



City of Milwaukee
Employees' Retirement System

Patrick J. McClain
Executive Director

David M. Silber, CFA, CAIA
Chief Investment Officer

Daniel A. Gopalan, CPA
Deputy Director

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Deputy Director

February 20, 2026

Mr. Jim Owczarski
City Clerk
Room 205, City Hall

Dear Mr. Owczarski:

Please be advised that a Special Meeting of the Legislative Committee (Committee of the Whole) of the Annuity and Pension Board has been scheduled for Thursday, February 26, 2026 starting at 9:00 a.m. at the Employees' Retirement System, 789 North Water Street, Suite 300. **If a quorum of the Board is present via teleconference, this meeting will convene as a Special Board Meeting.**

Special Notice: This meeting will be conducted via teleconference. Instructions for the public on how to observe the meeting will be available on the ERS's website (www.cmers.com) prior to the meeting.

The agenda is as follows:

- I. Review, Consider, and Make Recommendations Regarding Amendment to Board Rule II.C.6.
- II. Review, Consider, and Make Recommendations Regarding Amendment to Board Rule VII.G.2.c.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick J. McClain".

Patrick J. McClain
Executive Director

PJM:jmw

PLEASE NOTE - Upon reasonable notice, efforts will be made to accommodate the needs of disabled individuals through sign language interpreters or other auxiliary aids. For additional information or to request this service, please call 414-286-3557.

II. MEMBERSHIP ON THE BOARD

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C. DUTIES AND RESPONSIBILITIES OF OFFICERS AND EMPLOYEE

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6. Chief Investment Officer

The Chief Investment Officer shall lead the management and operations of the Board's investment program. The Chief Investment Officer shall report to the Board.

The Chief Investment Officer is responsible for:

- a) supervision of investment staff, investment policy supervision, including monitoring fund allocation versus guidelines, monitoring fund performance and reporting major concerns;
- b) recommending changes in investment policy, asset allocation and asset management;
- c) monitoring the Investment Managers as to policy;
- d) providing investment research and analysis as required by the Board or the Executive Director;
- e) evaluating various investment proposals for feasibility, structure and compliance with the ERS goals and prepare reports for the Executive Director and the Board;
- f) recommending changes in investment guidelines based on Investment Manager activity, economic circumstances or other factors;
- g) monitoring the activity of the Investment Managers of the assets of the ERS for compliance with investment goals and guidelines as set forth by the Board and monitor the economy and efficiency of Investment Managers' activities in such areas as utilization of funds (keeping fully invested), monitoring commission levels, proxy voting and related areas;
- h) monitoring the rate of return, style and risk parameters of the Investment Managers;
- i) recommending the hiring, firing and shifting of assets; conducting due diligence on any Investment Manager selected for hire by the Investment Committee, and summarizing and making specific recommendations to the Board;
- j) conducting a continuing asset allocation study, examining current investments and other alternatives and providing the Executive Director and the Board comprehensive reports regarding the Fund, managers and alternative investments;
- k) monitoring the Custodian of Funds for accuracy of reporting, securities lending activity and cash management;
- l) reviewing and making recommendations regarding consultants and sources of information (electronic and paper research) which may improve the return on invested assets; and assisting the Executive Director in contract reviews and analysis of Actuarial Reports.

m) evaluating and managing the relationships with the Investment Consultant to ensure they are providing all necessary assistance to staff and the Board as agreed to in service contracts. The Investment Committee, in coordination with the Chief Investment Officer, shall conduct an annual review of the Investment Consultant. The Chief Investment Officer, or designated staff, shall conduct on-site (or video conference, when conditions do not allow for travel) visits with the Investment Consultant at least once every two years. The visits will be followed by a written report from the Chief Investment Officer to the Board or the Investment Committee.

m)n) the Chief Investment Officer, or designated staff, are authorized to travel to and meet with, the various companies or individuals who provide investment or financial evaluation services to the Employees' Retirement System. The purpose of these meetings is to accomplish due diligence and resolve outstanding issues. The visits will occur, at a minimum, every other year or as deemed necessary by both the Chief Investment Officer and the Chairman of the Annuity and Pension Board and/or the Chairman of the Investment Committee of the Board. The visits will be followed by a written report from the Chief Investment Officer to the Annuity and Pension Board or the Investment Committee.

