

**EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE
MINUTES OF THE MAY 18, 2022 PENSION BOARD MEETING**

1. Call to Order

The Chair called the meeting to order at 8:32 a.m. The meeting was held virtually due to Milwaukee County's and the City of Milwaukee's Stay Safe MKE initiative limiting gatherings in light of the COVID-19 pandemic.

2. Roll Call

Members Present

Nicole Best
Jeffrey Gollner
Kessha Hobson
Jeremy Lucas
Ronald Nelson (Vice Chair)
David Robles (Chair)
Rob Worzalla

Members Excused

Himanshu Parikh

Others Present

Jacob Augustine, Senior Compliance and Research Analyst - Retirement Plan Services
Erika Bronikowski, Director - Retirement Plan Services
Annamarie Kirsanoff – Retirement Plan Services
Turkessa McCoy, Member Engagement-Project Manager - Retirement Plan Services
Natasha Ford, Office Administrative Assistant - Retirement Plan Services
Stephanie Sasscer, Paralegal - Office of Corporation Counsel
Judd Taback, Assistant Corporation Counsel
Dan Laurila, Operating Budget Manager - Milwaukee County
Christopher Caparelli, Marquette Associates, Inc.
Brett Christenson, Marquette Associates, Inc.
Jessica Culotti, Reinhart Boerner Van Deuren s.c.
Geoff Bridges, Segal
Ptryk Tabernacki, Segal
Matt Strom, Segal
Lauren Albanese, Financial Investment News
Damaris Rivera, Fairview Capital

3. Chairperson's Report

The Chair called the May 18, 2022 Pension Board meeting to order. He noted his comments would be brief. The Chair stated there have been a number of

developments that are having a substantial impact on the markets. He noted this will be covered by Marquette in their investment presentation. The Chair explained the Board will also be looking back at 2021 with the actuarial report.

4. Minutes

(a) Meeting Minutes – April 20, 2022

The Chair stated the minutes of the April 20, 2022 Pension Board meeting were distributed to the Board and called for any comments, questions, additions or corrections. Seeing none, the Chair stated he would entertain a motion to approve the minutes.

The Pension Board voted by voice vote to approve the minutes of the April 20, 2022 Pension Board meeting. Motion by Ms. Best, seconded by Mr. Lucas.

5. Investment Report

(a) Monthly Update

The Chair welcomed Mr. Caparelli and Mr. Christenson from Marquette Associates and asked them to present their report.

Mr. Caparelli began with a review of the markets. He stated that the data through the end of the April reaffirms that 2022 has been a tough environment for investors across the globe and asset classes. Mr. Caparelli explained that the U.S. and non-U.S. stock markets as well as the U.S. bond market have had a tough year so far. What is strange about this is that it is occurring at the same time. Mr. Caparelli clarified that historically, there have been periods when the stock market is down and periods where the bond market is down, but they are not usually both down at the same time.

For April, the S&P 500 was down 8.7% for the month with year-to-date returns of -12.9%. Mr. Caparelli noted that the May numbers continue to be low. In reviewing the style index returns, Mr. Caparelli stated that value, which has had a tough 10 to 15 years, has held up better this year than growth. He noted that the other side to this is the bond market. The aggregate index through the end of April was down 9.5%. Mr. Caparelli explained that the higher interest rate environment is driving the negative returns on the Fixed Income side. In looking at the yield curve, rates moved up fairly dramatically over the last six months. For example, the 10-year U.S. treasury bond benchmark started the year with a yield of 1.5%, it ended the quarter at approximately 2.3%, and at one point recently hit above 3.1%. Mr. Caparelli commented that it is a much different interest rate environment today than six months ago, and this is driven by the Federal Reserve. The Federal Reserve has raised interest rates two times so far, and the market is expecting by the end of this year for the rates to be 2.75% to 3%. Mr. Caparelli stated this readjustment and repricing is causing the volatility

in both in the stock and bond market. Mr. Caparelli clarified that there are some bright spots in the alternative asset classes like Real Estate, Infrastructure and Private Equity. Even if those assets classes are not all producing positive returns, they are helping to cushion the negative returns occurring elsewhere. Mr. Caparelli called for any questions before continuing to the next section of the presentation.

