

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

Minutes of the Investment Committee Meeting  
held February 13, 2025 via teleconference

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

Committee Members Present:       Matthew Bell  
  Justin DeCleene  
  Deborah Ford, Vice-Chair  
  Timothy Heling  
  Rudy Konrad

Board Members Not Present:       Bill Christianson (arrived 9:08 a.m.)  
  Thomas Klusman, Chair (excused)  
  Nik Kovac (arrived 9:45 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.  
  Thomas Courtright, Pension Investment Analyst – II.  
  Aaron Shew, Pension Investment Analyst – II.  
  Dan Gopalan, Chief Financial Officer  
  Jan Wills, Board Stenographer

Others present: Jason Ellement, Mike Joecken, Callan; Larry Langer, Aaron Chochon, Cavanaugh Macdonald; Patrick McClain, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc.; six members of the public called into the meeting.

**Callan Glide Path Analysis Presentation Phase II.** As a matter of information, Committee members received the Callan Glide Path Analysis Presentation booklet, a copy of which is on file with the Board Secretary and is hereby incorporated in these minutes. Messrs. Joecken and Ellement, gave a Callan Glide Path Analysis Presentation Phase II to the Committee and presented the following topics.

- Background
- Callan 2025 Capital Market Assumptions
- Time Horizon
- Five Glide Paths Examined
- Glide Path Analysis
  - Monte Carlo Simulation
  - \$250M Annual Contribution Cap
- Summary
  - Five Glide Paths are contrasted across the three funding policies
- Appendix
  - No Annual Contribution Cap
  - \$300M Annual Contribution Cap

Ms. Ford, Vice-Chair, called for a break at 11:14 a.m.

Ms. Ford resumed the meeting at 11:25 a.m.

**CMERS 4<sup>TH</sup> Quarter Performance Update.** Mr. Sauer discussed the Market Environment and said stocks and bonds were down in Q4, related to a rise in interest rates as the market reset their expectations on how quickly the Fed would be able to cut rates so the Stock benchmark was down 1.2%, the Fixed Income benchmark was down 3.1%, Real Assets was down 1.4%, Private Equity, due to the lag, was up 6.7%, and Absolute Return was up 1.8%. He stated the overall CMERS benchmark was down 0.6%. Mr. Sauer talked about Relative Performance Expectations and said the Value and Small Bias went against the Fund, Fixed Income Credit went in the Fund's favor, and Private Equity was up 1.7%. He noted the CMERS Total Fund (net) was down 1.6% for the quarter. Mr. Sauer stated the Fund still has outperformance over longer, multiple time periods. He said some of the managers had very good years with Loomis Sayles adding 32 basis points to the relative returns and Morgan Stanley, one of the real estate managers, added 20 basis points. Mr. Sauer then mentioned one of the notable CMERS Manager Events and said Laurel Durkay will join Morgan Stanley's Primate Property Fund team as Chief Investment Officer and who is replacing Josh Meyerberg who left that firm in mid-2024 to join a competitor. He said Scott Brown, the long-time Head of the Prime Property Fund, remains in place with Ms. Durkay reporting to him so there is no change in philosophy or process. Mr. Sauer discussed Public Equity and said that longer term, the Fund still stacks up well with the benchmark. He said for Fixed Income, there was a reset in interest rate expectations during the quarter and when interest rates go up, bond prices go up, bringing the return to the low single digits. Mr. Sauer said Loomis and Reams had nice outperformance in a difficult Fixed Income environment. He talked about Absolute Return and said one of the goals with this portion of the portfolio is to generate positive returns regardless of what stock or bond markets are doing. Mr. Sauer said for the 4<sup>th</sup> quarter, UBS was up 3.0% and Aptitude was up 4.1%, during a quarter when stocks and bonds were down. He noted it was a strong year for both, with UBS up 10.6%, and Aptitude up 13.2%. Mr. Sauer stated for Private Equity, the Fund did not keep up with public markets, but the CMERS program for Private Equity is doing quite well and it has been distributed back from earlier funds. He concluded with a Performance Update and said, as of February 12, 2025, the Fund Value is \$6.13 billion. Mr. Sauer said the January estimate for the Fund is 1.7% versus the benchmark of 1.6% while February is flat for the month with the benchmark rounding down to 0.1%. He stated that through February 12, 2025, the Fund is at 1.7% with the benchmark rounding down to 1.6%.

### **Due Diligence Reports.**

**UBS Hedge Fund Solutions.** Mr. Sauer as well as Mr. Dickerson and Mr. McGuane of Callan's hedge fund research group attended the due diligence meeting with UBS in New York on August 14, 2014. Mr. Sauer and Mr. Heling attend a UBS due diligence meeting with UBS in London on October 8, 2024. He said this was CMERS' first due diligence meeting with UBS since Edoardo Rulli took over the CIO role from Bruce Amlicke. Mr. Sauer said the philosophy and process remain intact, except that Mr. Rulli is more conservative with co-investments. He said there is some reorganization going on in the hedge fund group falling under the reporting line in the broader asset management group, but it is something they do every few years. Mr. Sauer said CMERS remains happy with the portfolio UBS has built and are comfortable with them as a hedge fund-of-funds manager.

