

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

Minutes of the Regular Meeting  
held July 22, 2026 via teleconference

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

Board Members Present:           Jerry Allen  
                                          John Barmore  
                                          Matthew Bell, Chair  
                                          Justin DeCleene  
                                          Deborah Ford  
                                          Timothy Heling

Board Members Not Present:      Bill Christianson (excused)  
                                          Nik Kovac (excused)

Retirement System Staff Present:   Patrick McClain, Executive Director  
                                          Daniel Gopalan, Deputy Director  
                                          Gust Petropoulos, Deputy Director  
                                          David Silber, Chief Investment Officer  
                                          Robin Hayes, Chief Financial Officer  
                                          Erich Sauer, Deputy Chief Investment Officer  
                                          Thomas Courtright, Pension Investment Analyst II  
                                          Mary Turk, Business Operations Analyst  
                                          Jan Wills, Board Stenographer

Others Present: Lauri Rollings, City Attorney's Office; Lauren Albanese, Financial News; Terry Siddiqui, DS Consulting, Inc., five members of the public called in to the meeting.

**Approval of Minutes.**

**Regular Meeting Held June 24, 2026.**

Mr. McClain noted a couple clarifications to the June 24, 2026 minutes. He said on page three of the CavMac presentation regarding the valuation report, there is a line that says "no employer contribution was necessary before the Great Recession." That is technically accurate as to what was said in the meeting but is kind of lacking context and is a little confusing so he recommended saying that "no employer contributions were actuarially required for several years prior to the Great Recession" to add clarity. He said the only other clarification was on page four in the second paragraph and six lines down. It states that Mr. Langer "noted there is an employer reserve baked into the overall CMERS..." Mr. McClain stated that again that is technically accurate, but Mr. Langer was actually discussing amortization projections and he just wanted to make that context clear in the minutes. If the Board is amenable, those will be changed in the official minutes.

It was moved by Mr. Bell and seconded by Mr. Heling to approve the minutes as amended for the Regular Meeting Held June 24, 2026. The motion was adopted by unanimous consent.

### **Chief Investment Officer Report.**

Mr. Sauer noted the Fund value as of June 30 was \$6.71 billion. He said the Fund return of 0.2% in June, net of fees, outperformed the blended benchmark by approximately 53 basis points. Mr. Sauer said for the primary relative performance drivers within Manager Selection that Private Equity added 32 basis points and this was in a quarter-end month like June where the Fund reflects the Private Equity benchmark and it was actually negative this quarter. He said the Private Equity statements that came in were just a very slightly negative so they outperformed that benchmark, which added 32 basis points to the CMERS return. Mr. Sauer stated Brandes underperformed in the month of June which detracted eight basis points. He said within Public Equity style bias added 32 basis points to the Fund, primarily from small and value biases. Mr. Sauer said the Fund is outperforming in the year-to-date, five- and 10-year time periods, while underperforming or in line in all other time periods. He said through July 21, the Fund is flat month-to-date, which brings the year-to-date return to up 5.6%, net of fees, and the Fund value is \$6.71 billion. Mr. Sauer noted nine of the Fund's 13 active mandates are outperforming year-to-date and the Public Equity, Fixed Income, and Absolute Return asset classes, along with the Total Fund, are exceeding their respective benchmarks year-to-date, net of fees. He said year-to-date, the Fund had a change in the value of investments of \$370.1 million, received contributions of \$225.2 million, and paid out benefits and expenses of \$264.9 million. Mr. Sauer said he was happy to report that the Galliard mandate funded in July and he said that was accomplished by doing a full redemption from the US BlackRock Agg. which was about \$222 million. He said CMERS contributed \$215 million to Galliard and the \$7 million difference was kept in the cash account so that can be thought of as a monthly withdrawal. Mr. Sauer stated Staff may make more monthly withdrawals before the end of the month.

