

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

Minutes of the Administration and Operations Committee Meeting
held September 18, 2025 via teleconference

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

Committee Members Present: Timothy Heling, Chair
Justin DeCleene

Committee Members Not Present: Bill Christianson (arrived 9:12 a.m.)

ERS Staff Present: Bernard Allen, Executive Director
David Silber, Chief Investment Officer
Erich Sauer, Deputy Chief Investment Officer
Dan Gopalan, Chief Financial Officer
Jeff Shober, Chief Technology Officer
Mary Turk, Business Operations Analyst
Jan Wills, Board Stenographer

Others Present: Brian Boguski, Daniel Ludwig, Brian Pye, CLA; Patrick McClain, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc.; one member of the public called in to the meeting.

Internal Audit Status Update – Presentation by CliftonLarsonAllen (CLA).

Business Continuity Planning Audit. As a matter of information, Committee members received the Business Continuity and Disaster Recovery Internal Audit document. Mr. Ludwig introduced himself and noted he is the Engagement Director for CliftonLarsonAllen and provides oversight with the engagements for CMERS. Mr. Ludwig introduced Mr. Boguski who said he is one of the main engagement managers who works closely with Messrs. Ludwig and Siddiqui and the CMERS team. Mr. Ludwig also introduced Mr. Pye who is a principal in Business Risk Services. Mr. Ludwig said these are the last two audits from the 2024 Engagement to close out that year. Mr. Boguski discussed the Business Continuity and Disaster Recovery Internal Audit performed by CLA. He stated their objective was to evaluate and test the processes, controls, and procedures currently in place for CMERS against best practices. He said they were also responsible for identifying deficiencies with the internal controls and operating effectiveness. Mr. Boguski said they made sure CMERS processes were robust as well as documented and effective for mitigating or reducing risk to business continuity in the event of a potential disaster. He noted for the Executive Summary, there were no findings or control deficiencies found and the maturity level is listed as defined, so the CMERS plan is at a mature, adequate, and defined level for operations. Mr. Boguski said for Observations, Recommendations, and Management Responses, it is a totally clean report. Discussion ensued. Mr. Ludwig said the report has been consistent with no findings in 10 years.

IT General Controls Audit. As a matter of information, Committee members received the Information Technology General Controls Internal Audit document. Mr. Heling advised that the Administration & Operations Committee may vote to convene in closed session on the following item, as provided in Section 19.85(1)(d), to consider “strategy for crime detection and prevention.” The Committee may then vote to reconvene in open session following the closed session.

Mr. Allen added the reason the open meetings law is being invoked is because CMERS IT network operates in a continually increasing threat environment.

It was moved by Mr. Heling, and seconded by Mr. DeCleene to convene in closed session. The motion prevailed by the following roll call: AYES: Messrs. DeCleene and Heling. NOES: None.

The Committee convened in closed session at 9:12 a.m.

Mr. Christianson arrived at 9:12 a.m.

The Committee re-convened in closed session at 9:21 a.m.

Presentation of 2024 Annual Comprehensive Financial Report (ACFR) – by Daniel Gopalan.

As a matter of information, Committee members received the 2024 Annual Comprehensive Financial Report (ACFR) Review and Annual Comprehensive Financial Report documents. Mr. Gopalan provided background on the audit and stated that under Wisconsin 2023 Act 12, the Wisconsin Legislative Audit Bureau (LAB) is required to perform an annual audit of ERS’ financial statements, review for any illegal transactions, and report on ERS’ internal controls. He noted it is the second year of LAB auditing ERS. Mr. Gopalan said they also performed an actuarial audit of ERS’ third party actuarial consultants. He said LAB reported their audits to the Wisconsin Joint Legislative Audit Committee. For the audit results, Mr. Gopalan said the ERS received an unqualified opinion, which is a clean opinion, for the financial statements. He noted there were no material weaknesses in the internal controls or findings related to financial reporting. Mr. Gopalan added that the 2024 audit process was much smoother than the initial financial audit for 2023. He said the 2024 audit was completed in August and in 2023, there were some delays with the ACFR issued in November. Mr. Gopalan added that LAB’s audit communication to the Board stated the LAB did not encounter any significant difficulties or disagreements with ERS management and there were no significant unusual transactions or uncorrected material misstatements identified by LAB. He said LAB had one finding where nine employees were incorrectly enrolled in the ERS instead of the WRS. Messrs. Allen and Gopalan said that was out of 818 new hires in 2024. Mr. Gopalan said this was the first year the new enrollment procedures were implemented under Act 12. He said the ERS identified the nine who were incorrectly enrolled and the nine enrollees are corrected or in the process of being corrected. Mr. Allen said seven of them came from the City agencies and were being rehired. He said Act 12 permits people to return to the ERS upon rehire if they come back to the same job they had before they left. Mr. Allen said the agencies had no way of knowing the persons had withdrawn their member contributions and as a result had no rights to further ERS benefits. Mr. Gopalan said the nine employees were identified, had their pension plan enrollment corrected, and refunded any contributions they made to the ERS. He said, going forward, they will flag any new ERS enrollments to trigger a manual review by ERS staff.

