



City of Milwaukee
Employees' Retirement System

Patrick J. McClain
Executive Director

David M. Silber, CFA, CAIA
Chief Investment Officer

Daniel A. Gopalan, CPA
Deputy Director

Gust P. Petropoulos
Deputy Director

June 11, 2026

Mr. Jim Owczarski
City Clerk
Room 205, City Hall

Dear Mr. Owczarski:

Please be advised that a Meeting of the Administration & Operations (A&O) Committee Meeting of the Annuity and Pension Board of the Employees' Retirement System has been scheduled for **Wednesday, June 17, 2026 at 9:00 a.m.** *Special Notice: the meeting will be held remotely via video conference. Instructions on how to observe the meeting will be available on ERS's website (www.cmers.com) prior to the meeting.*

The agenda is as follows:

- I. Internal Audit Update – CliftonLarsonAllen (CLA).
 - A. Benefit Payroll Audit Report.
 - B. Investments Audit Report.
 - C. Governance/COSO Audit Report.
- II. Approval of A&O Committee Internal Audit Charter.

Please be 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.

- III. Review of Results of RFP for Internal Audit Services and Approval of Vendor Selection.
- IV. Approval of Front Desk Security Hardening Project Proposal.
- V. Remote Office Lease Discussion.
- VI. IT Projects Portfolio.
- VII. Organizational/Personnel Update.

Sincerely,

Patrick J. McClain
Executive Director

PJM:jmw



Internal Audit Update City of Milwaukee Employees' Retirement System

Administration and Operations Committee

June 17, 2026

We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAGlobal.com/disclaimer](https://www.claglobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor. ©2022 CliftonLarsonAllen LLP

Executive Summary

Since the presentation of the Internal Vulnerability Assessments on December 17, 2025, CLA has completed the COSO 2013 Assessment of Entity Level Controls, Benefit Calculation Audit and the Investment Management Audit.

The remaining audit Accounting and Finance Audit is currently underway and will be completed and presented during Q3 2026.

A description of the detailed audit procedures and findings performed for each audit can be found in the full internal audit reports that have been provided separately.

2026 Audit Plan is provided for review and discussion



2025 Audit Plan

2024 Audit Plan	Est. Hours	Actual Hours*	Actual Cost*	Status	Status/Comments
Entity Levels Controls Assessment	50	40	\$7,704	Complete	Presented 6/17/2026
Accounting & Finance	80	30	\$6,330	In-Progress	To be completed Q3 2026
Benefit Calculation Process	100	100	\$21,100	Complete	Presented 6/17/2026
Investment Management	80	81	\$17,091	Complete	Presented 6/17/2026
IT General Controls (SOC Services)	100	-	-	Not Performed	Work performed by CMERS Finance
Internal Vulnerability Assessment	120	Project Billed	\$20,053	Complete	Presented 12/17/2025
Engagement Management	95	85	\$16,287	Complete	Oversight, administration and meetings
Totals	795	456	\$88,565		
Budgeted Cost	\$114,855				

* Totals through 5/26/2026



2026 Audit Plan

2026 Audit Plan	Hours Budget	Target Start Date	Comments
Enrollment and Member Services	60	Q3 2026	
Benefit Administration	100	Q3 2026	
Benefit Payroll Process	80	Q2 2026	
HR / Payroll Process	45	Q3 2026	
IT General Controls	100	Q4 2026	
Business Continuity	100	Q4 2026	
Internal Vulnerability Assessment	120	Q4 2026	
External Vulnerability Assessment	65	Q4 2026	
Purple Team Assessment	30	Q4 2026	
Engagement Management	95	On-Going	Oversight, administration and meetings
Totals:	795		
Budgeted Cost:	\$152,875		





Questions

CPAs | CONSULTANTS | WEALTH ADVISORS

CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAglobal.com/disclaimer](https://www.claglobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor. ©2022 CliftonLarsonAllen LLP

Benefit Calculation Process Audit
City of Milwaukee
Employes' Retirement System



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

Table of Contents

Background 3

Internal Controls Assessment Objectives and Scope 4

Procedures Performed..... 5

Audit and Assessment Results – Executive Summary..... 6

Observations, Recommendations, and Management Responses 8

Closing..... 9

Appendix 10



Background

At the request and direction of the Administration and Operations (A&O) Committee, an audit of the Benefit Calculation Process and controls for the City of Milwaukee Employees' Retirement System (CMERS) was performed during the period from February 2, 2026, through March 24, 2026. The audit was requested to review, evaluate and test the organization's Benefit Calculation process against leading practices, test controls and determine whether control deficiencies existed within the internal control environment or whether there were identified control design or operating deficiencies. This audit cannot be relied upon to disclose errors, fraud, or noncompliance with laws and regulations.

We have concluded our consulting engagement to perform the procedures described in the attached report. These procedures, which were agreed to by CMERS, were applied solely to assist in evaluating the internal controls of CMERS. Management of CMERS is responsible for their operations and internal controls. We performed this engagement in accordance with Statements on Standards for Consulting Services issued by the American Institute of Certified Public Accountants. The execution and maintenance of adequate internal controls is solely the responsibility of the management of CMERS.

CliftonLarsonAllen (CLA) was not engaged by CMERS to conduct a financial audit, for which the objective would be the expression of an opinion on the financial statements. Had we been hired to perform an audit of financial statement information in accordance with U.S. generally accepted auditing standards, other issues may have come to our attention that would have been reported to you. Therefore, we express no opinion on the effectiveness of CMERS's controls over all or any part of its financial statements.

Internal Controls Assessment Objectives and Scope

The objective of the Benefit Calculation Process Audit was to review, evaluate, and test processes and controls currently in place against leading practices and evaluate operating effectiveness. The focus of the assessment was to address the following risks:

1. Assess the suitability of the design for process and controls over Benefit Calculation process, including the inherent risks of inaccurate benefit payments and the non-compliance with organizational policies.
2. Assess the governance and accountability over the Benefit Calculation process, as well as the inherent risks from misappropriation, fraud, and abuse.
3. Compare current state internal controls versus leading practices and test for operating effectiveness.
4. Propose future state changes that mitigate risk or enhance CMERS' internal control structure and outcomes.

The following processes and sub-processes are in-scope, as well as segregation of duties in each area:

The objective of the Accounting and Financial Reporting Process Audit included the review of processes and controls related to the design and test of operating effectiveness, including:

1. Participant Benefit Calculations
 - a. Processes and Controls
 - b. System Applications and Controls
 - c. Use of Authorized Supporting Documentation
 - d. Management Review and Approval Procedures
2. Employment Contracts
 - a. Impact of Employee Contract Changes in MERITS
 - b. Impact of Retroactive Changes
3. System Access Restrictions
 - a. System Access Review and Approval
 - b. Access and Safeguarding of Personally Identifiable Information (PII)
 - c. Segregation of Duties
4. Organizational Resilience
 - a. Standard Practice Instructions (SPIs)
 - b. Cross Training Procedures

Procedures Performed

As part of the audit, various techniques were used to audit and assess the effectiveness of internal controls, including:

1. Interviewed members of CMERS
 - Dan Gopalan, Chief Financial Officer
 - Terry Siddiqui, Quality Manager
2. Gathered supporting documents describing current state processes (e.g., policies, procedures, screenshots, flowcharts, reconciliations, analyses, etc.)
3. Reviewed, tested and evaluated CMERS processes and controls for the following functions;
 - Benefit Calculation process controls covering;
 - o Service Retirement Payments
 - o Early Retirement Payments
 - o Global Pension Settlement (GPS) Lump Sum Retirement Payments
 - o Disability Retirement Payments
 - o Early Termination Payments
 - o Survivorship Benefit Payments
 - o Service Reciprocity Retirement Payments
 - Employee Contract Changes in MERITS
 - Physical Access and Policies governing the use of PII
 - Employee Cross Training
 - User System Access
 - Segregation of Duties
4. Ranked current-state processes against five levels of maturity definition (1. Initial; 2. Repeatable; 3. Defined; 4. Managed; and 5. Optimized)

We would like to acknowledge and thank management with whom we interacted. The time, effort, and discussions they provided were instrumental in our understanding and provided the necessary information to complete our project. During the course of our assessment and audit, management and personnel provided all the materials requested and answered all of our questions promptly.