Mr. Silber commented briefly on the markets and the potential to raise additional cash this month from the Fund's public equity managers. He said Staff will wait a few more days to decide whether to withdraw more money, and if Staff does, that detail will be included in future reports. He said the Fund currently has about \$160 million in its cash account, which is roughly four months of benefit payments. Mr. Silber stated with the large city and agency contributions that CMERS anticipates receiving in January, that cash withdrawals are being driven more from a risk management and rebalancing perspective than from a liquidity needs perspective. Mr. Silber added that the Board will get the details for second quarter performance at the September 10 Investment Committee Meeting. He said there will be other interesting things on the agenda, including the annual Private Equity Pacing Study. Mr. Silber said the Fund's Public Equity allocation has added a lot of value since the Board approved the new Public Equity structure in May. He also noted that the Fund held up well in June even though the stock market benchmark had a negative return and the bond market return was just slightly positive. Mr. Silber noted that trend has continued so far in July, with the Fund again holding up well even though the stock market and bond market benchmarks are both negative month-to-date. He said it is nice to see the Fund's emphasis on asset allocation de-risking and becoming more diversified within Public Equity adding value during a challenging market. He concluded that the ERS has two openings in the Investment department and that the City posted those jobs last week. Mr. Silber noted the deadline for applying is August 7.

**New Business.**

**Retirements, Death Claims, and Refunds (June).** Mr. McClain presented the following activity for the month of June 2026.

|                                                |              |
|------------------------------------------------|--------------|
| Administrative Withdrawal                      | \$15,357.56  |
| Full Refund                                    | \$371,819.43 |
| Active Death Benefits reported                 | \$0.00       |
| Deferred Death                                 | \$147,554.15 |
| Deferred Death-Member Only Refund              | \$23,053.61  |
| Ordinary Death Benefits reported               | \$181,746.26 |
| Retired Death Benefits reported                | \$29,946.74  |
| Survivor Death – Termination Benefits reported | \$3,950.11   |
| Refund of Member Contributions paid            | \$52,730.15  |

It was moved by Mr. Bell and seconded by Ms. Ford to approve the Retirements, Death Claims, and Refunds report for June 2026. The motion was adopted by unanimous consent.

**Conference Requests – July 22, 2026 Board Meeting.** Mr. Bell presented the conference requests for July 22, 2026.

|                                   |                           |
|-----------------------------------|---------------------------|
| Erich Sauer,<br>Thomas Courtright | Earnest Due Diligence     |
| Sponsor:                          | Earnest Partners          |
| Location:                         | Atlanta, GA               |
| Date(s):                          | September 1-2, 2026       |
| Estimated Cost:                   | \$1,200.00 per person     |
| Erich Sauer                       | AQR and UBS Due Diligence |
| Sponsor:                          | AQR and UBS               |
| Location:                         | New York, NY              |
| Date(s):                          | October 5-6, 2026         |
| Estimated Cost:                   | \$1,600.00                |

|                                                  |                                 |
|--------------------------------------------------|---------------------------------|
| Matthew Bell,<br>Gust Petropoulos,<br>Tim Heling | NCPERS Public Safety Conference |
| Sponsor:                                         | NCPERS                          |
| Location:                                        | Nashville, TN                   |
| Date(s):                                         | October 25-28, 2026             |
| Estimated Cost:                                  | \$2,600.00 per person           |

|                   |                              |
|-------------------|------------------------------|
| Thomas Courtright | Prologis Annual Meeting 2026 |
| Sponsor:          | Prologis                     |
| Location:         | New York, NY                 |
| Date(s):          | October 28-29, 2026          |
| Estimated Cost:   | \$1,400.00                   |

|                 |                             |
|-----------------|-----------------------------|
| Erich Sauer     | Brandes Investor Conference |
| Sponsor:        | Brandes Investment Partners |
| Location:       | La Jolla, CA                |
| Date(s):        | November 4-6, 2026          |
| Estimated Cost: | \$600.00                    |

|                 |                                          |
|-----------------|------------------------------------------|
| Erich Sauer     | Goldman Sachs Annual Investor Conference |
| Sponsor:        | Goldman Sachs Asset Management           |
| Location:       | New York, NY                             |
| Date(s):        | November 9-10, 2026                      |
| Estimated Cost: | \$1,600.00                               |

Mr. Bell noted there was a late addition for Ms. Ford to attend the Brandes and DFA Due Diligence trip that will be with Mr. Silber for September 22-25, 2026 in Santa Monica and La Jolla, CA., with an estimated cost of \$2,300.