VII. BOARD MEMBERS/AREAS OF RESPONSIBILITY

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G. REVIEW AND APPROVAL OF CONTRACTS

1. Staff

The Executive Director, and the Chief Investment Officer when requested by the Executive Director, must review and recommend, prior to submission to the Board, each proposed contract for professional services that is necessary for conducting the business of the ERS. Board members and staff shall not be permitted to disclose to proposers information contained in proposals to the Board or staff analysis or summaries of proposals to the Board without formal approval by the Board. The Board shall not consider a request for disclosure unless it is in writing and signed by an authorized representative of the proposer. Source: Rules and Regulations, § 1.4j (Contracts for Professional Services), p.3

Source: Rules and Regulations, § 1.4j (Contracts for Professional Services), p.3

2. Board

- a. Except as provided in subparagraphs b and c, the Annuity and Pension Board shall have final approval over any contract entered into on behalf of the ERS after such contract has been approved by the staff and reviewed by legal counsel.
- b. The Investment Committee consists of all members of the Annuity and Pension Board and as such is considered a Committee of the Whole. The Investment Committee shall have full authority in the final approval and execution over investment-related contracts if:
 - i. The investment contract has been approved by staff and reviewed by legal counsel; and
 - ii. Delaying final approval of the investment contract to the next regular Board meeting would result in the loss of some advantage of the contract; and
 - iii. A quorum of the Board votes to approve the investment contract.
- c. The Chief Investment Officer shall, subject to the conditions and limitations stated in the Board's Statement of Investment Policy, have the authority to execute:
 - i. Any contract amendment or letter of direction required in connection with the hiring of a transition manager for the purpose of rebalancing between asset classes to achieve the asset allocation target policy objectives, or terminating and funding new asset managers; and
 - ii. Ministerial Private Real Estate and Private Equity Contract amendments.

3. Legal Counsel

The Board shall select legal counsel in accordance with Section VIII. of these Rules and Procedures to review any contract to be entered into on behalf of the ERS.

STATEMENT OF INVESTMENT POLICY
Updated January 2026

**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

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**THE EMPLOYEES' RETIREMENT
SYSTEM OF THE CITY OF MILWAUKEE**

**- SECTION I -
STATEMENT OF INVESTMENT POLICY**

INTRODUCTION

The Employees' Retirement System of the City of Milwaukee (the "ERS") was established to provide for the present and future retirement, disability, and death and survivor benefit payments for all city and city agency employees. All of the funds of the retirement system taken in the aggregate constitute a special trust subject to applicable local, state, and federal laws, including but not limited to sections 36-15, 36-09-1, and 36-09-6 of the Milwaukee City Charter.

The Annuity and Pension Board (the "Board") is responsible for the operation of the retirement system and making effective the provisions of the Employees' Retirement Act. The Board consists of three members appointed by the President of the Common Council, the City Comptroller ex-officio, three members elected by the present members of the Employees' Retirement System and one member elected by the retired members of the Employees' Retirement System.

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

The Board is the trustee of the funds in the retirement system, and one of the missions of the Board is to assure prudent investment of the assets of the ERS. The Board is required to contract for investment management services. The Board must exercise prudence in selecting Investment Managers, but the exercise of prudence does not relieve the Board of all responsibilities. The responsibilities of the Board relating to the investment management of Fund assets include:

1. Establishing written investment objectives and guidelines governing the investment of Fund assets.
2. Using reasonable care, skill and caution in selecting investment professionals.
3. Determining the Fund's liquidity requirements, investment horizon and risk tolerance and communicating these to the appropriate parties.
4. Evaluating the performance of Investment Manager(s) and other qualified investment professionals on a systematic and regularly scheduled basis.
5. The Board and a person under contract to the ERS who invests and manages trust assets has a duty to comply with the prudent investor rule, s. 36-09-1-d and sub-unites thereof.

