

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

Minutes of the Administration and Operations Committee Meeting
held April 17, 2024 via teleconference

The meeting was called to order at 9:00 a.m.

Committee Members Present: Molly King
Thomas Klusman
Timothy Heling, Chair

ERS Staff Present: Bernard Allen, Executive Director
Melody Johnson, Deputy Director
David Silber, Chief Investment Officer
Erich Sauer, Deputy Chief Investment Officer
Dan Gopalan, Chief Financial Officer
Jeff Shoher, Chief Technology Officer
Gust Petropoulos, Deputy Director - Disability
Mary Turk, Business Operations Analyst
Jan Wills, Board Stenographer

Others Present: Lisa Kasel, Legislative Audit Bureau; Alex Foundos, City Attorney's Office; Bill Christianson, Comptroller; Terry Siddiqui, DS Consulting, Inc.

Approval of Peraton Contract Amendment. Mr. Shoher stated the Peraton Contract Amendment is a simple contract amendment to extend the contract. He said the company name is Peraton now but the original contract was under a different name and he said the name has changed every few years. He said the negotiations started at a five percent annual increase and it has been negotiated down to a two percent annual increase. Mr. Shoher noted this is a fraction of the cost of stateside resources and said the employees are located in India. He said the employees have expertise in the programming language used to maintain MERITS which is difficult to find in the United States and would be at a considerably higher cost. Mr. Shoher commented that the employees assist with the coding language in the programming in which MERITS is written. Mr. Shoher said Java language was used at that time. Discussion ensued. Mr. Foundos noted he reviewed the 2016 contract and said there was nothing about the contract's legal terms and conditions that he was concerned with. He said the Prompt Payment Policy language was appropriate and acceptable for the amendment. Discussion ensued.

It was moved by Mr. Klusman, and seconded by Ms. King, to approve the Approval of Peraton Contract Amendment.

Approval of Draft ERS 2025 Budget. Mr. Gopalan stated that since the Committee has a new chair, he wanted to go over some items about the budget. He said the administration and operations expenses are funded by the investment earnings of the plan and the Plan is seeded by employer

and employee contributions which are used to generate investment income that funds the benefit payments and the administrative expenses. Mr. Allen said that 75-80% of the money in the Plan comes from investment return. Mr. Gopalan said the ERS has an intergovernmental agreement with the City covering the ERS' administrative expenses. He noted the ERS submits its invoices and bills to the Comptroller's office to get those paid so there is an extra layer of control over the expenses. Mr. Gopalan said the City will pay the ERS' expenses as the invoices are submitted and every month, the ERS will reimburse the City for those ERS-related expenses. He said every March, the expenses from the prior year are reconciled and settle any balances due with the City. Mr. Gopalan said every April, a draft ERS budget is submitted to the A&O Committee which is approved first by the A&O Committee and then by the full Board. Then in May, the ERS' budget is submitted to the F&P Committee, the Common Council, and ultimately, the Mayor approves it. He said the due date is May 14. Mr. Gopalan then talked about the budget and noted the total increase requested is just under \$1.5 million. He said it is higher for 2025 than 2024 because the main driver is salaries at \$6 million resulting from market studies done by DER in 2023. There is still one more market study to implement for 2024. Mr. Gopalan said the fringe benefits are also based on salaries so that increased as well. He said the budgeted fringe rate is 45% of the total salaries which was the same rate in 2024. Mr. Gopalan said there was a decrease of \$466,000 for Professional Services due to a reduction in investment manager fees for 2025. He said because the asset allocation of Public Equities to Fixed Income was lowered, there is a reduction in investment manager fees. Mr. Gopalan noted that the budget does not cover all the investment management fees that are paid to the investment managers, it only covers the ones the ERS is invoiced for. He stated a majority of the investment manager fees are paid directly out of the Fund to the managers. Mr. Gopalan noted in the last audited financial statement for 2022, the total investment fees were \$64 million dollars and that out of the actual budget, about \$10 million are paid. Mr. Allen said all the fees are disclosed in the financial statement including the ones taken out of the assets and not invoiced separately. Mr. Gopalan then discussed the Information Technology expenses and said they increased by \$140,000, due to the hardware replacement cycle and in 2025. Windows 10 is getting mothballed by Microsoft and the desktop computers cannot run Windows 11, so those will be replaced as part of the technology refresh. He talked about the other operating expenses and said the ERS charges an indirect cost for management of non-ERS benefits like Life Insurance and Retiree Health, so the charge is related to salaries and the ERS charges 4.2% of its salaries. Mr. Gopalan discussed the non-trust items and said they administer Group Life, two legacy plans (the Policemen's and Annuity and Benefit Fund (PABF) and the Firefighters' Annuity and Benefit Fund (FABF) that is listed as the Retirees' Benefit Adjustment). He said the PABF closed to new employees in 1948 and one beneficiary is left in the Fund. Mr. Gopalan said for the FABF, there are six members remaining in that Fund. Mr. Gopalan said for Group Life, the City has a contract with SunLife, which can be extended for another three years after the contract ends in 2025. Discussion ensued. Ms. King asked if it was customary to leave the Employer's Pension Contribution area blank on the Draft Budget Request. She said it then looks like the budget declined dramatically. Mr. Gopalan said historically it has been left blank on the draft budget, but the Budget office pays attention to this because it is a large number and affects a lot of things. He said going forward an estimate can be added, pending the actuarial valuation.

It was moved by Ms. King, and seconded by Mr. Klusman, to approve the Approval of Draft ERS 2025 Budget.

It was moved by Ms. King and seconded by Mr. Klusman to adjourn the meeting.

Mr. Heling adjourned the meeting at 9:55 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.)