In response to a question from the Chair regarding ERS' investments in Private Debt, Mr. Caparelli stated that the Private Debt investments tend to have floating rates. Because of this, Private Debt is not entirely but somewhat protected from rising interest rates. Mr. Caparelli noted that a greater concern is that historically when the Fed engages in an interest rate tightening cycle, it can go too far and tip the economy into a recession. When that occurs, as it pertains to Private Debt, companies' abilities to pay back loans can be more of a challenge, which can lead to more bankruptcies and defaults.

Mr. Christenson continued by reviewing the ERS Portfolio. He stated he first wanted to review the status of the Board's recent rebalancing efforts. Mr. Christenson explained that ERS has approximately \$20 million coming from ABS and \$20 million from Morgan Stanley. He noted the UBS redemption is now at approximately \$28 million because there has been some positive performance. Overall, ERS has approximately \$70 million coming out of Real Estate and Hedged Equity. With these redemptions in mind, Mr. Christenson discussed the policy to targets for the Portfolio. The Portfolio is underweight in Fixed Income, but that is offset slightly by the Real Estate overweight. Mr. Christenson noted that overweight is being balanced with the redemptions from Morgan Stanley and ABS. The Portfolio is overweight on Infrastructure, but Mr. Christenson stated that Marquette is not recommending redemptions right now because the lag time to enter those funds is two years, and there is a queue to get into those funds. ERS does not want to pull out too much and be caught underweight in the current environment. While the Portfolio is also overweight in Private Equity, that overweight is a direct result of the incredible returns over the last few years. Mr. Christenson noted that the returns for the first quarter will likely be positive, but in the second quarter, there are likely to be more negative returns because typically Private Equity lags the stock market.

Continuing with the targets, Mr. Christenson stated ERS is approximately \$31.6 million underweight to U.S. Equity and \$63.7 million underweight to International Equity. Mr. Christenson explained that because of the overweight in Private Equity, ERS does not want to double dip in the higher risk asset classes by also being overweight on the traditional equity. Therefore, the underweight here is not a concern.

Mr. Christenson next discussed the Portfolio returns. He stated that the overall Portfolio was down 4% for the month of April with year-to-date returns of negative 6.4%. Mr. Christenson explained that the markets are tough right now, and typically when these bear markets appear, there is not much warning. The

best thing to do is buckle down, and when the dust settles, the rebalancing can start. Mr. Christenson noted that while negative returns are always hard, ERS in the first quarter was down about 2.9% and that has been adjusted about to -2.5%. The top percentile of ERS' peer group was down 2.5% and the median public pension fund was down 4.9%. Therefore, ERS preserved a full 2% of capital in the first quarter. In reviewing the returns for April, ERS did slightly underperform on Fixed Income down 4.1% versus 3.8% for the benchmark. ERS outperformed in U.S. Equity down 7.9% versus -9% for the benchmark. International Equity was in line with the benchmark. Mr. Christenson noted that the alternative assets classes are doing what they are supposed to be doing in this environment. Real Estate, Infrastructure and Private Equity have not provided returns yet, but there should be positive returns when the second quarter ends.

Mr. Christenson continued by highlighting some of the managers. Overall, the managers are doing well in a difficult market. Galliard was in line with the benchmark, and TCW was only down 12.8% compared to the -14% benchmark. Boston Partners was down 4.6% compared to the -5.6% benchmark. Silvercrest is in line with the benchmark, and QMA is down 4.5% versus the -9% benchmark. Real Estate is up 7.3% in the first quarter with American Realty up 8%, Morgan Stanley and UBS are both up 7%. Infrastructure is up 1.6%. Mr. Christenson noted that these portfolios are helping to preserve capital during this market. He called for questions from the Board. Seeing none, the Chair thanked Mr. Christenson and Mr. Caparelli for their reports.

6. Investment Committee Report – May 10, 2022

The Chair asked the Vice Chair to provide a report on the May Investment Committee meeting. The Vice Chair stated that the Committee heard a market review similar to what the Board heard today. He noted it is a tough time right now, but the Portfolio is maintaining fairly well in this environment.

The Vice Chair stated that the Committee also heard a presentation from one of the Private Equity managers who is soliciting funding for another fund. He noted this is a minority-owned firm that has done a good job for ERS thus far. The Vice Chair noted that the Committee discussed the need to continually reinvest in Private Equity because it continually divests returns to ERS as funds close. Therefore, to maintain a certain target asset allocation, funds need to be reinvested.

The Vice Chair next explained that the Committee also talked about Russian divestment, which was raised by the Milwaukee County Board of Supervisors. The Vice Chair noted the Board will discuss several of these topics again in closed session.