Mr. Gopalan said the ERS is stepping up education efforts with the hiring departments and personnel on the pension plan enrollment eligibility to reduce the risk of incorrect enrollments going forward. Mr. Heling asked what the ERS does for the WRS. Mr. Gopalan said he is the City's designated agent for the Wisconsin Retirement System. He said it has to be reported when any new employees are eligible to join the WRS, or when they terminate. Mr. Gopalan said they also report wages that are pensionable to the WRS, as well as employee or employer contributions. He then showed several slides that showed some trends in ERS' finances. Mr. Gopalan pointed to a slide that highlights the funded ratio under GASB 67. He stated the funded ratio is ERS' net position which is the assets minus the liabilities, divided by a total pension liability. Mr. Gopalan said it dropped from a high point of 93.46% in 2021, to 78.41% in 2021, as a result of some negative investment earnings. He said in 2023, it dropped again by almost 5%, as a result of Act 12's reducing the discount rate from 7.5% to 6.8%, but in 2024, it went up slightly, due to the interest earnings attaining the discount rate of 6.8%. Mr. Gopalan said the ERS wants to get as close as possible to 100%. He pointed to another slide which shows CMERS revenue from 2019 to 2024 and shows the employer and employee contributions and net investment income, and with all the years combined, the net investment income is 79% of revenue. Mr. Gopalan said the contributions in 2019 were \$129 million and in 2024, \$250 million. Mr. Gopalan pointed to another slide and noted in 2019, the ERS had over \$400 million in benefit payments, and in 2024, over \$491 million, and benefit payments will continue to grow until 2050 when payments top out over \$700 million. Mr. Gopalan said going forward, the ERS has already started implementing the recommendations from LAB and has communicated this to the Wisconsin Legislative Joint Audit Committee. He noted the employer contributions have increased almost 300% since 2019, but Act 12 sales tax proceeds will provide a dedicated source of funding to the ERS for the next 29 years. Mr. Gopalan said it is important to get the funded ratio as close to 100% as possible in the next 29 years to provide stability to our employers and anyone else making contributions. He concluded that overall, the ERS remains financially stable, with the funded status increasing slightly, even though the ERS paid out almost \$500 million in benefits. Mr. Heling added that it is pretty eye-opening that 80% of the income comes from investing.

Approval of Annual Report of the Annuity & Pension Board 87th Edition, December 31, 2024. It was moved by Mr. Heling and seconded by Mr. Christianson to approve the Approval of Annual Report of the Annuity & Pension Board 87th Edition, December 31, 2024.

IT Projects Portfolio. As a matter of information, Committee members received the IT Projects Portfolio. Mr. Shober discussed the ongoing and completed IT projects. Discussion ensued.

Organizational/Personnel Update. Mr. Heling noted that the ERS is working with DER to fill the Fiscal Services Assistant position. Mr. Allen then summarized the management succession plan due to upcoming retirements. He stated Ms. Johnson, Deputy Director, who handles the human resource function, will be retiring early in 2026 and Ms. Katrina Bailey, who handles the disability function, is promoted to Human Resources Administrator. Mr. Allen stated she brings 20 years of experience with MPD and Human Resources to her role. He said at next month's Finance and Personnel meeting, the ERS will be asking for authority to fill Ms. Johnson's position. Mr. Allen noted Mr. Gopalan, Chief Financial Officer, a position Ms. Johnson also held, will be promoted to the Deputy Director position, a position that can be appointed by the Executive

Director. He concluded that there are special meetings scheduled October 1st and 2nd in connection with the succession of the Executive Director as well.

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

Mr. Heling adjourned the meeting at 9:45 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.