Audit and Assessment Results – Executive Summary

All the established processes and controls that were assessed during the audit were rated as Defined Maturity*: Management has established defined and documented formalized processes, procedures, and transaction flows that are regularly updated. This level of maturity is considered suitable for these control environments by management and internal audit.

Processes	Control Description	Control Finding?	Process Maturity Level
Benefit Calculation Process	<p>CMERS has developed and implemented defined procedures to accurately compile and calculate member benefit calculation payments. For each calculation, the Benefit Calculation Team:</p> <ul style="list-style-type: none"> • Verify the members compensation history and ensure that the members earnings are adjusted for any retroactive payments. • The appropriate documentation initiating the transaction is properly authorized by the member. • Benefit Payment calculations are accurate and are then independently reviewed by appropriate personnel. • Payment Calculation Testing Results: <ul style="list-style-type: none"> ○ Service Retirement Payments ○ Early Retirement Payments ○ Global Pension Settlement (GPS) Lump Sum Retirement Payments ○ Disability Retirement Payments ○ Employee Termination Payments ○ Survivorship Benefit Payments ○ Service Reciprocity Retirement Payments 	No	Managed
		No	
		No	
		No	
		No	
		No	
		No	
		No	
Employment Contract	Employee contract updates and changes approved by the Common Council are properly updated and reflected in MERITS.	No	Managed
System Access, Segregation of Duties and Access to PII	<p>Employee access to CMERS systems is reviewed by management twice a year to ensure that ERS’s employees and business partners have the appropriate system access and that no segregation of duties conflicts exist.</p> <p>In addition, internal organization policies and system controls are in place that guide and control employee access to member PII that are regularly reviewed and monitored by CMERS management.</p>	No	Defined

Organization Resilience	Standard Practice Instructions (SPIs) are regularly reviewed and updated by management to ensure process and control procedural document is complete and accurate.	No	Defined
	Management regularly cross trains and evaluates department personnel as to their ability to competently perform duties outside of the employee's current role and responsibilities.	No	
*DEFINED MATURITY	Internal control uniform across the entity's processes; transaction flows documented; risk of fraud, errors, and omissions identified; control processes for mitigating risks have enhanced documentation and integration.		
* Maturity Managed	Procedures and controls are well documented and kept current; Preventive and detective controls are employed, with greater use of automation to reduce human error. Many metrics are used with a blend of automated and manual performance monitoring. Best practices and/or benchmarking are used to improve process.		
<i>See Appendix for all Maturity Definitions.</i>			

Following the conclusion of our testing of CMERS Internal Control Environment, we identified No Internal Control Deficiencies.

Observations, Recommendations, and Management Responses

None.

Closing

We wish to extend our appreciation to management and staff for their timely cooperation and assistance during the project.

* * * * *

This report has been prepared in accordance with Statement of Standards for Consulting Services issued by the American Institute of Certified Public Accountants and is solely for use by management. It is not intended for use, in whole or in part, by outside parties without the specific consent of CliftonLarsonAllen LLP.

CliftonLarsonAllen LLP
March 24, 2026



Appendix

Maturity Definitions

Capability Level	Capability Description	Capabilities Attribute
5. Optimized	Policies and processes are continuously reviewed and improved within a highly automated control environment.	<ul style="list-style-type: none"> • Processes and controls are continuously reviewed and improved. • Preventive and detective controls are highly automated to reduce human error and cost of operation. • Comprehensive, defined performance metrics exist, with extensive automated performance monitoring. • Extensive use of best practices, benchmarking, and/or self-assessment to continuously improve process.
4. Managed	Policies and processes are documented, standardized, regularly updated and controls increasingly use automation.	<ul style="list-style-type: none"> • Procedures and controls are well documented and kept current. • Preventive and detective controls are employed, with greater use of automation to reduce human error. • Many metrics are used with a blend of automated and manual performance monitoring. • Best practices and/or benchmarking are used to Improve.
3. Defined	Policies and processes are documented, standardized and updated, e.g., annually with heavy reliance on manual processes.	<ul style="list-style-type: none"> • Procedures are well documented, but not kept current to reflect changing business needs. • Preventive and detective controls are employed, still reliant on manual activities. • Some metrics are used, but performance monitoring is still manual and/or infrequent. • Generally occurs during periodic (e.g., annual) policy and procedure renewal.
2. Repeatable	Some standard processes are defined and success depends largely on "tribal knowledge" and detective controls.	<ul style="list-style-type: none"> • Some standard procedures exist, relies on "tribal knowledge." • Mostly detective are in place, minimal preventive controls, and highly manual. • Few performance metrics exist, thus performance monitoring is inconsistent or informal. • Most likely in reaction to audits or service disruptions.
1. Initial	Few processes are defined and success depends on individual effort and heroics.	<ul style="list-style-type: none"> • No formal procedures exist. • Controls are non-existent or primarily in reaction to a "surprise." • There are no metrics or performance monitoring.

Investment Management Process Audit
City of Milwaukee
Employes' Retirement System



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAcconnect.com](https://www.clacconnect.com)

Table of Contents

Background	3
Internal Controls Assessment Objectives and Scope	4
Procedures Performed.....	5
Audit and Assessment Results – Executive Summary.....	6
Observations, Recommendations, and Management Responses	8
Closing.....	9
Appendix.....	10



Background

At the request and direction of the Administration and Operations (A&O) Committee, an audit of the Investment Management process and controls for the City of Milwaukee Employees' Retirement System (CMERS) was performed during the period from March 23, 2026 through April 10, 2026. The audit was requested to review, evaluate, and test the organization's Investment Management process against leading practices, test controls and determine whether control deficiencies existed within the internal control environment or whether there were identified control design or operating deficiencies. This audit cannot be relied upon to disclose errors, fraud, or noncompliance with laws and regulations.

We have concluded our consulting engagement to perform the procedures described in the attached report. These procedures, which were agreed to by CMERS, were applied solely to assist in evaluating the internal controls of CMERS. Management of CMERS is responsible for their operations and internal controls. We performed this engagement in accordance with Statements on Standards for Consulting Services issued by the American Institute of Certified Public Accountants. The execution and maintenance of adequate internal controls is solely the responsibility of the management of CMERS.

CliftonLarsonAllen (CLA) was not engaged by CMERS to conduct a financial audit, for which the objective would be the expression of an opinion on the financial statements. Had we been hired to perform an audit of financial statement information in accordance with U.S. generally accepted auditing standards, other issues may have come to our attention that would have been reported to you. Therefore, we express no opinion on the effectiveness of CMERS's controls over all or any part of its financial statements.

Internal Controls Assessment Objectives and Scope

The objective of the Investment Management Process Audit was to review, evaluate, and test processes and controls currently in place against leading practices and evaluate operating effectiveness. The focus of the assessment was to address the following risks:

1. Assess the suitability of the design for process and controls over Investment Management Process, including the inherent risk of inaccurate payments.
2. Assess the governance and accountability over the Investment Management Process, as well as the inherent risks from misappropriation, fraud, and abuse.
3. Compare current state internal controls versus leading practices and test for operating effectiveness.
4. Propose future state changes that mitigate risk or enhance CMERS' internal control structure and outcomes.