It was moved by Mr. Bell and seconded by Mr. Barmore to approve the Conference Requests – July 22, 2026 Board Meeting. The motion was adopted by unanimous consent.

**Approval of 2025 Basic Financial Statements – Unaudited.** As a matter of information, Board members received the ERS Unaudited Basic Financial Statements For the Year Ended December 31, 2021.

Mr. Gopalan stated he would briefly go over the financial statements. The financial statements are currently under audit by the Wisconsin Legislative Audit Bureau (LAB), so that is why they are referred to as unaudited. He said once the audit is completed, he will go over the actual audit and the full Annual Comprehensive Financial Report (ACFR) at a later meeting after the LAB has completed their audit and issued their audit opinion. He said per Wisconsin State Statute, the LAB's audits are confidential prior to the issuance of the audit report. Mr. Gopalan stated he would not be able to answer any questions or talk about the audit until LAB completes the audit and releases their opinion. He said the reason why the ERS is asking for approval of the Unaudited Basic Financial Statements is that the ERS plans to release the 2025 ACFR at some point in the future and the ERS wants the Board to review and approve the financial statements

before the ACFR is released. Mr. Gopalan said Staff will coordinate with LAB once they have issued their audit opinion to release the financial statements. He said, overall, the Staff is confident the financial statements are materially correct and Staff does not expect these numbers to change substantially. Mr. Gopalan said the audit is still ongoing and it is possible there could be some changes. He said if there is a material adjustment, Staff would come back to the Board and he would present the statements again.

Mr. Gopalan referred Board members to page two to the Statement of Fiduciary Net Position – Unaudited, which shows the Assets and Liabilities for the ERS as of December 31, 2025. Mr. Gopalan said there are three major funds presented in the financial statements. The first is the Global Combined Fund, which covers ERS members who either consented to the Global Pension Settlement (GPS) or started at ERS after the GPS took effect in 2001. The second fund is the Non-Consenter Retirement Fund, which is comprised of three smaller funds. Mr. Gopalan said the third fund that is presented in the financial statements is the Employers' Reserve Fund. The Employers' Reserve Fund is an asset of the City of Milwaukee, is invested with Baird, and the ERS administers that fund. He said looking at the numbers, the total investments as of December 31, 2025 were \$6.5 billion and the total assets were \$7.1 billion. Mr. Gopalan said there were \$656 million in liabilities, making the net position just under \$6.5 billion. He said with the liabilities, there were just under \$33 million in unearned contributions in 2025. In 2024, there were about \$6 million of unearned contributions. He said this was due to a change that was made in 2025. Historically, employer contribution letters were sent out in December. This year the letters were sent out in November to give the employers a little bit of budget flexibility. He noted if employers had budgeted funds available in 2025, they could use those funds to meet the employer contribution in December, or they could make the contribution in January if they do not have any 2025 budget funds available. Mr. Gopalan said the change gives employers a lot more flexibility and ERS would possibly get its money sooner. For the income statement for 2025, the total employee and employer contributions were \$225 million and there was \$750 million in investment earnings, with \$500 million paid out in benefit and administrative expenses. Mr. Gopalan said the ERS's net position increased by about \$500 million. He said it was a really good year for investments as the return was about 12.9%. Even with paying out \$500 million in benefits, the ERS was still able to add to the Fund's balance by \$500 million. Mr. Gopalan stated it was a really good story to tell for this year. ERS is slowly chipping away at the unfunded liability.

Mr. Gopalan talked about the Securities Lending Activity and stated there is a loss of \$977,000. He said this is misleading because the income includes an unrealized loss of \$1.8 million, which is related to the collateral that is received from the ERS's borrowers of the securities and there are \$309 million so the value went down slightly at year-end, so that loss of \$1.8 million was booked and that is why there is a loss in the Securities Lending Activity. Looking at the cash basis, which is the way the transfer is handled every January, there was about \$620,000 that was transferred in January 2026. He said on a cash basis, ERS is making money on the Securities Lending, but due to the accounting rules, it shows a loss on the financial statements.

