

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

Minutes of the Regular Meeting  
held May 28, 2024 via teleconference

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

Board Members Present:                   Matthew Bell, Chair  
  Bill Christianson  
  Deborah Ford  
  Timothy Heling  
  Molly King  
  Thomas Klusman  
  Rudolph Konrad

Board Members Not Present:           Nik Kovac (arrived 9:05 a.m.)

Retirement System Staff Present:   Jerry Allen, Executive Director  
  David Silber, Chief Investment Officer  
  Erich Sauer, Deputy Chief Investment Officer  
  Keith Dickerson, Pension Investment Analyst – Sr.  
  Aaron Shew, Pension Investment Analyst – II.  
  Thomas Courtright, Pension Investment Analyst – II.  
  Daniel Gopalan, Chief Financial Officer  
  Gust Petropoulos, Deputy Director – Disability  
  Mary Turk, Business Operations Analyst  
  Jan Wills, Board Stenographer

Others Present: Larry Langer, Aaron Chochon, Cavanaugh Macdonald; Lisa Kasel, Erin Scharlau, Carolyn Stittleburg, Legislative Audit Bureau; Patrick McClain, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc., four members of the public called in to the meeting.

**Regular Meeting.**

**Approval of Minutes.**

**Regular Meeting Held April 23, 2024.** It was moved by Mr. Heling, seconded by Mr. Christianson, and unanimously carried, to approve the minutes of the Regular Meeting Held April 23, 2024.

**Chief Investment Officer Report.** As a matter of information, Board members received the May 28, 2024 Performance Update. Mr. Sauer said the Fund as of April 30, 2024, had a value of \$5.81 billion dollars. He said the Fund return of -2.1% in April, gross of fees, underperformed by approximately 2 basis points, which was close to flat with the benchmark. Mr. Sauer said the primary driver of relative Performance was Public Equity which was a combination of Manager Performance and Style Bias which detracted 8 basis points this month, and the Fund's elevated

weighting in Cash added 7 basis points to the Fund's return. Mr. Sauer added the Fund has underperformed the benchmark in the year-to-date and one-year time periods, while outperforming in the five-, 10-, 15- and 20-year periods. He said as of May 27, 2024, the Fund return is 2.4% month-to-date, bringing the year-to-date return to up 3.1%, and the Fund value to \$5.95 billion. Mr. Sauer noted 10 out of 15 active mandates are outperforming year-to-date. He said the Fixed Income and Absolute Return asset classes are outperforming their respective benchmarks year-to-date. Mr. Sauer said year-to-date, the Fund has an investment change of a positive \$183.9 million, paid benefits and expenses of \$165.9 million, and has received contributions of \$220.8 million. He said the monthly manager withdrawals are \$12.4 million from Brandes, \$9.4 million from BlackRock Global Alpha Tilts, \$7.5 million from MFS, \$6.2 million from DFA International, and \$4.1 million from AQR.

Mr. Silber introduced Aaron Shew who was hired as an Investment Analyst. He said Mr. Shew is a CFA Charterholder and comes to the ERS from SWIB's operations department where he specialized in Private Equity. Messrs. Silber and Bell welcomed Mr. Shew and Mr. Dickerson to the Investment team. Mr. Silber noted the next Investment Committee Meeting is June 6, 2024.

### **New Business.**

**Retirements, Death Claims, and Refunds (April).** Mr. Allen presented the following activity for the month of April 2024.

Administrative Withdrawal	\$7,184.73
Full Refund	\$33,680.19
Active Death Benefits reported	\$0.00
Deferred Death	\$0.00
Deferred Death-Member Only Refund	\$1,308.40
Ordinary Death Benefits reported	\$78,366.04
Retired Death Benefits reported	\$5,859.67
Survivor Death – Termination Benefits reported	\$5,091.10
Refund of Member Contributions paid	\$44,915.84

It was moved by Ms. King, seconded by Mr. Kovac, and unanimously carried, to approve the Retirements, Death Claims, and Refunds report for April 2024.

**Conference Requests – May 2024 Board Meeting.**

Erich Sauer, Loomis Sayles & MFS Due Diligence;  
 Aaron Shew Prologis meeting  
 Sponsor: Loomis Sayles, MFS, Prologis  
 Location: Boston, MA  
 Date(s): July 23-25, 2024  
 Estimated Cost: \$1,750.00 per person

David Silber, 2024 Goldman Sachs Due Diligence;  
 Keith Dickerson Principal Real Asset Meeting  
 Sponsor: Goldman Sachs and Principal Asset Management  
 Location: Seattle, WA  
 Date(s): September 17-19, 2024  
 Estimated Cost: \$1,800.00 per person

Mr. Allen also noted Mr. McClain's request to attend the NAPPA Conference on June 25-28, 2024, in Fort Lauderdale, FL at an estimated cost of \$2,190.00.