The following processes and sub-processes are in-scope, as well as segregation of duties in each area:

The objective of the Investment Management Process Audit was to review, evaluate, and test processes and controls currently in place against leading practices and evaluate operating effectiveness. The focus of the assessment was to address the following risks:

1. Service Provider Selection and Termination
 - a. Due Diligence and Analysis
 - b. Contract Review
 - c. Management / Board of Directors (BOD) Approval
2. Contract Management
 - a. Performance Analysis and Reconciliation of Investment Accounts
 - b. Provider Due Diligence and Review
 - c. Calculation, approval, and payment of investment manager and other third-party fees
3. Investment Manager Fees
 - a. Invoice Review and Reconciliation
 - b. Payment Approval Process
4. Investment Policy Compliance
5. Management and BOD Reporting
6. System Access Restrictions
 - a. User System Access Review and Approval
 - b. Segregation of Duties
7. Organizational Resilience
 - a. Cross Training Procedures

Procedures Performed

As part of the audit, various techniques were used to audit and assess the effectiveness of the internal controls, including:

1. Interviewed members of CMERS
 - David Silber, Chief Investment Officer
 - Erich Sauer, Deputy Chief Investment Officer
 - Terry Siddiqui, Quality Manager
2. Gathered supporting documents describing current state processes (e.g., policies, procedures, screenshots, flowcharts, reconciliations, analyses, etc.)
3. Reviewed, tested and evaluated CMERS processes and controls for the following functions;
 - Service Provider Selection and Termination
 - Contract Administration
 - Investment Policy Compliance
 - Investment Activity Reporting
 - System Access Restrictions
 - Organizational Resilience
4. Ranked current-state processes against five levels of maturity definition (1. Initial; 2. Repeatable; 3. Defined; 4. Managed; and 5. Optimized)

We would like to acknowledge and thank management with whom we interacted. The time, effort, and discussions they provided were instrumental in our understanding and provided the necessary information to complete our project. During our assessment and audit, management and personnel provided all the materials requested and answered all of our questions promptly.



Audit and Assessment Results – Executive Summary

All the established processes and controls that were assessed during the audit were rated as Defined Maturity*: Management has established defined and documented formalized processes, procedures, and transaction flows that are regularly updated. This level of maturity is considered suitable for these control environments by management and internal audit.

Processes	Control Description	Control Finding?	Process Maturity Level
Service Provider Selection and Termination	<p>Vendors used by the Investment Management Team are selected according to City of Milwaukee Purchasing Guidelines. As part of the selection process, each vendor is evaluated based on defined criteria. Once a vendor is selected, a standard contract is prepared with specific contract provisions. Each Investment Manager contract requires the appropriate review and approval by the City Attorney’s Department, CMERS management, and the CMERS BOD.</p> <p>Once approved, the vendor is set up by the City of Milwaukee Procurement Department in their Vendor Management System. Any subsequent changes to the Vendor information are requested and approved by CMERS management, prior to being changed by the City of Milwaukee Procurement Department. Vendor terminations follow those provisions defined in the vendor contract.</p>	No	Defined
Contract Management	<p>The Investment Management Team reviews and reconciles their Investment Manager accounts on a quarterly basis. As part of the review, the Investment Management Team recalculates manager returns, benchmark results to index returns, and reconcile the amounts managed by the Investment Managers to those amounts reported by the custodian, Northern Trust, and their investment advisor, Callan.</p> <p>As Private Equity and Real Estate Holding values are not traded on public exchanges, valuation and reconciliation of these holdings are performed once or twice a year when holding statements are received at CMERS.</p>	No	Defined
Investment Manager Fees	<p>Investment Manager Fee Invoices are reviewed and reconciled to the balances recorded by Northern Trust by the Investment Management Team. As part of the review, each fee is recalculated in accordance with the terms defined in the Investment Manager Contracts.</p> <p>After the fee invoices have been reconciled, they are reviewed and approved by the appropriate members of management before they are submitted to the City of Milwaukee payment.</p>	No	Defined

Investment Policy Compliance	CMERS Investment Policies are reviewed annually by its management and its BOD. Any changes to these policies are approved by the CMERS BOD.	No	Defined
	CMERS requires that those Investment Managers who manage publicly traded securities certify that they are following CMERS Investment Policy on an annual basis	No	Defined
Management and BOD Reporting	The Investment Management Team regularly prepares a variety of financial reporting packages for presentation to CMERS BOD. Each reporting package is validated against the Investment Balances recorded by Northern Trust and supported with the appropriate information. When complete, each reporting package is reviewed by Management before it is presented to the BOD for review and approval.	No	Defined
System Access Controls	Employee access to CMERS systems is reviewed by management twice a year to ensure that ERS's employees and business partners have the appropriate system access and that no Segregation of Duties conflicts exist.	No	Defined
Organization Resilience	Management regularly cross trains and evaluates department personnel as to their ability to competently perform duties outside of the employee's current role and responsibilities.	No	Defined
*DEFINED MATURITY	Policies and processes are established and are reviewed and updated as needed (e.g., annually) to reflect changing business needs; preventive and detective controls are employed but are primarily reliant on manual activities; performance monitoring is performed using a mix of manual and automated processes. <u>See Appendix for all Maturity Definitions.</u>		

Following the conclusion of our testing of CMERS Internal Control Environment, we identified No Internal Control Design or Operating Deficiencies.



Observations, Recommendations, and Management Responses

None.



Closing

We wish to extend our appreciation to management and staff for their timely cooperation and assistance during the project.

* * * * *

This report has been prepared in accordance with Statement of Standards for Consulting Services issued by the American Institute of Certified Public Accountants and is solely for use by management. It is not intended for use, in whole or in part, by outside parties without the specific consent of CliftonLarsonAllen LLP.

April 10, 2026



Appendix

Maturity Definitions

Capability Level	Capability Description	Capabilities Attribute
5. Optimized	Policies and processes are continuously reviewed and improved within a highly automated control environment.	<ul style="list-style-type: none"> • Processes and controls are continuously reviewed and improved • Preventive and detective controls are highly automated to reduce human error and cost of operation. • Comprehensive, defined performance metrics exist, with extensive automated performance monitoring. • Extensive use of best practices, benchmarking, and/or self-assessment to continuously improve process.
4. Managed	Policies and processes are documented, standardized, regularly updated and controls increasingly use automation.	<ul style="list-style-type: none"> • Procedures and controls are well documented and kept current. • Preventive and detective controls are employed, with greater use of automation to reduce human error. • Many metrics are used with a blend of automated and manual performance monitoring. • Best practices and/or benchmarking are used to improve process
3. Defined	Policies and processes are established, are reviewed, and updated as needed (e.g., annually) to reflect changing business needs; preventive and detective controls are employed but are primarily reliant on manual activities; performance monitoring is performed using a mix of manual and automated processes.	<ul style="list-style-type: none"> • Procedures are well documented, but not kept current to reflect changing business needs. • Preventive and detective controls are employed, still reliant on manual activities. • Some metrics are used, but performance monitoring is still manual and/or infrequent. • Generally occurs during periodic (e.g., annual) policy and procedure renewal.
2. Repeatable	Some standard processes are defined, and success depends largely on "tribal knowledge" and detective controls.	<ul style="list-style-type: none"> • Some standard procedures exist, relies on "tribal knowledge." • Mostly detective are in place, minimal preventive controls, and highly manual. • Few performance metrics exist, thus performance monitoring is inconsistent or informal. • Most likely in reaction to audits or service disruptions.
1. Initial	Few processes are defined, and success depends on individual effort and heroics.	<ul style="list-style-type: none"> • No formal procedures exist. • Controls are non-existent or primarily in reaction to a "surprise." • There are no metrics or performance monitoring.

