EMPLOYES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE
ANNUITY AND PENSION BOARD

Minutes of the Administration and Operations Committee Meeting
held June 17, 2026 via teleconference

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

Committee Members Present:	Bill Christianson, Chair Jerry Allen Justin DeCleene Timothy Heling
ERS Staff Present:	Patrick McClain, Executive Director Erich Sauer, Deputy Chief Investment Officer Dan Gopalan, Deputy Director Jeff Shober, Chief Technology Officer Mary Turk, Business Operations Analyst Jan Wills, Board Stenographer

Others Present: Brian Boguski, Dan Ludwig, Brian Pye, CliftonLarsonAllen (CLA); John Barmore, ERS Annuity and Pension Board Trustee; Lauri Rollings, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc., no members of the public called in to the meeting.

Mr. Christianson welcomed Mr. Allen to the A&O Committee and noted Mr. Allen brings a lot of experience and a wealth of knowledge and the A&O Committee is happy to have him on board.

Internal Audit Update – CliftonLarsonAllen (CLA). As a matter of information, Committee members received the Internal Audit Update document. Mr. Ludwig went over the Executive Summary, 2025 Audit Plan, and 2026 Audit Plan for the ERS. Mr. Ludwig stated there was a presentation of the Internal Vulnerability Assessments on December 17, 2025. He noted that the remaining Accounting and Finance Audit is underway and will be completed and presented during the September 2026 A&O Committee Meeting. He said the CMERS team provided all the information to complete the audit and was transparent about all the information provided. Mr. Ludwig said as part of CLA's testing, they look at the Benefit Calculation process, and they test various types of benefit payments as part of the benefit payment process. He said they look at disability payments, standard service requirement payments, and they look at some exceptional things, such as employment termination payment, or survivor benefit payment. Mr. Ludwig said there were no identified issues during the course of this testing. Discussion ensued.

Benefit Payroll Audit Report. As a matter of information, Committee members received the Benefit Payroll Audit Report. Mr. Ludwig noted the Benefit Calculation Process is the process by which benefit payments are calculated for each of the participants within the pension plan. He presented information on Background, Internal Controls Assessment Objectives and Scope, Procedures Performed, Audit and Assessment Results – Executive Summary, Observations, Recommendations, and Management Responses, Closing, and Appendix.

Investments Audit Report. As a matter of information, Committee members received the Investments Audit Report. Mr. Ludwig noted the Investment team, led by Messrs. Silber and Sauer, is highly transparent, quick to provide information, thorough, and competent; and a great team in providing to CLA's needs in a timely manner. He said there were no issues with the Investment Management Audit. Mr. Ludwig said some of the things they looked at were the service selection and termination process, including how a new investment broker is selected or a consultant that would support the Investment Management team. He stated they also looked at the contract review process, the management and board of directors' approval process, how contracts are managed, looked at performance analysis and reconciliation, due diligence and review that Mr. Silber and his team do during the course of the year to ensure the investment brokers are doing what they are supposed to be doing and that there are not any issues with those brokers that would cause investments to become more imperiled or at risk. Mr. Ludwig said they look at the calculation and approval of the payment to the investment managers for their further fees and the process that goes through. He said they look at the invoice review and reconciliation process, the investment policy compliance process and policies that are in place to make sure they are regularly reviewed and updated. Mr. Ludwig said they look at the management order reporting process and the sufficiency of that as it pertains to the assets to make sure that is in compliance and complete. He stated they look at system access restrictions and making sure the appropriate people have access to the systems, most notably Northern Trust as well as with the CMERS's banking relationships. Mr. Ludwig also said they make sure there is organizational resilience so that, if there is turnover within the organization, other team members within the department are capable of stepping up to provide support. He noted the processes here are in the defined state which is the sweet spot where one wants to be within an organization that largely has a lot of manual processes involved and, in this case, the reconciliation of fees and making sure those are properly calculated and paid out. Mr. Ludwig said they are looking at the approval process and review process performed by the A&O Committee and the Board and making sure those things are in place. He said they also look at the selection of investment brokers and how the contracts are managed. Mr. Ludwig stated they did not have any issues with any of the areas that they tested and did not have any findings or process improvement opportunities at this time to share with the Committee. He said the Investment team does an exceptional job and this process is well-worn and true, and the team continues to perform at a great level. Mr. Ludwig said there is organizational resilience in the event that there is turnover as everyone is in a capable and competent position to do so in the event they are called upon.

Governance/COSO Audit Report. As a matter of information, Committee members received the "COSO 2013 Assessment of Entity Level Controls City of Milwaukee Employes' Retirement System" document. Mr. Ludwig noted the objective of the COSO 2013 Controls Framework Assessment is to review and evaluate the entity level processes and controls that are in place and evaluate them against leading practices of a COSO internal control integrated framework. He stated this framework is universal to organizations and the guiding principles of COSO are common to all organizations. Mr. Ludwig said there are five components to COSO and they are the Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities. Mr. McClain noted the reports are not marked for approval but the Committee just needs to accept the reports and place them on file. Mr. Ludwig referred the Committee back to the 2026 Audit Plan. He said CLA would be providing another report in Q3 2026 for Finance and Accounting. Mr. Ludwig said the 2026 Audit Plan is based on a rotation plan that was collaboratively worked on with the CMERS team. He said the plan lists the hours budget, budgeted cost, target start dates and the list of items to be audited. Mr. Christianson thanked the CLA team for their work on the audits and the CMERS team for their excellent work demonstrated by the glowing audit report.

