	3.50%	\$ 292,164,069	4.86%
	Neuberger Berman (Russell 3000 Quarter Lag + 2%)	1.50%	\$ 27,618,908	0.46%
	Private Advisors (Russell 3000 Quarter Lag + 2%)	1.50%	\$ 67,758,100	1.13%
Total Private Equity		10.00%	\$ 724,051,471	12.06%
TOTAL EQUITY (Public Equity + Private Equity)		54.00%	\$ 3,342,652,340	55.66%
FIXED INCOME & ABSOLUTE RETURN				
Fixed Income				
Cash		1.00%	\$ 69,220,668	1.15%
Passive Fixed Income	BlackRock (Barclays US Aggregate)	7.92%	\$ 496,745,741	8.27%
	Reams (Barclays US Aggregate)	7.04%	\$ 446,935,428	7.44%
	Loomis Sayles (Barclays US Aggregate)	7.04%	\$ 438,900,153	7.31%
Sub-Total Active Fixed Income		14.08%	\$ 885,835,581	14.75%
Total Fixed Income		23.00%	\$ 1,451,801,991	24.17%
Absolute Return				
	Hedge Fund of Funds Manager	3.00%	\$ -	0.00%
	UBS (1 Year Libor + 4%)	7.00%	\$ 436,040,607	7.26%
Total Absolute Return		10.00%	\$ 436,040,607	7.26%
TOTAL FIXED INCOME & ABSOLUTE RETURN		33.00%	\$ 1,887,842,597	31.44%
REAL ASSETS				
Private Real Estate - Core	JP Morgan (NFI-ODCE)	3.03%	\$ 132,541,494	2.21%
	Morgan Stanley (NFI-ODCE)	3.03%	\$ 154,800,441	2.58%
	LaSalle (NFI-ODCE)	1.52%	\$ 92,327,499	1.54%
	Prologis (NFI-ODCE)	1.52%	\$ 109,844,979	1.83%
	Sub-Total Private Real Estate - Core	9.10%	\$ 489,514,413	8.15%
Private Real Estate - Non-Core	Non-Core Real Estate (NFI-ODCE)	0.00%	\$ 37,508,555	0.62%
Public Real Assets	Principal (Blended Benchmark)	3.90%	\$ 247,956,373	4.13%
TOTAL REAL ASSETS		13.00%	\$ 774,979,341	12.90%
TOTAL ERS			\$ 6,005,474,278	100.00%
Total City Reserve Fund			R. W. Baird	42,103,359