7. Governance Committee Report – May 4, 2022

The Chair asked Mr. Gollner to present the Governance Committee report. Mr. Gollner stated the Governance Committee had a special meeting to finalize the hiring of a board portal provider. He noted the Board will talk further about this later in the meeting. Ms. Bronikowski also provided some updates on the ERS Strategic Plan and indicated that RPS was on track to meet all of its goals.

Mr. Gollner noted that the Committee also discussed the status of the Board effectiveness assessment, which has been slightly delayed due to some contract negotiation obstacles.

The Chair thanked Mr. Gollner for his report, and noted that after further review of board portal vendors, the Committee did make a recommendation, which will be discussed in closed session.

8. Appeals and Rules Committee Report – May 5, 2022

The Chair stated that the Appeals and Rules Committee heard some appeals, which the Board will address in June due to the notice requirements in the Rule. The Chair noted there was not sufficient time between the May Committee meeting and the May Board meeting to provide notice to the parties.

The Chair continued by explaining that the Committee further reviewed whether it is feasible and advisable to implement a grace period for a member to change their form of benefit election. The Committee heard from a representative from the Wisconsin Retirement System (“WRS”), which does provide a grace period for its members. The Committee discussed how WRS operates the grace period, how many individuals take advantage of it and some of the obstacles that can occur.

The Chair next stated that, as the Board knows, RPS is in the final stages of the V10 upgrade. Testing has already begun and RPS is on track for the August go-live date. The Chair noted that if there are changes or modifications, such as a grace period, that will result in additional expense.

The Committee further discussed two Rule amendments that are on the Board’s agenda and will be discussed further in closed session. The Committee’s final agenda item was a report with regard to the Disability Retirement Workgroup. The Chair stated that the Workgroup will be meeting again next week to address issues related to worker’s compensation and offsets.

9. 2021 Valuation Report

The Chair welcomed Mr. Bridges to the meeting and asked him to present his update on the valuation report. Mr. Bridges explained that Segal is here to present the final ERS valuation report. Segal previously presented the preliminary results and the results have not changed. Mr. Bridges explained that he will review the highlights and a few items of note.

First, Mr. Bridges reminded the Board that the valuation report is completed as of January 1. Therefore, the high investment returns provided in the report does not reflect the negative returns in 2022.

Mr. Bridges then discussed the actuarial value of assets. He explained that when Segal performs the valuation, they smooth out the assets from year-to-year to bring down the volatility that is inherent in this type of portfolio. Mr. Bridges reviewed the determination for 2021 with the Board. He explained the market value of assets at the end of the year were \$1.97 billion, which recognizes a gain of approximately \$174 million. Mr. Bridges clarified that Segal defers most of this gain. With 90% deferred, that leaves an unrecognized amount of \$157 million. Adding up all of the last 10 years of unrecognized amounts results in approximately \$200 million. Therefore, when Segal performs the valuation, they treat it as if the Portfolio only had \$1.763 billion. In considering the losses in 2022, ERS has approximately a \$207 million cushion of unrecognized assets, which is about 10%. Mr. Bridges clarified that if ERS has a year with returns that are 10% lower than the benchmark, ERS would lose approximately \$200 million over the year, which would essentially mean that the market value and the actuarial value would be approximately the same. Mr. Bridges noted ERS does have some cushion for bad news.

Mr. Bridges continued by reviewing the actuarial determined contributions. He explained that Segal looks at the budget from last year, calculates this year's actual contributions and then determines next year's budget contributions. Mr. Bridges noted that the 2022 budget was \$74 million, and the actual contribution was \$72.5 million. For 2023, Segal calculated the budget contributions to be \$72 million. Mr. Bridges clarified that Segal will be performing an experience study this year and reviewing all of ERS' assumptions. He noted Segal does this every five years. Mr. Bridges explained that the Board has previously discussed that this study will include a review of the assumed rate of return, which is one of the most important assumptions. He stated that it is likely Segal will recommend reducing the assumed rate of return, which will increase the liabilities and result in higher costs. This budget number does not reflect any changes to the assumptions, so the Board should be aware of this.

Mr. Bridges next reviewed the OBRA valuation. He noted OBRA is overfunded this year, meaning the assets are more than the liabilities. Mr. Bridges clarified that Segal is still calculating a contribution of approximately \$189,000, which will cover expenses and the normal cost. He noted the normal cost is the cost of the benefits that are being earned by the members.