Mr. Gopalan stated the rest of the financial statements are the notes, but he referred the Board to the Net Pension Liability page, which shows the pension liability at \$8.1 billion, the plan net position is \$6.4 billion, which excludes the employer reserve from the calculation. That is why the plan fiduciary net position is less than the financial statements. He stated the net pension liability is \$1.8 billion and the GASB 67 status of the ERS's ratio is 77.8%. Mr. Gopalan said a

funded ratio of 80% is considered adequately funded, so the ERS is close to that hitting that benchmark. Discussion ensued.

It was moved by Mr. Bell and seconded by Mr. DeCleene to approve the Approval of 2025 Basic Financial Statements – Unaudited. The motion was adopted by unanimous consent.

**Approval to Suspend Disability Benefits for Non-Compliance with Outside Earnings Limitation.** Mr. McClain stated this is an annual item that is a byproduct of the rules governing disability benefits. He said Chapter 36 provides that a beneficiary's disability benefits combined with their outside earnings cannot exceed 100% of their current annual salary, and if the combination of those two things does exceed 100% of the beneficiary's current annual salary, then the disability benefit is offset by that amount. This rule does not apply to 90% Duty Disability Retirement (DDR) beneficiaries. Each year by May 31<sup>st</sup>, disability beneficiaries have to submit an income tax return which is used to determine outside earnings subject to this rule. If any disability beneficiary covered by this rule does not submit their tax return on time, the Board rules specify that ERS has to treat them as though their outside earnings would totally offset their disability benefit, and that is why this item is on the agenda. Once these members become compliant, they will be entitled to back pay for any amounts that they would otherwise have been entitled to, based on whatever outside earnings they end up reporting. Mr. McClain said that since the packet went out, three of the individuals listed in this item have provided their outside earnings documentation: Daniel Lazarski, Cory Kilsdonk, and Stephanie Ramskugler. Mr. McClain stated the other individuals have not provided their required documentation, but if they get their paperwork in by July 23, they will still be paid on the July payroll and there will not be any suspension of their benefits. Messrs. Barmore, Allen, and Gopalan provided clarification that outside earnings rule also covers ordinary disability and early retirement. Mr. McClain confirmed that the rule covers those benefits as well.

It was moved by Mr. Bell and seconded by Mr. Heling to approve the Approval to Suspend Disability Benefits for Non-Compliance with Outside Earnings Limitation. The motion was adopted by unanimous consent.

### **Approval of August Resolution.**

WHEREAS, No regular meeting of the Board will be held during the month of August 2026; therefore, be it

RESOLVED, By the Annuity and Pension Board that the Secretary is authorized and directed to pay bills, retirement allowances, death claims and refund of contributions, and take whatever action may be necessary to administer the system, including approve disability reports of the Medical Council and Medical Panel applications, and report such action to the Board at the Regular Meeting on September 24, 2026. Denials will be held for action by the Board at its next regular meeting.

Mr. McClain added that there was a question at last year's Board meeting on the same item as to what would be done with appeals. He explained that in the event there is a disability benefit application denial that is subsequently appealed, this resolution would not authorize Staff to dispose of the appeal. He said if any of the appeals did happen to come up during the next month, which is unlikely, Staff would hold that item for the Board. Mr. McClain said the reference to

approvals of disability reports only relates to initial approvals by the Medical Council and the Medical Panel.

It was moved by Mr. Bell and seconded by Mr. Barmore to approve the Approval of August Resolution. The motion was adopted by unanimous consent.

### **Medical Reports.**

#### **All Duty & Ordinary Disability Applications & Re-examinations (July 2026).**

Mr. Petropoulos presented certifications (July 2026) of the Fire and Police Medical Panel Physicians and the Medical Council relative to Duty & Ordinary Disability Retirement benefits as follows:

| <u>Police – Re-examinations – Duty</u>           | <u>Recommendation</u> |
|--------------------------------------------------|-----------------------|
| Graham Kunisch                                   | Approval              |
| <u>Fire – Applications – Duty</u>                | <u>Recommendation</u> |
| William Code<br>Effective 06/07/2025             | Denial                |
| Derek Geppert                                    | Approval              |
| <u>Fire – Re-examinations – Ordinary</u>         | <u>Recommendation</u> |
| Jamie Morgan                                     | Approval              |
| <u>General City – Re-examinations – Ordinary</u> | <u>Recommendation</u> |
| Kevin Cole                                       | Approval              |
| Ibrahim Dais                                     | Approval              |

It was moved by Mr. Bell and seconded by Mr. DeCleene to approve the Duty & Ordinary Disability Applications & Re-examinations for July 2026. The motion was adopted by unanimous consent.

