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

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

The meeting was called to order at 9:30 a.m.

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

Others Present: John Barmore, ERS Annuity and Pension Board Trustee; Alex Foundos, Lauri Rollings, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc., one member of the public called in to the meeting.

Presentation of 2025 Annual Comprehensive Financial Report (ACFR) – by Daniel Gopalan. As a matter of information, Committee members received the "2025 Annual Comprehensive Financial Report and Audit Review" booklets. Mr. Gopalan stated he would go over the ACFR and the audit at a high level since he had presented the financial statements to the Board in July. He noted there were no changes to the financial statements since July. Mr. Gopalan stated the auditors issued an unmodified audit opinion or a clean audit opinion on the ERS's financial statements. He noted the audit revealed zero material weaknesses and no significant deficiencies in the ERS's internal controls. Mr. Gopalan said there were no instances of non-compliance with any statutory or legal requirements. He stated it was a clean audit with no findings, and no internal control deficiencies or statutory issues were identified by LAB (Legislative Audit Bureau). Mr. Gopalan said the audit represents not only the Accounting Department's hard work, but ERS as a whole. Management has focused on setting strong internal controls and ensuring those controls are followed to make sure ERS pays everyone as required and has enough funds available to do that. Total fiduciary net position grew to $6.5 billion as of December 31, 2025 which was an 8.4% increase over the prior year. Mr. Gopalan said investment income was the main driver of that growth. Net investment income was $756 million, which was up from $408.5 million in 2024. Net investment return for the year came in at 12.9%, which was a strong return. ERS outperformed its five-year average return, net of fees, of 8.1%. Mr. Gopalan noted the discount rate assumption is capped at 6.8% per 2023 Wisconsin Act 12. He provided a snapshot of the operational cash flows,

which excludes investment activities because the majority of the ERS's investment income is unrealized gains. Mr. Gopalan stated for the operational cash flow, the actuarially required employer contributions totaled almost $221 million. He said of the $221 million, $141.3 million was funded through the City's new sales under Act 12, which covered 64% of employer contributions. Mr. Gopalan said that on the outflow side, the ERS dispersed almost $500 million of benefit payments across nearly 14,000 retirees and beneficiaries. The average annual pension payment is $35,323. He said for the pension liabilities and funded ratio, the ERS's strong asset growth directly improved the ERS's net pension liability. He said the total pension liability increased to $8.2 billion due to unexpected increases in salaries and the plan assets also increased faster to $6.4 billion dollars. As a result, the net pension liability decreased by about $300 million dollars (from $2.1 billion to $1.8 billion). Mr. Gopalan noted the funded ratio went up to 77.8%. He stated for operations and governance, the administrative expenses were $10.1 million in 2025, with staff salaries making up 54% of that cost. Mr. Gopalan said the 9% increase over 2024 was driven by planned IT upgrades and professional fees. LAB conducted an independent actuarial audit and they confirmed that the ERS's valuation methods comply with both the Governmental Accounting Standards Board and actuarial standards of practice. Mr. Gopalan said the auditing actuary, Milliman, had two technical recommendations related to the mortality tables. The first recommendation was to update the ERS's contingent annuitants mortality assumption by using the retiree mortality tables rather than the contingent beneficiary tables. Mr. Gopalan said CavMac will continue to look at that recommendation as part of the upcoming 2027 experience study. He stated the other recommendation is for CavMac to use updated mortality tables as part of the valuation. Mr. Gopalan noted they currently use the Pub 2110 mortality tables with an update with projections through 2019. He said CavMac would review those mortality tables as part of their experience study as well. Mr. Gopalan stated they would get both of those recommendations addressed next year as part of the experience study. Going forward, ERS will work to speed up the issuance of the financial statements. Mr. Gopalan noted they are working closely with LAB to increase efficiencies in order to get the financial statements out in a more timely manner. The goal is to get the 2026 ACFR issued by the end of June 2027. Mr. Gopalan concluded that the ERS remains financially stable with the ERS's funded status increasing slightly from 2024. He thanked the Staff for their work on the ACFR, particularly the assistance from Investments, IT, and Member Services. Discussion ensued.

Approval of CliftonLarsonAllen (CLA) Contract for Internal Audit Services.

Mr. McClain stated the items were noticed for closed session because both contracts have not yet been approved and are potentially subject to further negotiations.