SCOPE OF THIS STATEMENT OF INVESTMENT POLICY

This Statement of Investment Policy reflects the investment policy, objectives, and constraints of the Employees' Retirement System of the City of Milwaukee ("ERS").

PURPOSE OF THIS STATEMENT OF INVESTMENT POLICY

This Statement of Investment Policy is set forth by the Board of the City of Milwaukee ERS in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish specific asset allocation and rebalancing procedures.
3. Establish a clear understanding for all parties of the investment goals and objectives of Fund assets.
4. Provide specific guidelines and define limitations for all Investment Managers regarding the investment of Fund assets.
5. Establish a basis for evaluating investment results.
6. Establish a framework for further review and revision of this policy.

This policy statement is designed to allow for sufficient flexibility in the management oversight process to capture investment opportunities as they may occur, while setting forth reasonable parameters to ensure prudence and care in the execution of the investment program.

DUTIES OF FIDUCIARIES

Each member of the Board of the City of Milwaukee ERS is a fiduciary. The Investment Managers are also fiduciaries.

The Board and a person under contract to the ERS to invest and manage trust assets shall invest and manage assets as a prudent investor would by considering the purposes, terms, distribution requirements and other circumstances of the trust. In satisfying this standard, the Board and such person shall exercise reasonable care, skill and caution. Investment and management decisions respecting individual investment assets must be evaluated not in isolation, but in the context of the trust portfolio as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the trust. A reasonable effort shall be made to verify facts relevant to the investment and management of trust assets. Assets may be invested in any kind of property or type of investment consistent with the standards set forth in the Employees' Retirement Act and the Board guidelines. A Board member or a person under contract to the ERS who invests and manages trust assets who has special skills or expertise or is named in reliance upon his or her representation that he or she has special skills or expertise has a duty to use those special skills or expertise.

To fulfill such responsibilities, the Trustees are authorized and in the case of Investment Managers, required to retain professional experts including but not limited to:

1. **Staff:** The Investment Staff, as designated by the Board is the agent of the Board. The Board does not delegate investment management responsibility through the use of its Staff. Staff duties include:
 - A. Monitoring Investment Managers for adherence to contract terms, policies, and guidelines.
 - B. Evaluating and managing the relationships with the Investment Consultant to ensure they are providing all necessary assistance to Staff and the Board as agreed to in service contracts, in accordance with Board Rules and Regulations section II(c)(6)(m).
 - C. Monitoring the Investment Consultant's manager search process, and conducting due diligence on any Investment Manager selected for hire by the Investment Committee that was considered and recommended to ERS by its Investment Consultant.
 - D. Monitoring the Fund's cash amounts. This includes ensuring the Fund has cash available to pay Fund benefits, expenses, and capital call commitments by identifying Investment Managers to withdraw funds from. This also includes determining whether to invest contributions into cash, deposit contributions with Investment Managers, or some combination of both. Staff retains discretion in the planning and implementation of this task, which includes identifying the amount to be deposited or withdrawn into or from a respective Investment Manager. Staff works within the parameters of the asset allocation ranges and structures incorporated within this Statement of Investment Policy, strives to take actions that are consistent with the long-term risk and return objectives approved in the most recent Asset-Liability Study, and considers factors including, but not limited to, liquidity management considerations that arise during stock market downturns that often result in elevated withdrawals from Fixed Income and/or index funds. Staff will include a report on cash activity at regularly scheduled Board meetings.
 - E. Restructuring the portfolio following manager terminations, changes to the Fund's strategic asset allocation targets, and changes to an asset class's structure.
 - F. Organizing and/or participating in any special research required to manage the Fund more effectively and in response to any questions raised by the Board.
 - G. Supporting the Board in the development and approval of the Investment Policy Statement, implementing the Policy Statement and reporting at least monthly on investment activity and matters of significance.
 - H. Monitor the Investment Managers reporting systems to ensure they are sufficient to provide Staff with the information necessary to permit the Staff to provide the Board with timely, accurate and useful information.

