

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

Minutes of the Regular Meeting
held December 17, 2024 via teleconference

The meeting was called to order at 9:03 a.m.

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

Board Members No Present: Deborah Ford (arrived at 9:05 a.m.)
 Nik Kovac (arrived at 9:21 a.m.)

Retirement System Staff Present: Jerry Allen, Executive Director
 Melody Johnson, Deputy Director
 David Silber, Chief Investment Officer
 Erich Sauer, Deputy Chief Investment Officer
 Keith Dickerson, Pension Investment Analyst – Sr.
 Thomas Courtright, Pension Investment Analyst – II.
 Aaron Shew, 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: Lauren Albanese, Financial Investment News; Justin DeCleene, MPA; Patrick McClain, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc., eight members of the public called in to the meeting.

Regular Meeting.

Approval of Minutes.

Regular Meeting Held November 26, 2024. It was moved by Mr. Bell, seconded by Mr. Christianson, and unanimously carried, to approve the Regular Meeting Held November 26, 2024.

Chief Investment Officer Report. Mr. Sauer noted the Fund value as of November 30, 2024 was \$5.99 billion. He said the Fund return of 1.9% in November, net of fees, underperformed by approximately two basis points. Mr. Sauer said the primary relative performance driver was Public Equity Style Bias, detracting eight basis points, primarily from the Fund's International bias, partially offset by a benefit from the Small bias. He noted for Manager Selection, Aptitude added seven basis points, up 2.8% versus 0.7% for the benchmark. Mr. Sauer said the Fund has

underperformed the benchmark in the year-to-date, one-year, and five-year time periods, while outperforming in the longer time periods. He said as of December 16, 2024, the Fund return is down 0.7% month-to-date, bringing the year-to-date return to up 8.0%, net of fees, and the Fund value to \$5.95 billion. Mr. Sauer noted seven out of 15 active mandates are outperforming year-to-date. He said the Fixed Income, Absolute Return and Real Assets asset classes are outperforming their respective benchmarks year-to-date. Mr. Sauer said year-to-date, the Fund has seen a change in the value of investments of \$470.7 million, paid benefits and expenses of \$496.0 million, and has received contributions of \$244.3 million. He concluded this month's benefits will be paid out of the cash balances and there are no redemptions this month. Discussion ensued.

Mr. Silber said Staff is pleased to have the Fund in a position to meet or exceed the Fund's discount rate and are also comfortable with the asset allocation and cash and liquidity levels. He noted tomorrow the Fed is expected to lower short-term interest rates by another 25 basis points and it could be a market-moving event up or down depending on the Fed's 2025 forecasts for interest rates. He added the Fund's performance and relative performance still look good over the long-term, and the underperformance in the short-term is largely due to how Private Equity is benchmarked. Mr. Silber commented the Private Equity program is better than the median compared to peers based on IRR and TVPI performance. Discussion ensued.

Investment Committee Report. Mr. Klusman said at its December 5th meeting, Callan presented a Glide Path Analysis that they prepared for the Committee. He said that while no decisions were made, there was an excellent discussion about Act 12's impact on the Fund. Mr. Klusman noted the Committee provided valuable feedback, and Callan plans to work with Staff to analyze additional de-risking glide path scenarios to present to the Committee at its February meeting. He said that Staff also provided a performance update for the Fund. Mr. Klusman concluded that there were no approval items at this meeting.

Administration & Operations Committee Report. Mr. Heling stated the Administration & Operations Committee met December 12 and had three items on the agenda. He said the first item was the A&O Committee Audit Charter and Internal Audit Charter. Mr. Heling noted no recommendations were made as they are waiting for a City Attorney opinion, but there was discussion on the LAB (Legislative Audit Bureau) taking over the external audits from Baker Tilly. He said Mr. Gopalan would be giving an ACFR report at this meeting. Mr. Allen stated drafts of both the A&O Committee Audit Charter and Internal Audit Charter are in the Board packets. He said there was just a date change on the Internal Audit Charter and both charters were last updated in June. Mr. Heling also stated Mr. Shober gave a presentation on the IT Projects Portfolio. Mr. Heling said the last agenda item was the Organizational/Personnel Update and the ERS has no vacancies. Discussion ensued.

Approval of A&O Committee Audit Charter and Internal Audit Charter. Mr. Allen said both charters were approved last June with date changes and he reiterated they are still waiting for the City Attorney opinion. No approvals were made at the December 17, 2024 meeting.

New Business.

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

Administrative Withdrawal	\$20,991.05
Full Refund	\$121,163.67
Active Death Benefits reported	\$0.00
Deferred Death	\$0.00
Deferred Death-Member Only Refund	\$3,494.76
Ordinary Death Benefits reported	\$0.00
Retired Death Benefits reported	\$15,340.71
Survivor Death – Termination Benefits reported	\$56,149.26
Refund of Member Contributions paid	\$54,314.70

It was moved by Mr. Bell, seconded by Ms. Ford, and unanimously carried, to approve the Retirements, Death Claims, and Refunds report for November 2024.