Mr. Christianson advised that the Administration & Operations Committee may vote to convene in closed session on the following items (II.) and (III.), as provided in Section 19.85 (1) (e), Wisconsin Statutes, to deliberate or negotiate 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 Administration & Operations 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 9:42 a.m.

The Committee re-convened in open session at 9:53 a.m.

It was moved by Mr. DeCleene and seconded by Mr. Heling, to approve the Approval of CliftonLarsonAllen (CLA) Contract for Internal Audit Services as discussed in closed session. The motion passed by unanimous consent.

Approval of Cavanaugh Macdonald Consulting, LLC Contract for Actuarial Services. It was moved by Mr. Heling and seconded by Mr. Christianson to approve the Approval of Cavanaugh Macdonald Consulting, LLC Contract for Actuarial Services as discussed in closed session. The motion passed by unanimous consent.

Approval of Annual Report of the Annuity & Pension Board 88th Edition, December 31, 2025. As a matter of information, Committee members received the "Annual Report of the Annuity & Pension Board 88th Edition, December 31, 2025." Mr. Gopalan said this was essentially the 132-page ACFR distilled down into two pages. He noted this will be sent out at the end of September to all retirees receiving a benefit, and is included with the mailing containing direct deposit notices or checks. Mr. Gopalan said all the information has been audited and is based off the ACFR.

It was moved by Mr. Heling and seconded by Mr. DeCleene to approve the Approval of Annual Report of the Annuity & Pension Board 88th Edition, December 31, 2025. The motion passed by unanimous consent.

Approval of Legislative Audit Bureau Invoice for the 2025 Audit. Mr. Gopalan said that under Wisconsin Act 12, the LAB is required to do a financial audit of ERS and to bill ERS for the cost of the audit. He said that in April, the LAB sent a quote for $145,000 for the 2025 audit. Mr. Gopalan said the actual invoice is for $129,372.50. He said in the past, ERS has hit the budgeted amount, but this year, as LAB has gotten to know how ERS works, the invoice is for less than $145,000. Mr. McClain stated that state law gives the LAB the ability to conduct the audit and to bill the system for the audit, but, as was discussed last year, the Board still has an independent fiduciary obligation to ensure the fees are reasonable. He said paying this bill is not just a ministerial action, but is something that the Board will be presented with each year. He said the amount that is being billed is reasonable for the scope of the work that was performed, so Staff recommends approval of this item. Discussion ensued.

It was moved by Mr. Christianson and seconded by Mr. Heling to approve the Approval of Legislative Audit Bureau Invoice for the 2025 Audit. The motion passed by unanimous consent.

Approval of Medical Council Alternate Doctor – Joel Smukowski, MD. As a matter of information, Committee members received from Mr. Petropoulos a memo regarding "Medical Council Alternate Doctor – Joel Smukowski, MD." Mr. Petropoulos said there is not much more

to add other than what is in the memo. He stated the concern he had was that the Council's alternate doctor would be at a remote location and there is a need to have someone available in the event of the last-minute unavailability of one of the regular members of the Council. Dr. Smukowski is local and would be available in such circumstances. The Medical Council has examined Dr. Smukowski's qualifications and recommend him for service on the Council. Discussion ensued. Mr. McClain noted that because a new doctor will be coming on board, Mr. Petropoulos has arranged for General Counsel Lauri Rollings to provide legal training for the entire Medical Council on November 6th. He said it would be a nice welcome for the new doctor and an opportunity to introduce him to the concepts he will experience on the Medical Council. Mr. McClain said that if any Trustee would like to attend the training, they are more than welcome. He said a couple of Trustees have attended in the past. It is certainly not required, but it provides a good peek into the DDR (Duty Disability Retirement) process. Mr. Allen confirmed with Mr. McClain that the Medical Council is a public meeting, unless they are talking about any individual's medical situation. Mr. Christianson asked if there are alternates as well as retainer fees paid to alternates and a maximum number of alternates needed. Mr. Petropoulos said historically he would like to have two alternates, but there is not any limit on how many alternates the ERS could have. He said there is no retainer and it is simply an hourly rate that all the Medical Council members have agreed to in the past and the same rate will be presented to Dr. Smukowski. Upon approval at this meeting and at the Board meeting, Dr. Smukowski will be presented with a formal contract that is the same as that presented to other members of the Council. Mr. McClain noted that the Council is comprised of three physicians and as long as three physicians are present, the requirements under Chapter 36 are met. Mr. Petropoulos stated that the Medical Council meetings cannot be held without three members and it is important to have a couple of alternates available. He said without three members, it would delay the process of applications and re-exams.