- I. Performing on-site (or video conference, when conditions do not allow for travel) due diligence meetings with ERS Investment Managers every two years or as required by the Board in accordance with Board Rules and Regulations section – Duties of the Chief Investment Officer.

 - J. With the advice of the City Attorney's Office, and outside legal counsel when the City Attorney's Office deems necessary, approve and execute ministerial Private Real Estate and Private Equity contract amendments, pursuant to MCO 36-09-1-d-5, under the following conditions:
 - Use of delegated authority under this paragraph must be consistent with any Real Estate and Private Equity investment plan or strategy approved or adopted by the Board. For the avoidance of doubt, the prudent manner may not always be the quickest manner. Specific to Private Real Estate only, the use of delegated authority must be consistent with the philosophy that CMERS' ultimate goal is to transition its Real Estate portfolio to 4-5 commingled, open-end fund managers in a prudent manner;
 - Delegated authority may not be used to execute any contract amendments that may be reviewed and executed within the confines of the regular Board schedule;
 - Delegated authority cannot be used to execute legal documents for a new Real Estate or new Private Equity vehicle;
 - Delegated authority cannot be used to agree to terms that are more disadvantageous than what's already included in the existing agreement (with the exception of term extensions mentioned in the next bullet point);
 - Staff may not use delegated authority against the advice of CMERS' Investment Consultant or the City Attorney's Office;
 - Staff or the City Attorney's Office will report to the Board, at the next Board meeting when possible, on actions taken under this plan (including fees);
 - CMERS Executive Director may sign amendments executed under this delegation of authority on behalf of the Board;
 - Board may revoke the delegated authority at any time.
2. **Investment Consultant:** The Investment Consultant is an advisor to the Board retained to provide investment management advice and a fiduciary for the purposes of the duties assumed under the Consulting Services Agreement. The Investment Consultant will provide investment management advice concerning the investment management of fund assets. Specific responsibilities of the Investment Consultant include:
- A. Assisting in the development and periodic review of investment policy.
 - B. Conducting Investment Manager searches as authorized by the Board.
 - C. Providing "due diligence" reports or research on each of the Fund's Investment Managers.
 - D. Monitoring the performance of the Investment Managers to provide the Board with the ability to determine progress toward the investment objectives.

- E. Communicating advice on matters of policy, manager research, and manager performance to the Board.
 - F. Reviewing Fund investment history, historical capital markets' performance and the contents of this Statement of Investment Policy with all Trustees when necessary.
 - G. Providing topical research and education on investment subjects that are relevant to the Fund.
 - H. Providing asset/liability allocation review and specific recommendations as appropriate.
 - I. Communicating with all investment related professionals retained by the Fund as required or prudent.
 - J. Reviewing contracts between the Fund and all Investment Managers and providing a summary of suggested changes when necessary.
3. **Investment Managers:** The Board must contract for investment management but exercise discretion in selection of Investment Managers. When selecting Investment Managers, the Board shall only consider Investment Managers recommended to ERS by its Investment Consultant. The Board may contract with Investment Managers based on an evaluation of their investment philosophy, performance and ability to complement existing portfolio styles. The Board requires any Investment Manager recommended by its Investment Consultant to disclose to ERS whether or not they utilize a placement agent. The Board delegates fiduciary responsibility to Investment Managers through Investment Manager agreements and Board guidelines. The Investment Manager acknowledges that it is a fiduciary of ERS with respect to the investment and management of the Assets. In performing its delegated functions, the Investment Manager owes a duty to the trust to exercise reasonable care to comply with the terms of the delegations as set forth in Chapter 36 of the City Charter, 36-09-1-d, 1-d-1, 1-d-3, 1-d-4 and the Board guidelines. City Charter 36-09-1d through d-8, as of July 27, 2010, are attached as an addendum.