It was moved by Ms. Ford, seconded by Mr. Konrad, and unanimously carried, to approve the Conference Requests – May 2024 Board Meeting.

**Medical Reports.**

Mr. Bell advised that the Annuity and Pension Board may vote to convene in closed session on the following item (IV.A. and B.), as provided in Section 19.85(1)(f), Wisconsin State Statutes, for considering financial, medical, social or personal histories or disciplinary data of specific persons, preliminary consideration of specific personnel problems or the investigation of charges against specific persons except where par. (b) applies which, if discussed in public, would be likely to have a substantial adverse effect upon the reputation of any person referred to in such histories or data, or involved in such problems or investigations.

- A. All Duty & Ordinary Disability Applications & Re-examinations (May).
- B. Disability Findings – James L. Gentry Sr.

Mr. Allen presented certifications (May 2024) of the Fire and Police Medical Panel Physicians and the Medical Council relative to Duty & Ordinary Disability Retirement benefits as follows:

**All Duty & Ordinary Disability Applications & Re-examinations (May).**

<u>Police – Applications – Duty</u>	<u>Recommendation</u>
Elmer Montano Effective 03/21/2023	Approval
Andrew Wilkiewicz Effective 12/10/2023	Approval

<u>Police – Applications – Ordinary</u>	<u>Recommendation</u>
Andrew Wilkiewicz	Denial
<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
Teresa Macguire	Approval
William Soderbeck	Approval
<u>General City – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Ibrahim Dais	Approval
Ronald Watson	Approval

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

The Board convened in closed session at 9:19 a.m. and reconvened in open session at 10:13 a.m.

It was moved by Mr. Konrad, seconded by Mr. Heling, and unanimously carried, to approve the Duty & Ordinary Disability Applications & Re-examinations (May).

Mr. Bell presented Hearing Examiner Reilly’s Decision which states “I recommend the Board deny Mr. Gentry’s application for Duty Disability.” Correspondence was also received from the City Attorney’s office dated May 17, 2024 with the conclusion that “Mr. Gentry has not raised any valid basis to question the hearing examiner’s report and recommendation. Respondent therefore asks this Board to accept Judge Reilly’s report and affirm the denial of Mr. Gentry’s DDR application.”

It was moved by Mr. Konrad, seconded by Ms. Ford, and unanimously carried, to approve the Hearing Examiner’s recommendation regarding item IV.B.

**Unfinished Business.**

**Pending Legal Opinions and Service Requests Report.** Mr. McClain stated the Legal Opinion is nearly complete and will be presented at the June Board meeting. He stated it would not disrupt the current practice that is happening with enrolling new hires that are returning to City service into the WRS.

**Pending Legislation Report.** Mr. Allen noted on the previous Service Requests Report that the City Attorney’s Office has completed their review of the proposed second amendment to the investment contract for the USB Hedge Fund Solutions Second Amendment and it will be presented for approval at the June 6 Investment Committee Meeting. Mr. Allen said there is no pending legislation to discuss today.

**Funding of 5.8% Employee Pension Contribution Offset Case Judgment – Presentation by Larry Langer of Cavanaugh Macdonald.** As a matter of information, Board members received from Cavanaugh Macdonald a memo regarding the “Impact of 5.8% Pension Offset Lawsuit on the January 1, 2024 Actuarial Valuation.”

Mr. Langer said Cavanaugh Macdonald is working on the January 1, 2024 Actuarial Valuation which determines contributions for Plan Year 2025, and as part of that valuation, it is necessary to reflect the 5.8% Pension Contribution Offset Lawsuit. He noted there was a 5.8% pension offset payment that the courts ruled should be included in the calculation of benefits and this ruling resulted in an increase in benefits for both current and potential future recipients of these duty disability retirement benefits. Mr. Langer discussed the table that showed the increase in actuarial accrued liability (AAL) for policemen and firemen as of January 1, 2024. He noted the estimated retroactive payments for firemen are \$6.3 million and for policemen, \$2.8 million, for a total of \$9.1 million. Mr. Langer said that this amount is just for payments that did not happen since the 5.8% pension contribution payments would have been made and it dates back to 2017 or 2018. He said there is also an increase in accrued liability for these members for future payments which includes people currently receiving benefits as well as future folks. Mr. Langer said liability for the current members are \$13.3 million and potential future recipients who are actives because there is an assumption that some people might get these benefits and that is reflected in the \$418,000 number. He noted the total accrued liability as of January 1, 2024 is \$22.9 million dollars. Mr. Langer said these liabilities will appear in the January 1, 2024 actuarial valuation which will be presented at next month’s meeting. Mr. Langer said the information received for the 2024 valuations included the annual benefits, retro payments which will be paid in Plan Year 2024. He recommended the contributions for funding the judgement be added to the contributions for only Police and Fire and not allocated to the remaining groups. Discussion ensued.