It was moved by Mr. DeCleene and seconded by Mr. Heling to approve the Approval of Medical Council Alternate Doctor – Joel Smukowski, MD. The motion passed by unanimous consent.

Consider Approving the Posting of Trustee Election Candidate Campaign Materials on the CMERS Website. As a matter of information, Committee members received the candidates' biographical information form for the 2026 At Large Active Member Election. Mr. McClain stated each individual who is running for a Trustee position is asked to fill out a form so information about the candidates and their platforms can be provided to the voting constituency that elects them. He said the bios are printed and go out with the ballot mailings to each member who will be voting in the election. Mr. McClain said there was a request from a Trustee to post the bios on the cmers.com website as an opportunity for members to have easier access to the information. The item is on the Committee agenda for discussion because it is something that is new, but does not necessarily require a formal vote of approval or a change to any of the rules. Because it is the first time ERS would do this, Staff simply wanted to get the Committee's and Board's feedback on whether they like the idea. Mr. Allen said the motivation behind this proposal is enhanced transparency. He said the current election and many of the elections are for active members, but there are elections for retirees, and there are also inactive participants who do not have voting rights but still have an interest in the Fund whether or not they can vote in any specific election. Mr. Allen said it would enhance transparency not only to post the bios, but also to allow the candidates to post their campaign materials on the cmers.com website. Mr. Allen said when active candidates post their flyers at City Hall, retirees would not see those materials unless they went to

City Hall. He thought it would be a good idea to post on the website because the cost of sending the materials out is substantial, and candidates cannot typically afford to send it to all the 28,000 or 29,000 ERS members. Mr. Allen said candidates, as a practical matter, would be confined to sending out their materials to constituency groups and the electorate as an active member election involves around 7,500 members. Mr. McClain added that the ERS reaches out to the various City departments to ask for their assistance in allowing candidates to post materials on the billboards available in each department. He said this idea would be similar to CMERS providing a billboard, only on the website instead of a physical location. Mr. McClain said it facilitates distribution of information to a wider audience, especially for retirees who are not in City buildings very frequently. Mr. Allen said what prompted his request was an extended conversation with an inactive member over the last couple of years about voting rights for inactive members, as inactive members do not have voting rights. He stated inactive members terminated employment with the City, but have the same financial interest in their benefits and they are eventually going to be eligible to withdraw benefits at retirement. Mr. Allen said inactive members do not have any voting rights, but they do have a financial interest in the Fund and want to keep track of what is going on. Discussion ensued.

It was moved by DeCleene and seconded by Mr. Heling to approve the Posting of Trustee Election Candidate Campaign Materials on the CMERS Website. The motion passed by unanimous consent.

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's Chief Technology Officer, Jeff Shober, is planning to retire on December 18, 2026. He noted it is an important position and Mr. Shober has done an amazing job. Mr. McClain said they have been making plans for several months regarding Jeff's replacement and have secured advance approval from F&P (Finance and Personnel Committee) to fill his position, and will be posting the job announcement bulletin in the coming weeks. Mr. Shober thanked Mr. McClain for the kind words and said it has been a long career, as he has been working 54 years. He said everything has gone splendidly at ERS, which is a testimony to the Staff. Mr. Shober said the attitude of the Board members, the Staff members, and the Executive Director that allow him to do his job the way it ought to be done is a testimony to the entire organization, and he appreciated working with everybody. Mr. McClain discussed the other items on the Personnel Update section, and said ERS is working to fill the Pension Accounting Manager position and should be posting a job announcement bulletin soon. He noted for the two Pension Investment Analyst positions, DER (Department of Employee Relations) has returned the eligible lists for these positions and Mr. Silber and his team have been scheduling first-round interviews with some of the candidates on those lists. Mr. McClain said interviews will be completed in the next couple of weeks and there will be second round interviews after that. He added that two new employees joined ERS on August 17. William Corley III joined the ERS as an Office Assistant III and is the new face of ERS when people walk through the front doors. He mentioned Will is doing a great job and is getting settled in, and the ERS is happy to have him. Mr. McClain said additionally that Theresa "Jessi" Bird joined the ERS as a Records Technician II on the same day and is also doing very well. He concluded that Will and Jessi are both excellent additions and ERS is happy to have them both. Discussion ensued.

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

Mr. Christianson adjourned the meeting at 10:33 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.