The Chair commented that the report states that there is a 2% cost-of-living adjustment. He clarified that this is a fixed 2% adjustment each year and it carries forward each year. Accordingly, as time moves forward, it is no longer 2% because it decreases overtime. The Chair stated that it is not really a cost of living adjustment. The Chair questioned how Segal takes this into account. Mr. Bridges stated that the Chair is correct that this is a simple fixed amount, and Segal's

calculations reflect this amount in the retiree's benefit each year. Mr. Bridges noted that Segal could add a note to the valuation that clarifies it is a fixed adjustment.

In response to a question from Mr. Lucas, Mr. Bridges stated that as the Board knows, this is a volatile market. If ERS misses the target return of 7.5% and misses it by 10%, ERS would lose approximately \$200 million. However, only \$20 million of that is recognized and the remaining is amortized over 20 years. In terms of immediate cost, it would be approximately \$1.7 million in the 2023 contribution.

The Chair noted there is a good illustration of this principle on page 17 of the report in terms of how smoothing works overtime. He explained that what smoothing does is prevents wild swings in terms of the County's contributions. Mr. Bridges agreed and noted that he wanted to briefly discuss how Segal calculates member contribution rates. He stated that Segal deferred a lot of the gains, and therefore, the member contribution rates remained consistent with last year's rates. The Chair called for questions and seeing none thanked Mr. Bridges for his presentation.

The Pension Board voted unanimously to approve the 2021 valuation report as presented by Segal. Motion by the Chair, seconded by Mr. Lucas.

Mr. Bridges thanked the Board for its time and noted that Segal is finalizing the letter from the Chair to the County and would have it ready in time for the June 1 deadline.

The Chair then moved that the Pension Board adjourn into closed session under Section 19.85(1)(g), Wis. Stats., with respect to items 10(a) through 11(c) for the purpose of the Board receiving oral or written advice from legal counsel concerning strategy to be adopted with respect to pending or possible litigation, and under Section 19.85(1)(e), Wis. Stats., with respect to items 12(a) and 13 for considering the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session. At the conclusion of the closed session, the Board may reconvene in open session to take whatever actions it may deem necessary concerning these matters.

The Pension Board agreed by voice vote of 7-0 to enter into closed session to discuss items 10(a) through 13. Motion by the Chair, seconded by Ms. Hobson.

10. Appeals and Rules Committee Closed Session Items

(a) Proposed Amendments Regarding Pension Board Rule 1033

The Pension Board discussed this item in closed session.

(b) Proposed Amendments Regarding Pension Board Rule 1034

The Pension Board discussed this item in closed session.

11. Investment Committee Closed Session Items

(a) Private Equity Discussion

The Pension Board discussed this item in closed session.

(b) Divestment from Russian Investments

The Pension Board discussed this item in closed session.

(c) Assumed Rate of Return

The Pension Board discussed this item in closed session and took no action.

12. Governance Committee Closed Session Items

(a) Board Portal Procurement

The Pension Board discussed this item in closed session.

13. Actuarial Services RFP Evaluation Committee

The Pension Board discussed this item in closed session.

The Pension Board agreed by voice vote of 7-0 to return to open session.

After returning to open session, the Pension Board had the following discussions and made the following motions.

(a) Proposed Amendments Regarding Pension Board Rule 1033

The Chair stated the Board discussed the proposed amendments to Rule 1033. He stated the proposed amendments would permit a beneficiary to disclaim benefits within a certain time frame. The Chair explained that this situation recently came up where a beneficiary wished to waive their right to a benefit so that other beneficiaries could receive the benefit. There is not currently an express provision in ERS that would allow a beneficiary to waive their rights to a benefit, so these amendments would allow this, subject to certain limitations.

The Pension Board unanimously voted to approve the amendments to Rule 1033, attached to these minutes as Exhibit A. Motion by Mr. Gollner, seconded by the Chair.

(b) Proposed Amendments Regarding Pension Board Rule 1034

The Chair stated the Board discussed the proposed amendments to Rule 1034. He stated the amendments relate to the timing of election for the retiree Pension Board seat. By moving the voting time period slightly, it will save ERS money because RPS will not need to send a separate mailing regarding the election and

the election information can be included with the monthly mailing. The Chair clarified that this will not affect anyone's ability to vote or the time to make a decision with regard to the candidates, but it will save money.

The Pension Board unanimously voted to approve the amendments to Rule 1034, attached to these minutes as Exhibit B. Motion by the Chair, seconded by Mr. Gollner.