COSO 2013
Assessment of Entity Level Controls
City of Milwaukee
Employes' Retirement System



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

Table of Contents

Background	3
Internal Controls Assessment Objectives and Scope	4
Procedures Performed.....	6
Audit and Assessment Results – Executive Summary.....	7
Observations, Recommendations, and Management Responses	11
Closing.....	12
Appendix.....	13



Background

At the request and direction of the Administration and Operations (A&O) Committee, a COSO 2013 Entity Level Controls assessment was performed for the City of Milwaukee Employees' Retirement System (CMERS) during the period from February 2, 2026 through March 31, 2026. The audit was requested to review, evaluate, and test the organization's Management processes against leading practices, test controls and determine whether control deficiencies existed within the internal control environment or whether there were identified control design or operating deficiencies. This audit cannot be relied upon to disclose errors, fraud, or noncompliance with laws and regulations.

We have concluded our consulting engagement to perform the procedures described in the attached report. These procedures, which were agreed to by CMERS, were applied solely to assist in evaluating the internal controls of CMERS. Management of CMERS is responsible for their operations and internal controls. We performed this engagement in accordance with Statements on Standards for Consulting Services issued by the American Institute of Certified Public Accountants. The execution and maintenance of adequate internal controls is solely the responsibility of the management of CMERS.

CliftonLarsonAllen (CLA) was not engaged by CMERS to conduct a financial audit, for which the objective would be the expression of an opinion on the financial statements. Had we been hired to perform an audit of financial statement information in accordance with U.S. generally accepted auditing standards, other issues may have come to our attention that would have been reported to you. Therefore, we express no opinion on the effectiveness of CMERS's controls over all or any part of its financial statements.

Internal Controls Assessment Objectives and Scope

The objective of the COSO 2013 Controls Framework Assessment was to review and evaluate the Entity Level processes and controls that are in place against leading practices of the COSO Internal Control – Integrated Framework (2013). The focus of the assessment was to compare the organization’s entity level controls against the 2013 COSO Framework (*Framework*) which includes 5 components according to its 17 principles and approximately 70 points of focus

Control Environment

1. The organization demonstrates a commitment to integrity and ethical values.
2. The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control.
3. Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.
4. The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.
5. The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.

Risk Assessment

6. The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.
7. The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.
8. The organization considers the potential for fraud in assessing risks to the achievement of objectives.
9. The organization identifies and assesses changes that could significantly impact the system of internal control

Control Activities

10. The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
11. The organization selects and develops general control activities over technology to support the achievement of objectives.
12. The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.

Information and Communication

13. The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.
14. The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.
15. The organization communicates with external parties regarding matters affecting the functioning of internal control.

Monitoring Activities

16. The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.
17. The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action.



Benefits: Internal control helps entities achieve important objectives and sustain and improve performance. COSO's *Internal Control—Integrated Framework (Framework)* enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environments, mitigate risks to acceptable levels, and support sound decision making and governance of the organization.

The **Framework** assists management, boards of directors, external stakeholders, and others interacting with the CMERS in their respective duties regarding internal control without being overly prescriptive. It does so by providing both understanding of what constitutes a system of internal control and insight into when internal control is being applied effectively.



Procedures Performed

The CMERS COSO 2013 Assessment of Entity Level Controls was performed via virtual walkthroughs in collaboration with members of CMERS Executive Management.

Techniques used to assess the effectiveness of internal controls, including:

1. Review of the COSO 2013 Framework tool with CMERS' Management and gain an understanding of the entity level controls currently in place.
2. Gathering evidence from management supporting the effectiveness of those controls that are in place.
3. For a select number of controls (4), sample test of the company's compliance with these selected controls and assessed their effectiveness; for the remainder of controls Internal Audit performed inquiry and inspection of supporting documentation.
4. Assessing the overall effectiveness of CMERS' Entity Level Control Environment according to COSO 2013 Controls Framework.

The following personnel participated in the COSO 2013 Internal Controls Framework Assessment:

- Dan Gopalan, ERS Chief Financial Officer
- Terry Siddiqui, Quality Manager

We would like to acknowledge and thank management with whom we interacted. The time, effort, and discussions they provided were instrumental in our understanding and provided the necessary information to complete our project. During the course of our assessment, management and personnel provided all of the materials requested and answered all of our questions promptly.

Audit and Assessment Results – Executive Summary

All but one of the processes assessed were rated as Defined Maturity*: Management has established defined and documented formalized processes, procedures, and transaction flows that are regularly updated. This level of maturity is considered suitable for these control environments by management and internal audit.

COSO Control	COSO 2013 Control Objective	Control Description	Control Deficiency?	Process Maturity
CE 1	Annual review of BOD/Organization charters, including audit committee.	The Administrative & Operations (A&O) Committee and the Audit Committee Charter are reviewed and approved by the BOD on an annual basis.	No	Defined
CE 2	Monitoring of execution of Board Charters.	CMERS has developed an internal checklist to track and manage its annual BOD activities. All actions requiring BOD approval are recorded in the Committee minutes.	No	Defined
CE 3	Financial expert on the Audit Committee.	The City Comptroller is a permanent member of the A&O Committee.	No	Defined
CE 4	Succession planning for Board and Executive Management.	<p>CMERS BOD members are either elected by the active members of the retirement system or elected or appointed by the Mayor of Milwaukee.</p> <p>In the event the Executive Director of CMERS becomes open, the Executive Deputy Director will assume responsibility according to the Rules defined in Chapter 36.</p> <p>CMERS has evaluated its personnel and have identified those individuals who could step in either replace or assume responsibility in the event of employee Turnover.</p>	No	Defined
CE 5	Employee acknowledgement of handbook and code of ethics.	Annually, employees are asked to review and acknowledge receipt and compliance with CMERS <u>Basic Office Guidelines Policy</u> and <u>Protecting Personal and Private Information Policy</u> .	No	Defined
CE 6	Approach to disciplinary action for employee violations of code of conduct.	<p>Employee disciplinary action arising from conduct violations is governed and administered according to the Loudermill Hearing process.</p> <p>Upon an employee's termination, an employee exit checklist is completed, and an email is sent to the Department of Employee Relations to alert them to cancel that employee's payroll.</p>	No	Defined



CE 7	Compensation Committee oversight of management compensation and incentives.	Compensation increases are determined by the Department of Employee Relations and approved by the Common Council. Increases typically fall into three categories; > Cost of Living Increases > Employee promotions > An employee chooses to live in the City of Milwaukee	No	Defined
CE 8	Defined procedures exist for hiring and recruiting.	The City of Milwaukee Department of Employee Relations (DER) has provided CMERS with detailed instructions for both the recruiting and hiring of employees.	No	Defined
CE 9	Annual review of employee performance and compensation.	Before 2020, Employee Performance Evaluations were not required for City of Milwaukee Employees. Following the COVID-19 Pandemic and in interest of the City's workforce to work remotely, the City has decided to implement a Performance Evaluation Process.	No	Defined
CE 10	Organization charts are used to define roles and reporting structure.	CMERS maintains up to date organization charts that define organizational roles and responsibilities of its management and personnel.	No	Defined
CE 11	Employee job descriptions are defined.	Employee job descriptions within CMERS are defined and current.	No	Defined
CE 12	Management preparation of the Fraud Risk Assessment.	CMERS relies on several processes and systems that are provided by the City of Milwaukee to conduct its day-to-day operations. As these systems fall outside CMERS direct control, CMERS is unable to comprehensively assess and prepare a Fraud Risk Assessment. In lieu of a Fraud Risk Assessment, CMERS has developed and implemented preventative and detective internal controls to address the Risk of Fraud within those processes and systems that it has direct control. These controls are routinely evaluated and updated by management as needed.	No	Defined
CE 13	Board and management review of budget to actual for forecasts.	CMERS Management and its BOD reviews and approves the annual budget.	No	Defined