Approval of A&O Committee Internal Audit Charter. Mr. McClain noted the date of the Committee meeting shifted to accommodate a change in the Finance & Personnel Committee's schedule, and thanked the Committee members for accommodating the change. He said the Internal Audit Charter is a routine item and it establishes the objectives and responsibilities relative to the internal audit. Mr. McClain said that because the charter is permanently in force, this item is more of a renewal than a new approval. By the Charter's terms, it must be reviewed annually and updated on an "as required" basis. He noted that there are not really any substantive changes from the last time the internal audit charter was approved. This is a routine governance matter designed to make sure the Committee annually reviews the charter and makes a recommendation to the Board for approval.

It was moved by Mr. Allen, and seconded by Mr. Heling to approve the Approval of A&O Committee Internal Audit Charter.

Mr. McClain said two items are marked for closed session and before going into closed session, he would give some introductory remarks. He said item III. relates to an RFP for Internal Audit Services. ERS engages internal audit services and the contract with the existing auditor, CLA, ends at the end of this year. Mr. McClain said in accordance with best practices, an RFP was sent out and a number of responses were received. He noted the Committee needs to go into closed session to discuss the competitive bids that were received. Mr. McClain said the next item marked for closed session relates to a security hardening project for the ERS office spaces and has been briefly discussed by the Board before. He said the ERS received two separate work proposals for that project and the Committee needs to go into closed session to discuss those competitive bids.

Mr. Christianson advised that the Administration and Operations Committee may vote to convene in closed session on the following items (III.) and (IV.), as provided in Section 19.85 (1) (e), Wisconsin Statutes, for deliberating or negotiating 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 Committee may then vote to reconvene in open session following the closed session.

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

The Committee convened in closed session at 9:52 a.m.

The Committee re-convened in open session at 10:23 a.m.

Review of Results of RFP for Internal Audit Services and Approval of Vendor Selection. It was moved by Mr. Heling, and seconded by Mr. Allen to approve the Approval of Vendor Selection, as discussed in closed session.

Approval of Front Desk Security Hardening Project Proposal. It was moved by Mr. DeCleene, and seconded by Mr. Christianson to approve the Approval of Front Desk Security Hardening Project Proposal, as discussed in closed session.

Remote Office Lease Discussion. Mr. McClain stated this item was placed on the agenda in response to an inquiry from a Trustee, Trustee John Barmore, who was attending the Committee meeting. He said the ERS maintains a remote office space as a cornerstone of its business continuity (BCP) and disaster recovery plans (DRP). Mr. McClain said Mr. Barmore had a question of whether the ERS' current plan expense was suitable for these needs. He stated it is always a matter of good governance to review what ERS is doing and to make sure our plans and costs align with ERS's strategic needs. Mr. McClain said the item is on the agenda to give a historical background of the remote office, its costs and purposes, and to allow the Committee and Board to have some input on whether or not it is suitable. He went over the background, purposes and costs associated with the remote office space. Mr. McClain noted the remote office space is located at Two Park Place on the City's northwest side and is the key component of ERS' BCP and DRP. He said the A&O Audit Charter require the system to develop a BCP and DRP and to ensure that the organization has a comprehensive policy on risk management. Mr. McClain stated as a matter of policy, the system has elected to comply with what is called the NIST 800-53 Cybersecurity Standards. He said NIST is the National Institute of Standards and Technology and publishes best practices and guidance for developing a variety of different policies, but particularly cybersecurity and disaster recovery planning from an IT perspective. Mr. McClain said that the NIST 800-53 standard really drives the selection and design of ERS's remote office space. He said NIST 800-53 directs agencies to address the potential for cyber attacks and disasters by establishing what is called an alternate processing site, which can handle essential business functions while the primary site is out of action. Mr. McClain said the standards require the alternate processing site to be geographically separated from the primary site. For obvious reasons, if there is some sort of natural disaster or a local grid outage that is shutting down the primary site, the remote site should be situated far enough away that it is less likely to be affected by those things. He said the remote office site was selected for its location and favorable leasing costs, and is designed to provide mission-essential capabilities in the event the primary office space goes down for some reason. Mission-essential capabilities include running MERITS, processing payroll, and meeting with members. He said an important thing to note is that our compliance with the NIST standards is disclosed to the ERS' fiduciary liability insurance carriers, and is a critical factor in ERS getting the most favorable insurance rates. He noted Mr. Allen was instrumental in putting this beneficial policy in place and maintaining the remote office site. Mr. McClain said if there were ever a change to ERS's compliance with the NIST standards, it would require disclosure to ERS' insurance carriers. Discussion ensued.

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. McClain stated that ERS will be conducting oral board examinations for the Benefit Services Specialist position on June 23rd and 25th, and the position will be filled shortly thereafter. For the Chief Financial Officer position, the job announcement bulletin is being drafted with the intention of posting it for internal promotion. The Office Assistant III position is currently filled by Gloria, the main receptionist at the Front Desk; and the Records Technician II works in the Records Room, the scanning room, and also provides backup to the Front Desk area. ERS is trying to fill those positions quickly in order to avoid staffing gaps at the front desk. He said a lot of people have been stepping in whenever there has been a vacancy at the front desk and ERS is working hard to fill these positions relatively quickly. To accomplish that goal, ERS is piggybacking on an existing Office Assistant III eligible list that was created for the Board of Zoning Appeals. ERS is hoping to make at least one, and possibly both appointments from that list. Mr. McClain said that ERS had received a two-week notice on Monday from Keith Dickerson, one of ERS's two Investment Analyst – Seniors. Keith was offered a great opportunity at a private firm and elected to take it. Mr. McClain said it will be a loss for the organization and ERS will certainly miss Keith on the Investment team. Mr. McClain said a new posting for the position will be going out as soon as possible.

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

Mr. Christianson adjourned the meeting at 10:56 a.m.

Patrick J. McClain
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 Employes' Retirement System, 789 N. Water Street, Suite 300.