Mr. McClain noted the closed session language is a placeholder and depending on Trustee questions it may be needed. He said the initial discussion can happen in open session. Mr. Petropoulos referred the discussion to the ERS's counsel, Lauri Rollings, who litigated the appeal along with co-counsel Joanna Fraczek. He referred the discussion to Ms. Rollings to brief the Board on the proceedings. Ms. Rollings said there was an appeal from a denial of a DDR application and Hearing Examiner Judge Foley conducted a hearing in early June at which witnesses were called and evidence was presented. She stated the hearing examiner asked the parties to submit post-hearing briefs because the main argument shifted a little bit from the original position. Ms. Rollings said at the hearing Mr. Lockett was having problems walking due to drop

foot and so the hearing examiner requested additional briefing on that issue. She said the parties did submit briefs simultaneously and the hearing examiner then issued proposed findings of fact and conclusions of law. The Board acts as the final decision-maker on this matter. She stated Hearing Examiner Judge Foley found that the criteria for DDR benefits were not met in this case because Chapter 36 requires that there be no pre-existing condition that plays a role in the disabling condition. Ms. Rollings said there was evidence in the record that the drop foot condition that was alleged by Mr. Lockett to be his disabling condition was in fact a pre-existing condition. The Hearing Examiner's proposed findings of fact and conclusions of law upheld the DDR denial, but the ultimate decision-maker is this Board.

Mr. Bell then read the language on the Medical Reports page.

Frank L. Lockett – This is in the matter of denial of DDR application. Independent Hearing Examiner Christopher Foley's Decision came to the following conclusions: Hearing Examiner Foley found that, "Mr. Lockett's pre-existing and pervasive degenerative disc disease is the cause (or certainly a cause) of his permanently disabling condition ..."

Hearing Examiner Reilly wrote the following in his decision, "As noted above, the presumption of correctness of the APB decision is not overcome if any reasonable view of the evidence supports it. Every reasonable view of the evidence in this case supports the view that Mr. Lockett's pre-existing and pervasive degenerative disc disease is the cause (or certainly a cause) of his permanently disabling condition whether that be his chronic back pain or his foot drop condition. The presumption has clearly not been overcome."

Neither party has filed briefs in response to the Hearing Examiner's decision.

Mr. Petropoulos noted that "Hearing Examiner Reilly" should read "Hearing Examiner Foley."

It was moved by Mr. Bell and seconded by Ms. Ford to approve the Disability Findings concerning Frank Lockett as stated on the record. The motion was adopted by unanimous consent.

## **Unfinished Business.**

**Pending Legal Opinions and Service Requests Report.** Ms. Rollings gave an update under the Legal Opinions section, Part 1. She said ERS requested an opinion from the City Attorney's office regarding under what circumstances a 1% Residency Incentive Payment contained in the recently-settled labor agreement between the City of Milwaukee and the Milwaukee Police Supervisors Organization (MPSO) should be included in "current annual salary" for purposes of calculating DDR benefits. Ms. Rollings said the City Attorney's office issued an opinion on those questions on June 22, 2026, which is contained in the Board packet. She noted the opinion addresses three questions which are whether the 1% Residency Incentive should be included in current annual salary for purposes of calculating the DDR benefits, whether it should be included when calculating benefits at the time of conversion to extended lifetime disability benefits, and whether it should be included at the time of a service conversion retirement. Ms. Rollings stated that the opinion concludes that the 1% Residency Incentive should not be included in any of those three calculations. She said the primary reasons are the plain text of Chapter 36 and