CE 14	Functioning whistleblower hotline exists.	A functioning employee hotline is provided by the City of Milwaukee to CMERS employees. CMERS employees are aware of the hotline and how to use it, if needed.	No	Defined
CE 15	Audit committee review of SOX scoping, risk assessment and materiality, including Audit Committee oversight of SOX testing and control deficiencies.	CMERS is not a publicly traded company and does not need to comply with SOX. This control objective is NOT APPLICABLE. (1) <i>(1) SOX Compliance Control Objective has been included in the table for completeness as it is an integral part of the COSO 2013 Control framework.</i>	N/A	N/A
CE 16	Annual internal control testing to validate key control functioning.	An Audit Plan is prepared annually. The plan identifies those IT and Administrative processes that will be tested during the year. At the completion, an Audit Report is prepared that identifies any findings or procedural improvements.	No	Defined
CE 17	Independent internal audit function / activity, in-house or outsourced.	CMERS Audit Committee Charter provides for the use of an independent Internal Auditor. CMERS has chosen to utilize an Independent Third Party to provide Internal Audit Services to the organization.	No	Defined
CE 18	Monitoring of reports from external agencies, e.g., FDA or other regulators.	Monitoring and compliance with External Agencies (e.g., IRS Determination Letter) is monitored by CMERS Management.	No	Defined
CE 19	Delegation of authority matrix exists and is regularly reviewed.	CMERS Delegation of Authority Matrix is aligned with the City of Milwaukee directives and is effectively communicated within the organization. Only Authorized members of CMERS management are capable of approving vendor transactions.	No	Defined
CE 20	Management preparation of the Enterprise Risk Assessment with mitigation strategies or a strategic plan identifying key risks.	An Enterprise Risk Assessment is prepared every three years. The Risk Assessment is then used to develop a Three-Year Audit plan.	No	Defined

CE 21	Monitoring of financial reporting process.	The Financial Reporting process is monitored and reviewed by both CMERS Executive Management throughout the Calendar year.	No	Defined
CE 22	Accounting policies and procedures.	CMERS maintains detailed policies and procedures that ensure that organization's financial statements are properly prepared.	No	Defined
CE 23	IT systems are well controlled to support information management.	IT General Controls Environment and Security Infrastructure are regularly reviewed and updated to ensure that the environment and security measures are capable of meeting the needs of the organization and protecting its members Personal Identifiable Information.	No	Defined
*DEFINED MATURITY		Policies and processes are documented, standardized, and updated, e.g., annually with heavy reliance on manual processes. <u><i>See Appendix for all Maturity Definitions.</i></u>		

Following the conclusion of our testing of CMERS Internal Control Environment, we identified No Internal Control Deficiencies.

Observations, Recommendations, and Management Responses

None.



Closing

We wish to extend our appreciation to management and staff for their timely cooperation and assistance during the project.

* * * * *

This report has been prepared in accordance with Statement of Standards for Consulting Services issued by the American Institute of Certified Public Accountants and is solely for use by management. It is not intended for use, in whole or in part, by outside parties without the specific consent of CliftonLarsonAllen LLP.

April 3, 2026



Appendix

Maturity Definitions

Capability Level	Capability Description	Capabilities Attribute
5. Optimized	Policies and processes are continuously reviewed and improved within a highly automated control environment.	<ul style="list-style-type: none"> • Processes and controls are continuously reviewed and improved • Preventive and detective controls are highly automated to reduce human error and cost of operation. • Comprehensive, defined performance metrics exist, with extensive automated performance monitoring. • Extensive use of best practices, benchmarking, and/or self-assessment to continuously improve process.
4. Managed	Policies and processes are documented, standardized, regularly updated and controls increasingly use automation.	<ul style="list-style-type: none"> • Procedures and controls are well documented and kept current. • Preventive and detective controls are employed, with greater use of automation to reduce human error. • Many metrics are used with a blend of automated and manual performance monitoring. • Best practices and/or benchmarking are used to improve process
3. Defined	Policies and processes are established, are reviewed, and updated as needed (e.g., annually) to reflect changing business needs; preventive and detective controls are employed but are primarily reliant on manual activities; performance monitoring is performed using a mix of manual and automated processes.	<ul style="list-style-type: none"> • Procedures are well documented, but not kept current to reflect changing business needs. • Preventive and detective controls are employed, still reliant on manual activities. • Some metrics are used, but performance monitoring is still manual and/or infrequent. • Generally occurs during periodic (e.g., annual) policy and procedure renewal.
2. Repeatable	Some standard processes are defined, and success depends largely on "tribal knowledge" and detective controls.	<ul style="list-style-type: none"> • Some standard procedures exist, relies on "tribal knowledge." • Mostly detective are in place, minimal preventive controls, and highly manual. • Few performance metrics exist, thus performance monitoring is inconsistent or informal. • Most likely in reaction to audits or service disruptions.
1. Initial	Few processes are defined, and success depends on individual effort and heroics.	<ul style="list-style-type: none"> • No formal procedures exist. • Controls are non-existent or primarily in reaction to a "surprise." • There are no metrics or performance monitoring.



Employees' Retirement System of the City of Milwaukee

Internal Audit Charter June 2026

Purpose

The purpose of this Internal Audit Charter dated **June 2026**, is to assist the internal auditors in fulfilling their mission and fiduciary responsibilities under the oversight of the Administration and Operations (A&O) Committee. The provisions of this charter apply to the activities of the **Employees' Retirement System (ERS)** of the City of Milwaukee Internal Audit function only, and should be used for no other purpose. This document includes the following topics.

- I. MISSION
- II. OBJECTIVES & SCOPE
- III. INDEPENDENCE
- IV. AUTHORITY
- V. ACCESS
- VI. RESPONSIBILITIES & ACCOUNTABILITY
- VII. PROFESSIONAL STANDARDS
- VIII. REPORT DISTRIBUTION & FOLLOW-UP
- IX. RELATIONSHIP TO PREVENTION, DETECTION & CORRECTION ACTIVITIES
- X. SIGNATURE SECTION

I. MISSION

The mission of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the operations of ERS. It assists the Board and the Executive Director in accomplishing their oversight responsibilities by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes. The following are specific tasks to be carried out by Internal Audit to accomplish the mission:

- **Supporting the agency's efforts to achieve** its objectives through conducting a risk assessment every three years, designing, reviewing and executing an annual audit plan, and providing a wide range of quality independent internal auditing services.
- Assessing the integrity, quality, and efficiency of the systems of internal control.
- Assessing the degree to which ERS complies with various policies, procedures, laws, and regulations in a manner that facilitates operational efficiency, quality of service, and fiduciary responsibility.

- Examining and testing the performance of important control elements.
- Assessing the integrity of the financial reporting processes.
- Communicating results of audit projects through timely written reports delivered to the Board, the Executive Director, and management identified as stakeholders.
- Assessing through follow-up audit projects the degree to which management action plans created in response to recommendations in audit reports are carried out effectively and timely.

II. OBJECTIVES & SCOPE

Auditing Objectives. The objectives of the auditing services are to provide independent assurance to the **A&O Committee and management that ERS' assets are safeguarded, operating efficiency is enhanced, and compliance is maintained with prescribed laws and regulations and Board and management policies.** These objectives of auditing services include an independent **assessment of the agency's risk awareness, reliability and integrity of the organization's data and information, and achievement of the agency's goals and objectives.**

Consulting and Advisory Objectives. **The objectives of internal audit's consulting and advisory services are to provide ERS management with recommendations for improving processes that will advance the goals and objective to successfully achieve the overall mission of the organization.** The objectives will also allow internal audit the opportunity to follow-up with management to ensure action steps were taken to mitigate the risk.