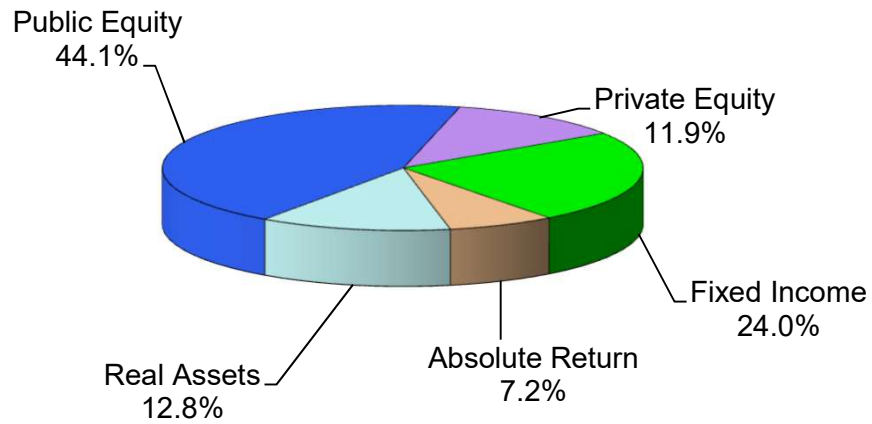
PROJECTED TARGET ALLOCATIONS

Dec 13, 2021

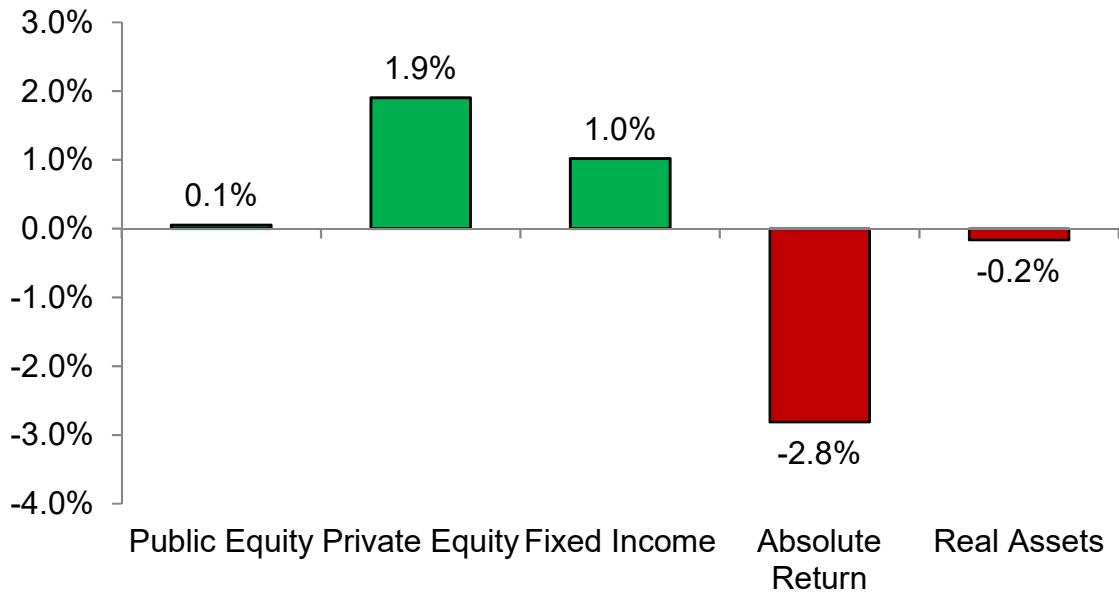
		Target	Market Value	Allocation
EQUITY				
Public Equity				
Domestic				
Passive Large Cap Equity	Northern Trust (S&P 500)	5.40%	\$ 337,533,490	5.56%
	BlackRock (Russell 1000 Value)	2.60%	\$ 161,645,271	2.66%
	Sub-Total Passive Large Cap Equity	8.00%	\$ 499,178,761	8.23%
Active Large Cap Equity	Polen (S&P 500)	2.60%	\$ 158,332,809	2.61%
	DFA (Russell 1000 Value)	2.60%	\$ 157,291,290	2.59%
	Sub-Total Active Large Cap Equity	5.20%	\$ 315,624,099	5.20%
Active Mid/Small Cap Equity	Earnest Partners (Russell MidCap)	2.00%	\$ 123,456,092	2.03%
	CastleArk (Russell 2000 Growth)	1.60%	\$ 91,943,266	1.52%
	DFA (Russell 2000 Value)	3.20%	\$ 195,469,193	3.22%
	Sub-Total Active Mid/Small Cap Equity	6.80%	\$ 410,868,550	6.77%
Total Domestic		20.00%	\$ 1,225,671,410	20.20%
International				
Active International Equity	Brandes (EAFE)	6.40%	\$ 373,383,180	6.15%
	William Blair (ACWI ex US)	4.80%	\$ 288,464,455	4.75%
	DFA (EAFE Small Cap)	3.20%	\$ 190,192,948	3.13%
	AQR (MSCI EM)	1.60%	\$ 92,037,657	1.52%
Total International		16.00%	\$ 944,078,241	15.56%
Global				
Active Global Equity	BlackRock (ACWI)	4.80%	\$ 303,930,227	5.01%
	MFS (ACWI)	3.20%	\$ 198,951,356	3.28%
Total Global		8.00%	\$ 502,881,583	8.29%
Total Public Equity		44.00%	\$ 2,672,631,234	44.05%
Private Equity				
	Abbott Capital (Russell 3000 Quarter Lag + 2%)	3.50%	\$ 336,775,394	5.55%
	Mesirow (Russell 3000 Quarter Lag + 2%)	3.50%	\$ 292,164,069	4.82%
	Neuberger Berman (Russell 3000 Quarter Lag + 2%)	1.50%	\$ 27,618,908	0.46%
	Private Advisors (Russell 3000 Quarter Lag + 2%)	1.50%	\$ 65,616,358	1.08%
Total Private Equity		10.00%	\$ 722,174,729	11.90%
TOTAL EQUITY (Public Equity + Private Equity)		54.00%	\$ 3,394,805,963	55.96%
FIXED INCOME & ABSOLUTE RETURN				
Fixed Income				
Cash		1.00%	\$ 71,913,686	1.19%
Passive Fixed Income	BlackRock (Barclays US Aggregate)	7.92%	\$ 496,597,439	8.19%
Active Fixed Income	Reams (Barclays US Aggregate)	7.04%	\$ 447,280,603	7.37%
	Loomis Sayles (Barclays US Aggregate)	7.04%	\$ 441,616,357	7.28%
	Sub-Total Active Fixed Income	14.08%	\$ 888,896,960	14.65%
Total Fixed Income		23.00%	\$ 1,457,408,085	24.02%
Absolute Return				
	Hedge Fund of Funds Manager	3.00%	\$ -	0.00%
	UBS (1 Year Libor + 4%)	7.00%	\$ 436,040,607	7.19%
Total Absolute Return		10.00%	\$ 436,040,607	7.19%
TOTAL FIXED INCOME & ABSOLUTE RETURN		33.00%	\$ 1,893,448,691	31.21%
REAL ASSETS				
Private Real Estate - Core	JP Morgan (NFI-ODCE)	3.03%	\$ 132,541,494	2.18%
	Morgan Stanley (NFI-ODCE)	3.03%	\$ 154,800,441	2.55%
	LaSalle (NFI-ODCE)	1.52%	\$ 92,327,499	1.52%
	Prologis (NFI-ODCE)	1.52%	\$ 109,844,979	1.81%
	Sub-Total Private Real Estate - Core	9.10%	\$ 489,514,413	8.07%
Private Real Estate - Non-Core	Non-Core Real Estate (NFI-ODCE)	0.00%	\$ 37,886,941	0.62%
Public Real Assets	Principal (Blended Benchmark)	3.90%	\$ 251,247,829	4.14%
TOTAL REAL ASSETS		13.00%	\$ 778,649,183	12.83%
TOTAL ERS			\$ 6,066,903,838	100.00%
Total City Reserve Fund	R. W. Baird		42,075,034	