(c) Private Equity Discussion

The Chair stated that the Board discussed information and received recommendations from Marquette Associates and the Investment Committee with regard to additional Private Equity investments. He explained that after discussion and review of the options, the recommendation from the Committee and Marquette is to invest \$35 million in the Private Equity portfolio, and for the upcoming year, invest \$10 million with Fairview and \$25 million with BPEA.

Based on the recommendation from the Investment Committee, the Pension Board unanimously voted to pursue Private Equity investments with Fairview at \$10 million and BPEA at \$25 million. Motion by Mr. Nelson, seconded by Ms. Best.

(d) Russian Divestments

The Chair explained that the issue of divestment from Russian investments was raised by the County Board and came before the Investment Committee. Marquette Associates looked into whether or not ERS has investments with Russian companies. One manager was identified that has a very limited position in Russian companies, and it is the intent of that manager to divest from those companies as soon as it is possible. The Chair noted that investment is in an indexed fund.

The Chair stated that Pension Board discussed a proposal to issue a statement with regard to ERS' Russian investments. This statement, if approved, will be provided to the County Executive, County Board Chair and other County leaders.

The Pension Board unanimously voted to issue the statement below with regard to ERS' exposure to Russian investments. Motion by the Chair, seconded by Ms. Hobson.

The Pension Board and its Investment Consultant have reviewed the ERS portfolio with respect to investments in Russian companies. As of May 10, 2022, only one investment manager in the ERS portfolio has any Russian company investments, this within an index fund that included Russian

companies. Once the Ukraine war began, the Russian companies were removed from the index - the manager intends to divest from these companies when market trading resumes. Since the current market value of these companies in the index is zero, their value in the ERS portfolio is also zero.

(e) Board Portal Procurement

The Chair stated that the Board also reviewed the recommendation from the Governance Committee related to the hiring of a board portal provider. The Committee reviewed a number of proposals and heard from those providers. All Trustees also had an opportunity to engage in a trial of each portal. After this review, the Committee has recommended that the Board retain Aprio.

Based on the recommendation from the Governance Committee, the Pension Board unanimously voted to retain and pursue a contract with Aprio for Board portal services. Motion by Mr. Gollner, seconded by Mr. Lucas.

(f) Actuarial Service RFP Evaluation Committee

Ms. Bronikowski explained that last month, the Pension Board approved the actuarial services RFP. She stated the current actuary's contract is up at the end of this year and the Pension Board is issuing an RFP. She noted the current actuary is welcome to respond. The RFP will be administered by the County's procurement division, and the evaluation committee will have representation from the Comptroller's Office, the Office of Risk Management, Retirement Plan Services and the Pension Board.

The Chair stated that because the actuary is under the purview of the Actuarial, Audit and Risk Committee, the Pension Board representation should come from that Committee. He clarified that it has been the practice for the Pension Board representatives on an evaluation committee to abstain from Committee or Board action with regard to the RFP.

The Pension Board unanimously voted to delegate the selection of the Pension Board representative on the evaluation panel for the actuarial services RFP to the Actuarial, Audit and Risk Chair. Motion by the Chair, seconded by Mr. Worzalla.

14. RPS Reports

(a) RPS Director Report

Ms. Bronikowski began her report with an update on the County's reopening plans. She stated that the plans have been delayed again as COVID rates and hospitalizations increase in Milwaukee. Ms. Bronikowski stated RPS does not

have a set date to reopen. The RPS staff is continuing to work on a hybrid, rotational basis. RPS recently hired a clerical specialist, and a new retirement analyst. Ms. Bronikowski explained this leaves RPS with four vacancies, including the Fiscal Officer role that cannot be permanently filled until later this year due to the temporary assignment. RPS also has a retirement analyst vacancy as well as a clerical specialist position. RPS is reviewing candidates and interviewing for those positions. Ms. Bronikowski noted that the final open position is a systems compliance and research analyst, which RPS just received approval to fill. She explained that position is currently posted, and she is hoping to have the retirement analyst, the clerical specialist and the systems compliance and research analyst filled by the end of June.

Ms. Bronikowski continued by reviewing the projects that RPS is working on. She stated they continue the work on the V10 upgrade. RPS is beginning user acceptance testing and is on track for the August go-live date. Ms. Bronikowski reminded the Board that as she mentioned last month, RPS is pausing prescheduled retirement appointments for the month of August. Those members who wanted August appointments are moving to July or September. Ms. Bronikowski clarified that if someone needs to retire in August, they can still come to the RPS office and complete an emergency retirement.