Scope. **The scope of work of internal audit is to determine whether the agency's network of risk management, internal control, and governance processes, as designed and represented by management, are adequate and functioning in a manner to ensure:**

- Programs are operating within the highest fiduciary standards and are in compliance with the requirements defined in the Federal and State constitutions, laws, and regulations, local government ordinances and rules, and the policies and procedures of the agency.
- Programs and processes are in synchrony with industry best practices, using the best public and private examples and all resources available as benchmarks.
- Significant legislative or regulatory issues impacting the agency are recognized and addressed appropriately and timely.
- Operations, processes and programs are consistent with established missions, objectives **and goals and they are being executed in accordance with management's plan.**
- Existing policies and procedures are appropriate and updated.
- Internal and external risks are identified and managed.
- Employers appropriately enroll employees, accurately report member earnings, and appropriately report other employee data.
- **Interaction with appropriate governance groups occurs as needed.**
- **Significant financial, managerial, and operating information is accurate, reliable, and timely.**

- Resources are acquired economically, used efficiently, and adequately protected.
- Quality service and continuous improvement are fostered in the **organization's control** process.
- Contractors, including third-party administrators, are meeting the objectives of the contracts, while in conformance with applicable laws, regulations, policies, procedures and **best practices and the agency's contract monitoring** process is effective to ensure minimal risk.
- Responsibilities and activities of the external financial statement auditors are coordinated with those of the internal auditors in order to provide continuity of audit efforts and to avoid duplication.
- Access for auditors is provided as appropriate.
- Specific operations, processes or programs are reviewed at the request of the A&O Committee, the Board, and management.

Opportunities for improving member service, management of risks, internal control, **governance, cost benefit, and the organization's effectiveness and image may be identified** during audits. This information will be communicated to the A&O Committee and to appropriate levels of management.

III. INDEPENDENCE

Independent Professional Standards. The A&O Committee recognizes that professional independence requires the auditors have knowledge of operations and appropriate expertise in the subject matter that is being audited. Internal Audit must provide the credentials of any or all staff members upon request of the A&O Committee.

Conflict of Interest. Internal Audit shall discuss any potential issues regarding impairment of independence and/or conflicts of interest and their mitigation(s) with the A&O Committee as necessary.

IV. AUTHORITY

The Internal Audit function is established by the Board of this agency and governed by the A&O Committee. This Charter is approved and all future amendments to it are to be approved by the A&O Committee through a majority vote. This Charter shall be reviewed at least annually and updated as required by the A&O Committee.

Internal Audit functionally reports to the A&O Committee. Meetings are held with the A&O Committee on at least a quarterly basis. The portion of the A&O Committee agenda regarding Internal Audit generally include:

- **A discussion of current year Plan status**
- **Points of emphasis of audit reports issued in the quarter**
- **Status of audits in process**
- **Changes or proposed changes to the Plan**
- **Audit follow-up status reports as necessary (based on exceptions noted)**
- **Special requests for audits from the Board** or from Management with Board approval

- Closed sessions, when necessary, as provided for under the Wisconsin open meetings law

The A&O Committee retains the right to provide input and approve the annual audit plan presented by Internal Audit. The risk assessment and Plan are discussed in the meeting at the end of the quarter in which they are completed. Internal Audit shall inform the A&O Committee of the status of the audit plan and any changes needed. Management may request special audits outside of the plan to be conducted, which must be approved by the A&O Committee. The mission, responsibilities, and workings of the A&O Committee are described in the committee charter.

Internal Audit staff is not authorized to initiate or approve accounting transactions external to those related to the function. Internal Audit staff is not authorized to direct the activities of any agency employee not employed by the function, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

V. ACCESS

The Internal Audit staff, as appropriate, are granted authority for full, free and unrestricted **access to all of the agency's functions, records**, files and information systems, personnel, contractors, external auditors, physical properties, rental locations, and any other item relevant to the function, process or department under review. All contracts with vendors shall contain standard audit language enabling the internal auditors and other auditors and specialists to have access to relevant records and information. Documents and information given to Internal Audit shall be handled in the same prudent and confidential manner as by those employees normally accountable for them. All of the ERS employees are required to assist the staff of Internal Audit in fulfilling their audit functions and fiduciary duties.

VI. RESPONSIBILITIES & ACCOUNTABILITY

Internal Audit is responsible for the following in order to meet the mission, objectives and scope of this Charter:

1. Establish policies for conducting Internal Audit activities and directing its technical and **administrative functions according to the agency's policies and direction provided by the A&O Committee** and professional standards described in Section VII.
2. Perform a risk-assessment every three years and review the flexible annual audit plan that will accomplish the mission, objectives and scope of this Charter. This plan will include some unassigned hours in order to provide flexibility for changing conditions. This plan shall in part be based upon risks and control concerns identified by management.
3. Facilitate the implementation of the audit plan.
4. Implement the annual audit plan, as approved, including, as appropriate, any plan amendments, special tasks or projects requested by management, the Board and the A&O Committee.

5. Obtain updates to follow-up on management action plans as they relate to the recommendations provided by Internal Audit for improvement to ensure the risks are being mitigated timely.
6. Transmit copies of all audit reports and management letters to the A&O Committee.
7. Assess periodically whether the purpose, authority and responsibility, as defined in this Charter, continue to be adequate to accomplish its mission, objectives and scope. The result of this periodic assessment should be communicated to the A&O Committee.
8. Assist in the investigation of significant suspected fraudulent activities within the organization and notify the A&O Committee, the Board and other Executives, as appropriate, of the results.

VII. PROFESSIONAL STANDARDS

Internal Audit shall follow the professional standards of relevant professional organizations. These professional standards include, but are not limited to, the following:

- **Institute of Internal Auditors (IIA) Professional Standards and Code of Ethics**
- American Institute of Certified Public Accountants (AICPA) Professional Standards and Code of Ethics, as applicable
- **Generally Accepted Government Auditing Standards (GAGAS)** from the United States General Accounting Office (GAO), as applicable

VIII. REPORT DISTRIBUTION & FOLLOW-UP

Draft audit reports are first distributed to the Executive Director or their designee for comments. After comment, they are then distributed to the applicable department head. Internal Audit is responsible for obtaining management responses and issuing the final version of the audit report according to the following time schedule:

- Once a draft report is issued to a department head, 15 business days are allowed for management responses to be prepared and forwarded to Internal Audit. Internal Audit may extend the deadline, though the maximum number of business days for a response will be 25 days.
- Upon receipt of acceptable management responses, Internal Audit has 10 business days to issue the final version of the report.
- In cases where the department under review does not meet the above schedule, Internal Audit has the authority to issue the report without management responses to the chairman of the A&O Committee.

Final audit reports are distributed as follows:

- The department head, under review, receives a complete copy of the full report.
- **The Executive Director**, the Board, and the A&O Committee also receive a copy of the full report.

IX. RELATIONSHIP TO PREVENTION, DETECTION AND CORRECTION ACTIVITIES

Internal Audit strives to participate in the initial stages of major agency-wide projects so that risks can be appropriately managed and internal controls instituted in the design phase in order to prevent problems and minimize the associated costs. It recognizes that it is more expensive to detect and correct problems than it is to prevent them in the initial stages of a project.

X. SIGNATURE SECTION

The A&O Committee reviewed and adopted this Internal Audit Charter in **June 2026**, and transmitted it to the Board. The Internal Audit Charter is effective immediately and is hereby signed by the following persons who have authority and responsibilities under this Charter.

Executive Director

Date

Memo



To: Jerry Allen
From: Mary Turk
Date: 9/3/2024
Re: Lease for Two Park Plaza

ERS has been leasing space at Two Park Plaza as a remote site since 2010. The original contract was for a term of 10 years with 2 options to extend for terms of 5 years. We exercised the first option to extend in 2020. This extension will end in March of 2025.