PROJECTED VERSUS POLICY ALLOCATIONS

Asset Mix Using Projected Balances



Asset Allocation vs. Current Policy Benchmark



YTD Market Value Change

December 31, 2020 Market Value including City Reserve & PABF Accounts			\$ 5,565,502,643
Monthly Cash Outflows thru	<u>December 13, 2021</u>		
Retiree Payroll Expense		\$ (394,798,037)	
PABF Payroll Expense		\$ (61,644)	
Expenses Paid		\$ (13,668,152)	
GPS Benefit Payments		\$ (12,502,203)	
Sub-Total Monthly Cash Outflows			\$ (421,030,037)
Monthly Cash Inflows thru	<u>December 13, 2021</u>		
Contributions		\$ 107,016,446	
PABF Contribution		\$ 69,238	
Sub-Total Monthly Contributions			\$ 107,085,683
City Reserve Fund Contribution			\$ 8,000,000
Capital Market Gain/(Loss)			<u>\$ 849,420,583</u>
Value including City Reserve & PABF Accounts as of	<u>December 13, 2021</u>		<u>\$ 6,108,978,871</u>
Less City Reserve Account ¹			\$ 42,075,034
Less PABF Fund ²			\$ 2,500
Net Projected ERS Fund Value as of	<u>December 13, 2021</u>		<u><u>\$ 6,066,901,338</u></u>

1 The City Reserve Account balance equals the market value currently held in the Baird account.

2 PABF Fund balance equals the market value currently held in the PABF account.

2021 ESTIMATED MONTHLY CASH FLOWS

Revised 12/14/2021

(in 000's)