In addition to the upgrade, RPS is finalizing the annual report and the annual audit. RPS is preparing to send out 2,000 OBRA packets to those members who are eligible to receive benefits. Ms. Bronikowski stated another project RPS is working on is the annual earned income mailing. She explained that accidental disability retirement pensioners must report the income they receive each year outside of their pension benefits. RPS sent follow-up letters to the 50 members who have not yet responded. After the July 1 deadline, RPS will bring a list of the non-compliant members to the Board to approve a suspension of their pension payments until they provide the required information. Once the information is provided, RPS will reinstate their benefits and pay any amounts owed to them.

Ms. Bronikowski continued by explaining the final project she wanted to highlight for the Board – the Annual Pension Board Meeting. She stated that the content went live on May 1 and will remain for the month of May. Ms. Bronikowski clarified that historically, the Pension Board held a meeting in April that provided information on the investments and the Pension Board's work over the last year. It was well attended by retirees, usually about 200 in attendance. In addition to the Board members and the investment consultant, the actuary, the County Executive and the Comptroller also attended. Because of COVID, Ms. Bronikowski noted the Board has not held in person sessions. Therefore, the information has been made available on the website, including content from the County Executive, the Pension Board Chair, the investment consultant, the actuary and RPS.

In response to a question from Ms. Hobson, Ms. Bronikowski stated that she does not have a specific date when the Pension Board may be able to meet in person again. Historically, Pension Board Committees met at the courthouse, but the current capacity limits would need to be lifted before Committees could meet again.

(b) Retirements Processed

The Chair asked Ms. Bronikowski to present the Retirements Processed Report. Ms. Bronikowski stated she provided the Board with the April report. There were 18 retirements in April, 6 were deferred vested members and 12 were active retirements. Of the 12 active retirements, 6 elected backDROPs. One of those backDROPs was approximately \$18,000 and the remaining 5 were between \$118,000 and \$218,000. Ms. Bronikowski stated RPS is processing 20 retirements for May.

(c) Fiscal Reports

The Chair asked Ms. Kirsanoff to present the Fiscal Officer report. Ms. Kirsanoff stated that the Board received the Portfolio Activity Report for April and the Funds Approved Report. She explained that as of April 30, the net plan assets are \$1.8 billion. Ms. Kirsanoff noted that ERS saw an overall decrease of \$62.5 million over the period from March 31 to April 30, 2022. She stated that as Marquette noted, most of the asset classes were down. ERS saw a \$37.6 million decrease in U.S. Equity, \$14 million decrease in International Equity and \$11 million decrease in Fixed Income. Ms. Kirsanoff stated that due to available cash, ERS did not have to raise funds for April but will need to raise funds for May.

Ms. Kirsanoff continued by reviewing the distributions and capital calls in April. She stated there were 6 distributions in April totaling \$24,648,742, including \$2,274,638 from UBS Trumbull and \$21 million from Parametric. There was only one capital call in April, \$58 million for the initial funding for Neuberger Berman.

Ms. Kirsanoff next reviewed the Funds Approved Report. She stated that at the December Pension Board meeting \$110 million was approved for the estimated first half of 2022 needs. There was a surplus in the fourth quarter of 2021 of \$1.5 million, leaving a total of \$111.5 million for the first half of 2022. Ms. Kirsanoff reported that \$17.5 million was required for January, \$18.5 million for February, \$20 million for March, \$18 million for April and an estimated \$18.5 million for May. She noted this leaves \$19 million in surplus for the first half of the year, which should be sufficient. Ms. Kirsanoff explained that she is requesting approval of \$110 million from the Pension Board for the estimated needs for the second half of 2022.

15. Administrative Matters

(a) Funding Requests for Second Half of 2022

The Chair stated that Ms. Kirsanoff explained as part of her Fiscal Officer report her request for approval of \$110 million for the third and fourth quarter of 2022 needs.

The Pension Board unanimously voted to approve the liquidation of assets to fund cash flow of \$110 million for the second half of 2022 funding needs. The amounts should be withdrawn from investments designated by Marquette. Motion by the Chair, seconded by Mr. Nelson.