The landlord presented us with rates for a second option to extend for 5 years. They proposed a starting base rate of \$12.50 per square foot per year with annual increases of 3% in the following 4 years. Our current rate is \$13.10. We then did some research for costs for alternative properties and found that Two Park Plaza was advertising other spaces at a base rate of \$11.50. After some negotiation they offered us that same base of \$11.50 if we were willing to enter into an extension for a term of 7 years with annual increases of 3.5%. The attached spreadsheet presents both of these proposals with analysis that includes the CAM (Common Area Maintenance) rate which is the operating and tax cost share that is included in our overall rent payment. Also on the spreadsheet is a listing of all the comparative properties. Appendices show the details of the comparative properties presented on the spreadsheet. The other properties do not show a CAM rate but it is a standard cost share that would be reasonable to assume would be similar for all properties.

As can be seen on the attached spreadsheet, Two Park Plaza offers the lowest base rent of all the comparative properties. The 7-year option provides a lower overall cost in exchange for the longer term. Therefore, I recommend that we extend the lease with Two Park Plaza for an additional 7 years.



Remote Office - 2 Park Place, Milwaukee, WI

Area 3300 sq ft
Type Office Class A

ERS's Lease - Current and Proposed

OPTION 1 - 5 YEAR, HIGHER STARTING RENT, LOWER ESCALATOR

Period	Base Rate (\$/sq ft/yr)	Base Rate Incr	CAM Rate* (\$/sq ft/yr)	Monthly	Annual	Overall Change
Current	\$ 13.10		\$ 10.67	\$ 6,536.75	\$ 78,441.00	
2025-2026	\$ 12.50	-4.6%	\$ 10.67	\$ 6,371.75	\$ 76,461.00	-2.5%
2026-2027	\$ 12.88	3.0%	\$ 10.88	\$ 6,534.94	\$ 78,419.22	2.6%
2027-2028	\$ 13.27	3.0%	\$ 11.10	\$ 6,701.05	\$ 80,412.64	2.5%
2028-2029	\$ 13.66	3.0%	\$ 11.32	\$ 6,871.56	\$ 82,458.69	2.5%
2029-2030	\$ 14.07	3.0%	\$ 11.55	\$ 7,046.57	\$ 84,558.79	2.5%

OPTION 2 - 7 YEAR, LOWER STARTING RENT, HIGHER ESCALATOR

Period	Base Rate (\$/sq ft/yr)	Base Rate Incr	CAM Rate* (\$/sq ft/yr)	Monthly	Annual	Overall Change
Current	\$ 13.10		\$ 10.67	\$ 6,536.75	\$ 78,441.00	
2025-2026	\$ 11.50	-12.2%	\$ 10.67	\$ 6,096.75	\$ 73,161.00	-6.7%
2026-2027	\$ 11.90	3.5%	\$ 10.88	\$ 6,266.12	\$ 75,193.47	2.8%
2027-2028	\$ 12.32	3.5%	\$ 11.10	\$ 6,440.54	\$ 77,286.51	2.8%
2028-2029	\$ 12.75	3.5%	\$ 11.32	\$ 6,620.17	\$ 79,442.04	2.8%
2029-2030	\$ 13.20	3.5%	\$ 11.55	\$ 6,805.17	\$ 81,662.02	2.8%
2030-2031	\$ 13.66	3.5%	\$ 11.78	\$ 6,995.71	\$ 83,948.48	2.8%
2031-2032	\$ 14.14	3.5%	\$ 12.02	\$ 7,191.96	\$ 86,303.54	2.8%

*Estimating a 2% escalator for the CAM rate

Comparables and Research

Source	Class	Base Rate (\$/sq ft/yr)	Reference	Appendix
CBRE - Milwaukee NW	All	\$ 14.27	CBRE Milwaukee Office Q1 2024 Research; Page 4	A
Cushman & Wakefield - Milwaukee NW	All	\$ 16.62	Cushman MarketBeat Milwaukee Q1 2024; Page 2	B
Cushman & Wakefield - Milwaukee NW	A	\$ 21.28	Cushman MarketBeat Milwaukee Q1 2024; Page 2	B
JLL - Milwaukee	All	\$ 22.03	JLL 2024 Research	C
JLL - Milwaukee	A	\$ 26.09	JLL 2024 Research	C
Space Available for Rent (classifieds)	A	\$ 11.50	11850 W Park Place	D
Space Available for Rent (classifieds)	B	\$ 16.50	11925 W Lake Park Dr	E
Space Available for Rent (classifieds)	B	\$ 16.50	11950 W Lake Park Dr	F
Space Available for Rent (classifieds)	B	\$ 15.00	5600 W Brown Deer Rd	G
Space Available for Rent (classifieds)	A	\$ 21.79	11270 W Park Place	H

FIGURES | MILWAUKEE OFFICE | Q1 2024

Renewals dominate top office leases, while new leases illustrate continued demand for downtown



Note: Arrows indicate change from previous quarter.

- The total vacancy rate in the Milwaukee market increased 70 basis points (bps) to 15.1% and the availability rate increased 10 bps to 20.9%. The average asking lease rate decreased to \$19.59.
- Overall, the market experienced 84,764 sq. ft. of positive absorption for Q1 2024.
- One 40,288 sq. ft. office building, Loomis Crossing at 4300 W Layton Ave, delivered this quarter.
- The CBD experienced 157,182 sq. ft. of positive absorption while the suburbs experienced 73,418 sq. ft. of negative absorption for Q1 2024.
- Demand for Class A office space remains high in both the suburbs and CBD, with three of the top five leases in Q1 2024 by size signed at Class A buildings.
- Office sales illustrated space consolidation with the sale of Riverwood Corporate Center to Best Graphics Group, which plans to consolidate its office and warehouse space.
- A significant CBD move this quarter included Fiserv, relocating from Brookfield and moving its new corporate headquarters to HUB640 in downtown Milwaukee.

FIGURE 1: Total Vacancy Rate and Asking Lease Rate



Source: CBRE Research, Q1 2024

FIGURE 7: Milwaukee Market Office Statistics

Submarket	Market Rentable Area (sq. ft.)	Total Vacancy (%)	Direct Vacancy Rate (%)	Available Sublease (sq. ft.)	Availability Rate Total (%)	Q1 2024 Net Absorption (sq. ft.)	Year-to-date 2024 Net Absorption (sq.ft.)	Overall Gross Avg. Asking Lease Rate (\$/sq. ft./Yr)
Downtown East	9,217,991	16.9%	16.3%	184,495	21.8%	(3,805)	(3,805)	\$24.62
Downtown West	4,044,319	19.8%	17.4%	124,308	25.2%	168,000	168,000	\$17.55
Third Ward/Walker's Point	2,638,173	8.5%	8.4%	68,633	16.3%	(7,013)	(7,013)	\$22.71
CBD Subtotal	15,900,483	16.3%	15.3%	377,436	21.7%	157,182	157,182	\$22.30
Milwaukee North Shore	2,516,256	15.8%	15.8%	10,755	19.8%	(4,303)	(4,303)	\$11.64
Milwaukee Northwest	1,906,072	29.4%	29.4%	1,075	32.1%	4,697	4,697	\$14.27
Milwaukee Central	785,789	5.1%	5.1%	-	5.8%	-	-	\$15.14
Mayfair/Wauwatosa	3,951,107	14.5%	14.4%	68,592	20.5%	21,345	21,345	\$20.11
West Allis	1,889,744	17.1%	17.1%	115,856	36.2%	1,003	1,003	\$16.95
Milwaukee Southwest	872,344	8.1%	8.1%	1,200	14.5%	(2,816)	(2,816)	\$16.08
Milwaukee Southeast	1,008,162	24.1%	21.8%	23,578	26.3%	(8,831)	(8,831)	\$23.70
Brookfield	6,311,864	18.8%	18.5%	56,893	24.9%	(85,426)	(85,426)	\$20.06
Waukesha/Pewaukee	2,766,813	7.9%	7.9%	1,200	16.3%	(1,014)	(1,014)	\$20.11
Waukesha North	1,497,879	4.6%	4.6%	3,075	7.9%	9,799	9,799	\$16.00
Waukesha South	631,141	2.1%	2.1%	-	7.6%	676	676	\$14.11
North Suburban	2,038,042	12.1%	11.7%	7,492	18.2%	(8,548)	(8,548)	\$13.77
South Suburban	1,791,018	6.3%	6.1%	3,087	8.8%	-	-	\$15.03
Suburban Subtotal	27,966,231	14.5%	14.3%	292,803	20.6%	(73,418)	(73,418)	\$17.91
TOTAL	43,866,714	15.1%	14.6%	670,239	21.0%	83,764	83,764	\$19.59

Source: CBRE Research, Q1 2024

SECOND AMENDMENT TO LEASE

THIS SECOND AMENDMENT TO LEASE (the “Second Amendment”) is made and entered this 24th day of September 2024, by and between **Two Park Place LLC**, a Delaware limited liability company (“Landlord”) and **Employees’ Retirement System of the City of Milwaukee** (“Tenant”). Landlord and Tenant are each a “Party”; together, they are the “Parties.”