Conference Requests – December 2024 Board Meeting. Mr. Allen presented the conference requests for December.

Aaron Shew	DFA Annual Conference
Sponsor:	DFA
Location:	Austin, TX
Date(s):	April 1-3, 2025
Estimated Cost:	\$1,650.00

Aaron Shew	Callan Conference
Sponsor:	Callan
Location:	Scottsdale, AZ
Date(s):	April 27-29, 2025
Estimated Cost:	\$1,700.00

Mr. Sauer requested additional conferences for Mr. Dickerson to attend the Blackrock Institutional Investor conference on March 4-5, 2025 in New York, NY at an estimated cost of \$1,250.00, and for Mr. Courtright to attend the Morgan Stanley Real Assets Investor Conference on March 3-5, 2025 in Miami, FL at an estimated cost of \$1,500.00.

It was moved by Mr. Bell, seconded by Mr. Heling, and unanimously carried, to approve the Conference Requests – December 2024 Board Meeting.

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

Conferring 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 did not convene in closed session as noticed. Mr. Allen said it is not necessary to go into closed session and this matter is in regard to the employer contribution from the Housing Authority and they are delinquent in a second installment. He said HACM made its estimated contribution for 2023 at the beginning of that year, which was based on an estimate in the 2022 actuarial valuation. Mr. Allen noted an experience study was done in 2023 with a reduction in the discount rate to 7.5% resulting in a significant additional contribution that was due. He stated HACM has not paid the additional contribution in the amount of approx.. \$850,000 yet but advises that it will pay the outstanding balance, including the actuarial interest rate from 2023, by the end of 2024. Mr. Allen said employer contributions are mandated by law. Discussion ensued.

Review of 2023 Annual Comprehensive Financial Report (ACFR) – Presentation by Daniel Gopalan. As of matter of information, Board members received the 2023 Annual Comprehensive Financial Report, a copy of which is on file with the Board Secretary and is by reference incorporated as a part of these minutes. Mr. Gopalan gave a presentation on the following topics:

- New Auditors for FY2023
- Different Auditors, Different Audit
- LAB Findings & Recommendations
- Going forward

Mr. Gopalan said under Act 12, the Wisconsin Legislative Audit Bureau (LAB) will be required to perform the audit of ERS' financial statements. He said they check for illegal transactions and report on internal controls. Mr. Gopalan said the previous auditor was Baker Tilly. He said they issue two audit opinions on two different reports – the ACFR and the Schedule of Employer Allocations and Pension Amounts By Employer. Mr. Gopalan said they received an invoice from the Legislative Audit Bureau for \$145,000 and the bill requires Board approval. He asked the LAB for an itemized invoice so the Board and Staff have more detail. Mr. Gopalan said this bill is 50% higher than what Baker Tilly charged, but LAB is doing a little more work on the internal controls and actuarial audit. He said Eide Bailly had been selected as the auditor before Act 12 occurred. Mr. Gopalan said the invoice can be carried over until the itemized bill is received. Discussion ensued. Mr. Bell tabled the motion for the approval of the bill until next month's meeting.

Medical Reports.

Mr. Petropoulos presented certifications (December 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 (December).

<u>Police – Re-examinations – Duty</u>	<u>Recommendation</u>
Natasha Padgett	Approval
<u>General City – Re-examinations – Duty</u>	<u>Recommendation</u>
Sahagian Grimes	Approval
<u>General City – Applications – Ordinary</u>	<u>Recommendation</u>
Adonis Ford Effective 05/23/2024	Approval
<u>General City – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Tarji Heard	Approval

It was moved by Ms. King, seconded by Mr. Konrad, and unanimously carried (with the abstention of Ms. Ford who knows one of the individuals), to approve the Duty & Ordinary Disability Applications & Re-examinations for December.

Unfinished Business.

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)(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.

The Board did not convene in closed session as noticed.

Pending Legal Opinions and Service Requests Report. Mr. McClain said it is a light Legal Opinion report and there are no items to report on.

Pending Legislation Report. Mr. Allen stated there is nothing to report for Pending Legislation.

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 Board Secretary and by reference incorporated as part of these minutes.

Informational.

Mr. Bell 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.

1) Pending Litigation Report.

It was moved by Ms. King, seconded by Ms. Ford, and unanimously carried to convene in closed session 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 10:44 a.m.

The Board reconvened in open session at 11:08 a.m.

- 2) Conferences.
- 3) Class Action Income 2024 YTD.
- 4) Minutes of the Investment Committee Meeting Held December 5, 2024.

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 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. Christianson and seconded by Ms. Ford to adjourn the meeting.

Mr. Bell adjourned the meeting at 11:10 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.)