a decision in 2023 by the Wisconsin Supreme Court in *Milwaukee Police Supervisors Organization vs. City of Milwaukee*, which the Board is probably familiar with colloquially as the 5.8% Pension Offset Decision. Ms. Rollings said in that case, the Supreme Court looked at how to define current annual salary for purposes of DDR benefits, and determined that current annual salary, since it is not defined in Chapter 36, is most logically defined by looking at the salary grids in the collective bargaining agreement and then multiplying the numbers in those grids by 26 pay periods. The Court determined that language elsewhere in the agreement was not relevant to calculating the current annual salary. The 1% Residency Incentive is not included in the salary grids of the MPSO agreement, but rather is contained in a footnote to the salary grids. As such, under the reasoning of the Supreme Court's decision, the 1% Residency Incentive should not be included in the calculation of current annual salary. Ms. Rollings said that the City Attorney's opinion is that the 1% Residency Incentive should not be included for purposes of calculating DDR benefits. She said the next question was if the 1% Residency Incentive should be included in service conversion benefits. Those benefits are calculated based on the annual regular base salary in effect for the member's position in the year immediately prior to their service retirement, plus applicable earnable compensation. Ms. Rollings said earnable compensation is a defined term in Chapter 36 that does not include the 1% Residency Incentive. Ms. Rollings also stated regular base salary is not defined in Chapter 36; however, the language of the collective bargaining agreement itself, notes that the 1% Residency Incentive will be added to base pay for the employees with a bona fide residence in the City of Milwaukee. Under the reasoning of the 5.8% Pension Offset case, the 1% Residency Incentive should not be included in regular base salary because it is not in the salary grids themselves. Additionally, once someone becomes a DDR recipient, they are classified as a beneficiary under Chapter 36, not as an employee. She said because DDR beneficiaries are not active employees—they are beneficiaries—the 1% Residency Incentive should not be included in the calculation of their conversion to lifetime DDR. Ms. Rollings said the final question is whether or not, at the time of conversion to normal retirement, the 1% Residency Incentive should be included. Once again, service conversion benefits are not calculated based on the employee's actual salary; they are based on the annual regular base salary in effect for the member's position in the year before they retired. Because the 1% Residency Incentive only applies to active members, it should not be included in that conversion. Discussion ensued.

Mr. Bell stated the Pending Legal Opinions, Part 1, for the Office of the City Attorney regarding the 1% Residency Incentive Pay was reviewed and will be placed on file.

Mr. McClain noted two of the items in Part 3, the CavMac Contract and the Internal Audit Services Contract will be on the September A&O agenda, and the Board can expect to see those items at the September meeting.

**Pending Legislation Report.** Mr. Bell said there was nothing listed there and Mr. McClain confirmed that it was a clear report.

Ms. Rollings advised moving into closed session to discuss pending or threatened litigation.

Mr. Bell advised that the Annuity and Pension Board may vote to convene in closed session on the following item (V.C.) as provided in Section 19.85(1)(g), Wisconsin Statutes, to confer with legal counsel concerning strategy to be adopted by the body with respect to litigation in which it is or is

likely to become involved. The Board may then vote to reconvene in open session following the closed session.

It was moved by Ms. Ford and seconded by Mr. Barmore to convene in closed session. The motion prevailed by the following roll call vote: AYES: Ms. Ford; Messrs. Allen, Barmore, Bell, DeCleene, and Heling. NOES: None. ABSENT: Messrs. Christianson and Kovac.

The Board convened in closed session at 9:58 a.m.

The Board re-convened in open session at 10:35 a.m.

### **Pending Litigation Report.**

**Executive Director's Report – Inventory of ERS Projects.** As a matter of information, Staff presented a report on the ERS projects and updated the Board on ERS activities, a copy of which is on file with the Board Secretary and by reference incorporated as part of these minutes.

### **Informational.**

- 1) Conferences.
- 2) Class Action Income 2026 YTD.
- 3) Minutes of the Investment Committee Meeting Held June 4, 2026.
- 4) Minutes of the Administration and Operations Committee Meeting Held June 17, 2026.

The following is a list of activities since the last Board meeting, copies sent with meeting notice and attached to minutes:

- 5) Report on Bills.
- 6) Securities Lending Revenue and Budget Report.
- 7) Preliminary Performance Report and Asset Allocation.

Mr. Bell accepted and placed the Informational items on file.

There being no further business to come before the meeting, it was moved by Mr. Bell and seconded by Mr. Heling to adjourn the meeting. The motion was adopted by unanimous consent.

Mr. Bell adjourned the meeting at 10:40 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 Employees' Retirement System, 789 N. Water Street, Suite 300.)