Each specific manager must manage Fund assets according to their role as stated in the guidelines of this Investment Policy and contracted with the Board. No deviation from this discipline is authorized unless first discussed with the Board and its Investment Consultant and written approval issued. If ERS assets are invested in collective investment funds maintained by an Investment Manager, the plan and/or trust document with respect to such collective investment funds shall be part of the guidelines and controlling in the event of a conflict with any other provision of the guidelines.

This Statement of Investment Policy communicates policies regarding the current asset allocation strategies for the assets and the duties and obligations of Investment Managers. Each Investment Manager has full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints and philosophies as outlined in this Statement.

Each Investment Manager is required to manage assets as a prudent investor in accordance with s. 36-09-1-d of the Charter and sub-units thereof.

Specific responsibilities of the Investment Managers are specified in the Investment Management Agreement and Board guidelines and generally include:

- A. Exercise discretionary investment authority including decisions to buy, sell, or hold individual securities within the guidelines established in this Statement. An Investment Manager has a fiduciary duty under federal securities laws to allocate securities fairly among its various accounts. The ERS will be provided a copy of the Investment Manager's trade allocation policy and procedures and will be advised, in writing, of changes to the policy and the potential impacts on ERS' account.
- B. Communicate in a timely manner any significant changes regarding economic outlook, investment strategy, or any other factors which may have an impact upon the achievement of the Fund's investment objectives.
- C. Inform the Board regarding changes within the investment management organization within a timely manner (3 days): Examples include but are not limited to: changes in lead personnel assigned to manage the account and or other significant changes including ownership, ownership structure, investment philosophy.
- D. Inform ERS of any significant asset value lost within 30 days due to termination or withdrawal. Significant asset value is indicated by 15% of the institutional assets under management in the strategy or 10% of the institutional assets under management of the firm.
- E. Subject to such guidelines as the ERS' Board may from time to time establish, vote all proxies for securities held for the Fund so long as in the Manager's belief the result of the ballot would serve to increase the value of the investment or otherwise benefit the Fund. For additional details, refer to Section VIII, Proxy Voting Guidelines.
- F. Provide timely reporting of investment activities. Each Investment Manager shall provide reports to the Board as outlined in Section VII.
- G. Maintain records of security buy and sell transactions in accordance with industry standards.
- H. Managers utilizing separately managed accounts must reconcile monthly accounting, transaction, and asset summary with custodian valuations, report separately on gains and losses on sales, and communicate and resolve any significant discrepancies. The month-end custodian valuations will be used to calculate rates of return for performance-reporting purposes and manager fee calculations.
- I. Meet with the Board on an as needed basis.

4. **Custodian:** The Custodian acts in a ministerial capacity, which means that the Custodian does not assume fiduciary responsibility except as specified in the Custodial Agreement.

In addition, the Custodian will conduct the following responsibilities:

- A. Perform regular accounting of all assets owned, purchased, or sold, as well as monitor the movement of assets into and out of the Fund accounts.
 - B. Provide assistance to the Fund to complete activities including, but not limited to, annual audits and transaction verifications.
 - C. If directed by the Board, manage a short-term income fund for investment of any cash not invested by managers.
 - D. The Custodian, if directed by the Board, will manage the securities lending program.
5. **Transition Managers:** The Fund at times may need to utilize the assistance of a transition manager. Staff, working with its Investment Consultant, will develop a transition manager panel, with final approval from the Board. Transition managers may be used for, but not limited to, the following:
- Rebalancing between asset classes to achieve the asset allocation target policy objectives
 - Terminating and funding new asset managers

If Staff deems hiring a transition manager to be necessary, Staff will select a transition manager from the transition panel to conduct the transition, communicate with the transition manager on the goals and objects of the transition, and monitor the results of the transition. In accordance with Board Rules and Regulations section VII(G)(2)(c), Staff will be responsible for executing any contract amendments or letters of direction required by the transition manager, custodian, and investment manager, to implement the transition. Staff will be responsible for providing an update to the Board on all transition issues.

6. **Additional Professionals:** Additional Professionals, including but not limited to attorneys, actuaries and auditors may be retained by the Board as necessary to assist toward the prudent administration of the Fund.