	12/31/2020	1/31/2021	2/29/2021	3/31/2021	4/30/2021	5/31/2021	6/30/2021	7/31/2021	8/31/2021	9/30/2021	10/31/2021	11/30/2021	
Beginning Cash Account Balance													
Townsend Cash Account	1,651	2,167	2,545	745	1,296	1,123	1,349	2,023	2,339	2,520	2,653	3,350	
Cash Contribution Account	-	-	-	-	-	-	-	-	-	-	-	-	
Milwaukee Cash Account	55,214	72,286	91,120	41,489	34,409	39,511	62,165	43,486	32,895	55,098	43,742	65,359	
Total Cash Available	56,865	74,453	93,665	42,234	35,705	40,634	63,514	45,509	35,234	57,617	46,395	68,709	
Less: Appropriate Level of Cash on Hand	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	
Cash Available for Payroll and Other Outflows	19,865	37,453	56,665	5,234	(1,295)	3,634	26,514	8,509	(1,766)	20,617	9,395	31,709	
For Monthly Cash Outflows of:													
	Jan-2021	Feb-2021	Mar-2021	Apr-2021	May-2021	Jun-2021	Jul-2021	Aug-2021	Sep-2021	Oct-2021	Nov-2021	Dec-2021	Total 2021
Retiree Payroll Expense	(36,436)	(37,021)	(37,046)	(36,104)	(36,914)	(37,357)	(36,809)	(37,477)	(37,507)	(37,600)	(37,028)	(37,751)	(445,051)
Normal Retirement Payroll	(35,334)	(35,311)	(35,478)	(35,453)	(35,930)	(35,930)	(35,840)	(36,291)	(36,253)	(36,585)	(36,412)	(36,503)	(431,321)
Retiree Lump Sum Payments	(1,101)	(1,710)	(1,568)	(651)	(984)	(1,427)	(969)	(1,186)	(1,254)	(1,015)	(616)	(1,248)	(13,731)
Real Estate Capital Calls	-	(57)	(33,000)	-	(227)	(39)	(23,000)	-	-	(200)	-	(378)	(56,901)
Private Equity Capital Calls	(2,269)	(6,212)	(8,819)	(5,390)	(3,243)	(18,098)	(7,086)	(2,952)	(11,038)	(17,989)	(3,350)	(7,565)	(94,011)
Expenses Paid through City	(1,722)	(1,489)	(2,464)	(1,732)	(133)	(482)	(769)	(1,657)	(395)	(540)	(2,285)	(2,492)	(16,160)
PABF Payroll	(5)	(15)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(66)
Sub-Total Monthly Cash Outflows	(40,432)	(44,794)	(81,333)	(43,230)	(40,522)	(55,982)	(67,668)	(42,091)	(48,944)	(56,334)	(42,667)	(48,191)	(612,190)
For Monthly Cash Inflows:													
Sponsoring Agency Contribution	2,548	2,482	2,472	3,680	2,466	2,420	2,203	2,275	3,261	2,971	2,421	2,427	31,626
Real Estate Distributions	516	435	200	550	55	264	1,674	316	180	334	697	-	5,221
Private Equity Distributions	6,471	14,606	9,209	8,461	4,924	32,169	7,615	18,697	19,078	16,958	18,847	7,217	164,251
Miscellaneous Income	12	10	6	5	2	3	2	27	18	2	12	3	103
Security Lending Transfer	798	-	-	-	-	-	-	-	-	-	-	-	798
City Required Contribution Inflow	71,668	1,469	-	-	-	-	3,166	-	-	327	-	-	76,630
PABF Inflow	8	5	15	5	5	5	5	-	-	14	5	5	69
Sub-Total Monthly Cash Inflows	82,021	19,006	11,903	12,701	7,451	34,861	14,664	21,315	22,537	20,606	21,981	9,652	278,697
Net Monthly Cash Inflows/(Outflows) Before Withdrawals	41,588	(25,788)	(69,431)	(30,530)	(33,071)	(21,120)	(53,005)	(20,776)	(26,408)	(35,728)	(20,686)	(38,539)	(333,492)
Net Monthly Cash Surplus (Need)	61,453	11,665	(12,766)	(25,295)	(34,366)	(17,486)	(26,491)	(12,266)	(28,174)	(15,111)	(11,291)	(6,830)	(116,958)
Monthly Cash Withdrawals (Additions)													
Allianz 1000 Plus													-
Allianz AGG 250													-
AQR	8,000	4,000		3,000	4,000		3,000						22,000
BlackRock Global Alpha Tilts								9,000		5,000			14,000
BlackRock Russell 1000 Value Index				2,000	6,000		3,000	2,000		3,000		4,000	20,000
BlackRock US Aggregate Index	(27,000)	(26,000)							(17,000)			496,597	426,597
BlackRock US Government Bond Index												(426,000)	(426,000)
Brandes					4,000	15,500			10,000				29,500
CastleArk	10,000		4,000	2,000		3,500				3,000	3,500		26,000
Dimensional Fund Advisors US Large Cap			5,000	6,000	6,000		3,000	5,000		2,000	2,000	2,000	31,000
Dimensional Fund Advisors International						7,500			7,000				14,500
Dimensional Fund Advisors US Small Cap			9,000	8,000	8,000	8,000		7,000		7,000	7,500	5,000	59,500
Earnest				4,000		4,500				4,000	4,500	3,000	20,000
Loomis Sayles									(33,000)				(33,000)
MFS					7,000		4,000	3,000	4,000		3,000		21,000
Newton		93,000							98,797				191,797
Northern Trust S&P 500 Index							19,000	4,000		8,500	12,000	15,000	58,500
Polen				2,000			6,000	6,000	6,000	5,500	5,500	3,000	34,000
Principal		(5,000)											(5,000)
Reams		(13,000)							(47,000)			(70,000)	(130,000)
Transition Account													-
UBS A&Q	(11,000)	(12,000)						(21,500)		(8,500)			(53,000)
William Blair						5,000		2,000	11,000				18,000
Sub-Total Monthly Cash Withdrawals	(20,000)	41,000	18,000	27,000	35,000	44,000	38,000	16,500	39,797	29,500	38,000	32,597	339,395
Estimated Month-End Cash Balance													
Cash Available	41,453	52,665	5,234	1,705	634	26,514	11,509	4,234	11,623	14,389	26,709	25,767	
Appropriate Level of Cash on Hand	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	
Total Cash Estimated on Hand For Next Month	78,453	89,665	42,234	38,705	37,634	63,514	48,509	41,234	48,623	51,389	63,709	62,767	