

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

Minutes of the Investment Committee Meeting  
held September 5, 2024 via teleconference

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

Committee Members Present: Matthew Bell  
Deborah Ford  
Timothy Heling  
Thomas Klusman, Chair  
Rudy Konrad

Committee Members Not Present: Bill Christianson  
Molly King  
Nik Kovac (arrived 9:01 a.m.)

ERS 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.  
Dan Gopalan, Chief Financial Officer  
Jan Wills, Board Stenographer

Others present: Michael Bishopp, Marquis Murry, BlackRock; John Jackson, Mike Joecken, Ashley Kahn, Callan; Travis Gresham, City Attorney's Office; Lauren Albanese, Financial Investment News; Terry Siddiqui, DS Consulting, Inc.; two members of the public called into the meeting.

**Callan 2025 Private Equity Commitment Pacing and Reinvestments Presentation.** As a matter of information, Committee members received from Callan the Callan 2025 Private Equity Commitment Pacing and Reinvestments Presentation document. Ms. Kahn gave a presentation of CMERS' four Private Equity managers consisting of Abbott Capital Management, Mesirow Financial Private Equity Advisors, Neuberger Berman, and Apogem Capital. Ms. Kahn presented on the topics of Private Equity Market Trends, Portfolio Review & Performance Analysis, Commitment Pacing, Managers Profiles, and Conclusion & Recommendations. The 2025 Private Equity Commitment Pacing and Reinvestments Recommendations are \$100 million to NB VI; \$40 million to AP 2025; upsize commitment to MPE IX from \$100 million to \$120 million; upsize commitment to APEF XI from \$30 million to \$40 million. The recommendations are subject to legal review.

**Approval of 2025 Private Equity Commitment Recommendation.** It was moved by Mr. Konrad and seconded by Mr. Heling to approve the Approval of 2025 Private Equity Commitment Recommendation.

**BlackRock Presentation.** As a matter of information, Committee members received from BlackRock the BlackRock Quarterly Review Deck document. Mr. Bishopp gave a presentation to the Committee on Systematic Active Equity (SAE) Overview, Investment Process, Global Alpha Tilts, and Research.

**CMERS 2nd Quarter 2024 Performance Update.** As a matter of information, Committee members received from Staff the CMERS 2nd Quarter 2024 Performance Update. Mr. Sauer's agenda items included Fund Overview, Public Equity, Fixed Income, Absolute Return, Private Equity, and Recent Performance Update. He said for the Market Environment for the quarter that stocks were positive, but not as strong as prior quarters. Mr. Sauer stated bonds were flat, Real Assets were down 1.8%, Private Equity was up significantly at 10.6%, and Absolute Return was up 2.1%. He said the CMERS benchmark was 2.2% for the second quarter. Mr. Sauer talked about the relative performance expectations and how CMERS would be expected to fare against the benchmark. He noted the biases went against CMERS fairly heavily this quarter. Mr. Sauer said there was a continuation of the large-growth magnificent seven tech stocks driving the market which meant that value and small underperformed large and growth. He said there was a slight positive from Fixed Income Credit, and Private Equity at 3.4% did not keep up with the public markets, which is how the Fund benchmarks its Private Equity portfolio.. Mr. Sauer said the CMERS Total Fund for Q2 2024 was 0.7%, net of fees, compared with the CMERS benchmark of 2.2%. Mr. Sauer noted for the long-term time periods for the Total Fund Performance, outperformance is being generated against the benchmark. He said for the ERS Fund Attribution, the main driver of underperformance was Private Equity comparing it to the Public Equity benchmark. Mr. Sauer discussed the Public Equity Portfolio and said it is benchmarked against the ACWI IMI, an index of over 9,000 stocks across developed and emerging markets around the world. Mr. Sauer noted DFA International and Brandes have been doing well as their style has come back in favor, and AQR has also had a strong year. He noted AQR uses valuation in their process and value has been working better in emerging markets than developed markets. Mr. Sauer stated for the Fixed Income Performance, it has been a volatile interest rate environment, but CMERS' Fixed Income portfolio has outperformed in the quarter and outperformed year-to-date with a flat return. He said Fixed Income Managers with outperformance were Reams and Loomis Sayles. Mr. Sauer discussed Absolute Return Managers as a Fixed Income replacement and said it underperformed its benchmark for the quarter, but Staff is happy with how the portfolio is performing as Absolute Return is up 5.3% year-to-date and up 9.9% for the one-year time period while generating outperformance of 1.4%. He mentioned the Private Equity Portfolio and noted Mr. Shew added columns for IRR, TVPI, DPI, and RVPI to the chart, so for a given fund, it can be checked against the IRRs a manager provided and it can also be seen what has been paid in and received back. Mr. Sauer concluded with a Performance Update and noted the ERS Total Fund Market Value as of September 4, 2024 is \$5.99 billion. He said the year-to-date return through June 30, 2024 is 3.5% versus 6.2% for the benchmark. Mr. Sauer said for July 2024 the return was 2.2% versus 1.6% for the benchmark and the early estimate for August 2024 is 1.2% versus 1.5% for the benchmark. He said for September 2024, the Fund and the benchmark are both down 0.6%. Mr. Sauer concluded that year-to-date through September 4, 2024, the Fund is up 6.9% versus 8.8% for the benchmark.

**Dimensional Fund Advisors Due Diligence Report.** As a matter of information, Committee members received from Mr. Courtright a memo regarding his and Mr. Sauer's due diligence meeting on February 27, 2024 with Dimensional Fund Advisors. Mr. Courtright noted CMERS

has three mandates in the public equity portfolio for U.S. Small Cap Value, International Small Cap Value, and U.S. Large Cap Value. He said as of June 30, the amount totals \$496 million which is 8.4% of the Fund's assets which is the largest allocation in the public equity asset class. Mr. Courtright stated Staff has been monitoring DFA's succession plan for quite awhile and the message from DFA is that Messrs. Booth and Sinquefeld, who own the voting control of DFA, do not have any plans to sell their ownership interest in the immediate future. He noted Messrs. Butler and O'Reilly serve as co-CEOs in the organizational structure of DFA. Mr. Courtright stated DFA uses a team approach to managing the portfolios and three managers are assigned to each of the ERS strategies. He mentioned that in 2020, DFA introduced Exchange-Traded Funds (ETFs) to their line-up which has been well-received by the market and DFA has become one of the largest providers of active ETFs of assets under management. Mr. Courtright concluded that DFA remains a strong and stable firm with a disciplined investment process.

**Informational.**

**Chief Investment Officer Report.**

**Preliminary Performance Report and Asset Allocation.**

**Adjusted Quarterly Cost Basis of Equity.**

**Class Action Income 2024 YTD.**

**Callan 2<sup>nd</sup> Quarter 2024 Performance Report.**

Mr. Klusman accepted the Informational items and placed them on file.

It was moved by Mr. Bell and seconded by Mr. Heling to adjourn the meeting. There being no further business, Mr. Klusman adjourned the meeting at 11:31 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.)