**Mesirow Financial.** Mr. Shew, as well as Messrs. Sauer, Dickerson, and Courtright attended the due diligence meeting with Mesirow in Chicago on December 19, 2024. Mr. Shew said Mesirow is one of four Private Equity managers hired to invest the Private Equity allocation via fund-of-funds. He noted the other three managers are Apogem, Abbott, and Neuberger. Mr. Shew stated that since 2010, CMERS has committed \$475 million dollars to Mesirow across five funds beginning with Mesirow Fund V. He said overall the team is happy with Mesirow's performance and the Investment team has been monitoring the succession planning with the senior investment team. Mr. Shew said Marc Sacks (former CEO) and Tom Galuhn (former President) have transitioned to Chairman and Senior Advisor, respectively. He noted both retained their positions on the investment committee. Mr. Shew stated Bob DeBolt transitioned from CIO to CEO and Ryan Fedronich and Kristina Pierce have been promoted to Senior Managing Directors from Managing Directors. He noted there has not been any senior management professional turnover since 2004. Mr. Shew added that Mesirow has launched its inaugural secondaries fund of \$250 million dollars in which they wanted their investors to increase their exposure to this area.

**Polen Capital Management.** Mr. Dickerson and Mr. Silber attended the due diligence meeting with Polen in Boca Raton, Florida on December 10, 2024. Mr. Dickerson said he and Mr. Silber met with Polen's investment management team, trading, and other members of their firm's business operations. He said Polen's level of Assets Under Management has increased from \$57.2 billion to \$63.3 billion since CMERS last visit in 2022. Mr. Dickerson said this was encouraging as Polen is expanding its asset management capabilities into other specialties. He said with respect to Polen's Focus Growth Strategy, Assets Under Management sit at \$46.6 billion, which is a similar amount reported to CMERS in 2022, as Polen has faced performance challenges over the past few years. Mr. Dickerson said they did underperform the benchmark S&P 500 in 2024, but outperformed the same benchmark in 2023. He noted they had a discussion with the investment management team and with Callan about this performance but were comfortable with the rationale provided. Mr. Dickerson said ultimately the Fund has performed in line with its investment objective generating returns over a long-term horizon. He added CMERS received personnel updates from Polen with respect to portfolio management responsibility as well as within the compliance function. Mr. Dickerson said current Co-Portfolio Manager Brandon Ladoff will be handing off his responsibilities to previous Focus Growth Manager Damon Ficklin. He said Mr. Ladoff will be assuming other portfolio management responsibilities within the firm. Mr. Dickerson said Jeff Mueller, the former Director of Research for the Large Company Growth Team, announced his retirement from the asset management industry on December 21, 2023. He noted that since then, Bryan Power was promoted to Director of Research to replace Mr. Mueller. Mr. Dickerson said Lauren Walsh was hired in 2024 as the Chief Compliance Officer. He noted previously Polen had combined its General Counsel role and Chief Compliance Officer role into a single position held by Brian Goldberg. Mr. Dickerson said the roles have been split to provide more comprehensive compliance and legal coverage. He noted that Mr. Goldberg will continue in the role of General Counsel. Mr. Dickerson concluded that CMERS and Callan remain confident in Polen as part of CMERS Large Cap Active Equity Allocation, but will continue to monitor personnel, strategy, performance, and level of assets managed by Polen.

**Earnest Partners.** Mr. Dickerson and Mr. Silber attended the due diligence meeting with Earnest in Atlanta, Georgia on December 11, 2024. Mr. Dickerson said Earnest is responsible for the management of CMERS Mid-Cap Core Equity Strategy. He said they met with Earnest's investment team, trading, and other members of the business operations. Mr. Dickerson said

Earnest's Assets Under Management has increased from \$24.3 billion to \$33.1 billion since CMERS last visit in 2022. He said their Mid-Cap Core Strategy, in which CMERS invests, has \$2.9 billion in Assets Under Management. Mr. Dickerson said Earnest did underperform the benchmark Russell Mid-Cap Core Index in 2024 and performed in-line with the same benchmark in 2023. He said Staff and Callan discussed with Earnest their performance challenges in 2024 and Staff is comfortable with the explanation they provided. Mr. Dickerson said Earnest also provided Staff with their Proprietary Return Pattern Recognition software as well as Proprietary Risk Management software. He said Earnest has remained stable since CMERS last visit in 2022 with no notable changes to report. Mr. Dickerson said CMERS and Callan is confident in Earnest's management of CMERS Mid-Cap Core Strategy, but will continue to monitor strategy, performance, and personnel.

Ms. Ford thanked Callan for their Glide Path presentation today.

It was moved by Mr. Christianson and seconded by Mr. Bell to adjourn the meeting.

There being no further business, Ms. Ford adjourned the meeting at 12:08 p.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.)