(b) Conference Attendance for Assistant Corporation Counsel: NAPPA (National Association of Public Pension Attorneys) Annual Legal Education Conference

Mr. Taback explained that he is requesting to attend the NAPPA conference in June. He stated this is the premier public pension attorney conference. Last year, it was held virtually, but this year it is in person in Louisville, Kentucky. Mr. Taback explained there will be very valuable presentations, including a presentation from the Texas Teachers' Retirement System on diversity, equity and inclusion, which aligns with the County's mission. There are also presentations on fiduciary duties and open records, which is also useful for the Pension Board. Mr. Taback stated he will also be attending an ethics presentation on balancing the different roles when an attorney represents both a plan sponsor and a fiduciary board. In addition, Ms. Culotti will be part of a panel on reemployment, which is an issue that arises in the County as well.

Mr. Taback stated he is requesting that the Pension Board approve funding for the registration fee and reasonable travel costs associated with attending the conference.

The Pension Board unanimously voted to approve the payment of the conference fee and travel costs to allow Mr. Taback to attend the 2022 NAPPA Annual Legal Education Conference. Motion by Mr. Nelson, seconded by the Chair.

16. Adjournment

The meeting adjourned at 11:24 a.m.

Submitted by Erika Bronikowski,
Secretary of the Pension Board

EXHIBIT A

AMENDMENTS TO THE RULES OF THE PENSION BOARD OF THE EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE

RECITALS

1. Section 201.24(8.1) of the Milwaukee County Code of General Ordinances (the "Ordinances") provides that the Pension Board of the Employees' Retirement System of the County of Milwaukee (the "Pension Board") is responsible for the general administration and operation of the Employees' Retirement System of the County of Milwaukee ("ERS").

2. The Ordinances and Rules allow ERS members to designate a beneficiary to receive benefits payable upon the member's death. There have been instances where the designated beneficiary does not wish to receive the benefits.

3. The Internal Revenue Code allows beneficiaries to disclaim benefits under certain circumstances. However, because the Ordinances and Rules provide that benefits shall be paid to a designated beneficiary or the default beneficiary in the Plan, it is not clear that ERS could accept a disclaimer as the Plan is currently written.

4. The Pension Board would like to offer the option for designated beneficiaries to disclaim benefits under certain circumstances. Accordingly, the Pension Board desires to adopt amendments to Rule 1033 to provide for disclaimers.

RESOLUTIONS

Effective May 18, 2022, the Pension Board hereby amends Rule 1033 to read as follows:

Rule 1033. Disclaimer and Waiver of Benefits

1) Member Wavier.

- (a) *Waiver.* Notwithstanding anything to the contrary within section 201.24 of the Milwaukee County Code of General Ordinances, a member may, in accordance with this Rule 1033, waive the member's right to all or part of the benefit otherwise payable to the member. The member may also waive the member's right to elect to receive the benefit payable to the member in a certain form of benefit described in section 201.24 of the Milwaukee County Code of General Ordinances or these rules. The acceptance of an executed waiver provides the retirement system with additional assets and allows the Pension Board to better project the estimated actuarial cost of providing benefits to members. Any executed waiver which is accepted by the Pension Board irrevocably relinquishes the member's property and contract rights to benefits or to a form of benefit, as described in the applicable executed waiver.

- (b) *Conditions of Waiver.* For a waiver to be accepted by the Pension Board as a valid and binding waiver, all of the conditions listed below must be satisfied. The failure to satisfy one of the conditions shall invalidate the waiver ab initio.
 - (1) The member shall represent that he or she has executed the waiver knowingly and willingly. The member shall also represent that he or she has had ample opportunity to review and understand the provisions of the waiver and the effect of the waiver on the member's benefits. The member shall further represent that he or she has had an opportunity to review and discuss the waiver with legal counsel or other financial or personal advisors, if the member so desires.
 - (2) The waiver shall be executed in a form and manner approved by the Pension Board when the waiver is accepted, using only the waiver documents approved by the Pension Board which may be amended from time to time.
 - (3) The waiver shall state that it is irrevocable.
 - (c) *Effect of Waiver.* Any opinions to the Pension Board regarding the tax, legal and other effects of a waiver may not be relied upon by the member in connection with determining the impact of a member's execution of a benefit waiver on that member's financial, tax or other similar circumstances.
 - (d) *Acceptance of Waiver.* Waivers must be accepted by the Pension Board at a public meeting of that body before such waiver may take effect. Upon the Pension Board's acceptance of a waiver, the waiver shall be considered effective, retroactive to the date the member executed the waiver. The Pension Board shall accept waivers at the Pension Board's periodic meetings in the same manner as the Pension Board approves retirements granted to members.
- 2) *Beneficiary Disclaimer.* A surviving Spouse or other Beneficiary entitled to any benefits from ERS because of a Member's death may disclaim their right to the benefit if:
- a. The individual files the disclaimer form approved by the Pension Board with RPS;
 - b. The disclaimer form is filed with RPS within the later of:
 - i. nine months after the date of the Member's death, or
 - ii. the day on which the individual attains age 21; and
 - c. The disclaimer form is filed with RPS before any benefits are paid to the individual.