The Chair called for a break at 10:55 a.m.

The Chair resumed the meeting at 11:05 a.m.

**Update from Comptroller Regarding Year-To-Date Sales Tax Collections.** As a matter of information, Board members received the “City of Milwaukee Sales and Use Tax YTD 2024 Results” from Mr. Christianson. He provided Background, YTD City Sales Tax Distributions, and Seasonality & Scale Up in his presentation. Mr. Christianson stated the sales tax increase went into effect on January 1, 2024 which increased the City sales tax from 5.5% to 7.9%. He said people may notice when dining at restaurants or bars, the 8.4% tax which is because of the exposition center tax which is an additional half-percent tax for food and beverage sales within Milwaukee County. Mr. Christianson said proceeds are collected by the retailers and remitted to the state DOR. He said retailers report sales taxes to the DOR on a monthly basis and the DOR distributes it to the City afterwards. Mr. Christianson noted the City Comptroller’s office is responsible for making revenue estimates in the City’s budget and had estimated \$184 million of revenue which was a conservative figure. He said the City receives distributions around the 25<sup>th</sup> of each month and the first full distribution of \$11.1 million was received in March. Mr. Christianson noted the total 2024 YTD Revenue for February, March, and April was \$46.1 million. He discussed seasonality and said spending patterns are lower in January and February and taxable sales are higher in the summer months and December. Mr. Christianson mentioned Scale Up and

noted retailers implement sales tax slowly when the tax rate is increased. He stated retailers are on the hook for submitting the correct amount of sales tax to the state even if they did not charge the customer and there are interest and penalties of one-and-half percent per month for sales tax that was not remitted to the state. Mr. Christianson concluded that it is too early to project year-end totals, but in August or September, a 2025 Sales Tax Revenue Estimate will be available and distributions received by the City are posted on the DOR website. Discussion ensued.

**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. As a part of this month's report Mr. Allen also presented a succession plan for the ERS Executive Director position due to his intention to retire at the end of December 2025. Discussion ensued.

### **Informational.**

Please be 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.

The Board did not convene in closed session as noticed.

#### 1) Pending Litigation Report.

Mr. McClain noted the most recent news in the 5.8% employee pension contribution offset litigation, which is still ongoing, is that CMERS did achieve a not insignificant victory in which the Court ruled that the Common Fund Doctrine does not apply to this case. He said the plaintiffs were seeking an award of attorneys' fees out of the retroactive amounts that were due to affected members from all three protective service unions - the Police Association, the Police Supervisors Organization and the Milwaukee Professional Firefighters' Union. He said they were seeking a portion of those benefits to be paid directly to the attorneys under the Common Fund Doctrine. Mr. McClain said the city had opposed that, the Milwaukee Police Association also joined the case as a defendant to oppose that and the Court sided with CMERS because the Common Fund Doctrine does not apply in these types of cases. He explained this case is not a true Common Fund case, but an aggregated, individual benefits case. He also stated that ERS benefits are protected by Wisconsin State Statutes, Section 62.634, which says that ERS benefits are not assignable for any reason except for spousal support and child support. He further said a status conference is scheduled for Friday (May 31) to discuss the remainder of the case to get to a final resolution to make these retroactive payments as the ERS has been trying to do since March of last year, but has been prohibited from doing so due to a plaintiff's stay that was imposed in the middle of last year.

Regarding another case, Mr. McClain added that they did get a favorable Court of Appeals decision last month in the case that dealt with the Policemen's and Firemen's Survivorship dissolution bonuses. He said the case goes back a few years but deals with a discrete set of police officers

who began their employment in February 2000 and were attempting to get some benefits applicable to police officers hired in January 2000. He said the Court of Appeals affirmed the prior favorable grant of Summary Judgment that was awarded to the ERS.

- 2) Conferences.
- 3) Class Action Income 2024.
- 4) Adjusted Quarterly Cost Basis of Equity.
- 5) Minutes of the Administration & Operations Committee Meeting Held April 17, 2024.
- 6) Minutes of the Investment Committee Meeting Held April 18, 2024.

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

- 7) Report on Bills.
- 8) Deployment of Assets.
- 9) Securities Lending Revenue and Budget Report.
- 10) Preliminary Performance Report and Asset Allocation.

Mr. Bell accepted and placed the Informational items on file.

There being no further business to come before the meeting, it was moved by Mr. Heling and seconded by Ms. Ford, to adjourn the meeting.

Mr. Bell adjourned the meeting at 11:54 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.)