Any disclaimer shall be irrevocable and shall be notarized. Upon receipt of a valid disclaimer form, the benefit shall be paid as if the individual disclaiming the benefit predeceased the Member.

EXHIBIT B

AMENDMENTS TO THE RULES OF THE PENSION BOARD OF THE EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE

RECITALS

1. Section 201.24(8.1) of the Milwaukee County Code of General Ordinances (the "Ordinances") provides that the Pension Board of the Employees' Retirement System of the County of Milwaukee (the "Pension Board") is responsible for the general administration and operation of the Employees' Retirement System of the County of Milwaukee ("ERS").
2. Rule 1034 provides procedures for electing the retiree member of the Pension Board. Subsection 2(d) provides for a primary election and requires that all ballots be received or completed by the last day of August.
3. Retirement Plan Services ("RPS") has advised that this deadline requires RPS to send out a separate mailing to the retirees, which costs approximately \$6,000. To save these costs, RPS would like to change the deadline and include the necessary information in the monthly newsletter.
4. Based on the information provided by RPS, the Pension Board desires to adopt amendments to Rule 1034 to change the deadline for retiree ballots to be received.

RESOLUTIONS

Effective May 18, 2022, the Pension Board hereby amends Rule 1034(2) to read as follows:

Rule 1034. Election of retiree member of board.

- (2) *Election Process Timeline.* The initial term for the elected retiree member shall begin as of November 1, 2004. Subsequent regular terms shall begin as of November 1 of an applicable year. Special election timelines and different term effective dates shall apply in the event of a vacancy in this position as provided in section (9) of this Rule. In years during which a regular election of the retiree member would occur, the following timeline shall apply, provided that, if the date of any deadline falls on a weekend or holiday, the deadline shall be extended until 4:30 p.m. of the next business day.
 - (a) *Notice of Election and Ability to Seek Nomination.* The Retirement Office shall send this Notice to retirees with monthly checks or automatic deposit notices by May 31 for a renewal term or the end of the month it is first feasible to do so for a special election.

- (b) *Nomination Deadline.* Complete nomination papers must be received in the Retirement Office by 4:30 p.m. on the last business day of June or the last business day of the month following the month established by section 2(a) for a special election.
- (c) *Notice of Candidates for Primary Election and Date of Primary Election.* The 300 word combined resumes and statements of the candidate shall be communicated to retirees by the Retirement Office with the retirees' monthly checks or automatic deposits notices by the last business day of July or by the last business day of the month following the month established by section 2(b) for a special election. At the same time, the Retirement Office shall send the paper ballot, if one is to be used, or, if a telephonic and/or computer-based internet ballot system is to be used, shall send instructions for the methods of voting, with voter identification and password. If only two candidates file valid nomination papers, this primary election shall be the final election.
- (d) *Primary Election Date.* If necessary, a primary election shall be held. Paper ballots must be received in the Retirement Office, and electronic or telephonic ballots must be completed, by 4:30 p.m. on August 15th or the next business day thereafter or by the last business day of the month following the month established by section (2)(c) for a special election. If only two candidates file valid nomination papers, this shall be the deadline for receipt or completion of ballots for the final election.
- (e) *Notice of Candidates for Final Election and Date of Final Election.* The Retirement Office shall send results of the primary election, resumes and statements of candidates for the final election, if necessary, and the paper ballot or instructions for computer or telephonic voting for the final election to retirees with monthly checks or automatic deposit notices by the last business day of September or the last business day of the month following the month established by section (2)(d) for a special election.
- (f) *Final Election.* If necessary, the final election shall be held. Paper ballots must be received in the Retirement Office, and electronic or telephonic ballots must be completed, by 4:30 p.m. on October 15th or the next business day thereafter or the last business day of the month following the month established by section (2)(e) for a special election.
- (g) *Commencement of Service.* Service begins on November 1 or on the first day of the month following the month established by section (2)(d) for a special election, with the expectation that the retiree member would be available to attend the regularly scheduled Pension Board meeting for that month.