RECITALS

The Parties hereto recite, declare, and agree as follows:

WHEREAS, Landlord and Tenant entered into that certain Lease dated March 1, 2010, as amended by that First Amended to Lease dated May 28, 2019 (“First Amendment”) (collectively, the “Lease”), under the terms of which Tenant leased approximately 3,300 rentable square feet (the “Original Space”) of space as described in said Lease in the building commonly known as Two Park Plaza, located at 10850 West Park Place, Milwaukee, Wisconsin 53224, as further described in the Lease (the “Building”); and,

WHEREAS, Tenant and Landlord desire to enter into this Second Amendment to Lease in order to modify and amend certain provisions of the Lease.

AGREEMENT

NOW, THEREFORE, in consideration of the terms, covenants and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree to amend the Lease as follows:

1. Recitals. The foregoing Recitals are expressly made a part of this Second Amendment and are incorporated herein by this reference.
2. Definitions. Terms used herein and not otherwise defined herein shall have the same meanings as provided in the Lease. Upon execution of this Second Amendment, the “Lease” shall mean the Lease as amended by the First Amendment and this Second Amendment.
3. Term. The Term of the Lease is hereby extended to midnight on March 31, 2032.
4. Option to Extend. Tenant shall have the right to extend this Lease for one (1) additional five-year term on the same terms and conditions as set forth in Article 32 of the Lease.

5. Base Rent. Commencing on the Second Amendment Commencement Date, "Base Rent" for the Premises shall be in accordance to the following schedule:

<u>Time Period</u>	<u>Base Rent/RSF</u>	<u>Monthly Base Rent</u>	<u>Annual Base Rent</u>
4/1/25 – 3/31/26	\$11.50	\$ 3,162.50	\$ 37,950.00
4/1/26 – 3/31/27	\$11.90	\$ 3,272.50	\$ 39,270.00
4/1/27 – 3/31/28	\$12.32	\$ 3,388.00	\$ 40,656.00
4/1/28 – 3/31/29	\$12.75	\$ 3,506.25	\$ 42,075.00
4/1/29 – 3/31/30	\$13.20	\$ 3,630.00	\$ 43,560.00
4/1/30 – 3/31/31	\$13.66	\$ 3,756.25	\$ 45,078.00
4/1/31 – 3/31/32	\$14.14	\$ 3,888.50	\$ 46,662.00

6. Other Terms and Conditions/Conflict. Except as specifically modified or amended herein, all other terms and condition of the Original Lease shall remain in full force and effect. In the event of a conflict between the terms and conditions of the Original Lease and First Amendment and the terms and conditions of this Second Amendment, the terms and conditions of this Second Amendment shall control.

IN WITNESS WHEREOF, the Parties have executed this Second Amendment as of the date and year written above.

LANDLORD:

Two Park Place LLC, a Delaware limited liability company

By: IP Two Park LLC, a Wisconsin limited liability company, a manager

By:  _____
AE5A5F8FC8774B6...

Name: John B. Heller

Title: Member

TENANT:

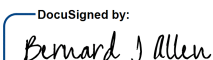
Employees' Retirement System of the City of Milwaukee

By its: Annuity and Pension Board

By:  _____
67B4D438BD74F7...

Name: Matthew P. Bell

Title: Board Chair

By:  _____
C88A038A7722489...

Name: Bernard J. Allen

Title: Executive Director

Strong Leasing and User Sale Activity Offset by Large Sublease Expirations in Q1

▲ 18.8%

Vacancy Rate

▼ (49,000)

SF Net Absorption

▶ 0

SF Construction Delivered

▶ 0

SF Under Construction

▲ \$22.13

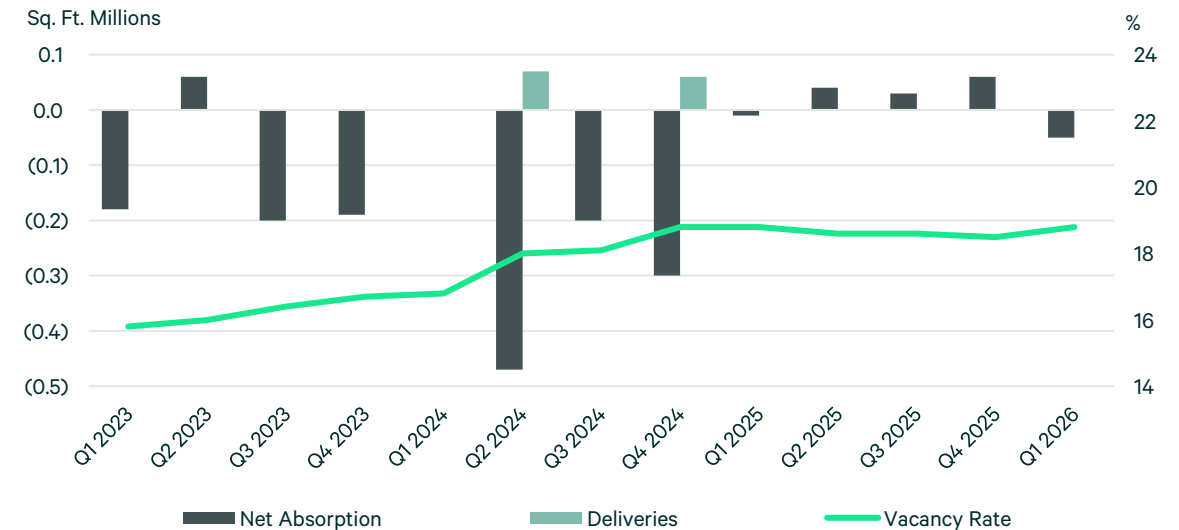
FSG/YR Direct Lease Rate

Note: Arrows indicate change from previous quarter.

Market Overview

- The Milwaukee office market recorded (49,000) sq. ft. in Q1, marking the first negative quarter in a year. Absorption at Class A was positive 34,000, offset by (84,000) sq. ft. of vacancies in all other classes.
- Market vacancy was 18.8%, an increase of 10 bps from the previous quarter. While the vacancy rate was impacted by two large sublease expirations, the availability rate decreased by 110 bps, down to 20.2% this quarter.
- **The average FSG direct lease rate was \$22.13 across the full market, demonstrating a 2.9% increase year-over-year. Class A rates rose to \$25.49 with Class B reported at \$19.91**
- In Q1, Milwaukee had 152,000 sq. ft. of total leasing activity, a 71% increase from the previous quarter and a 97% increase year-over-year. The average lease area increased by 35% from the previous year, a signal that tenant footprints are stabilizing.
- The quarterly office sales volume was \$43.4 million in Q1. The largest transaction in Q1 was a user-sale to Walbec Group for a new headquarters at 1425 Discovery Pkwy in Wauwatosa.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2026

Market Statistics by Submarket

Figure 12

Submarket	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Brookfield	6.32	21.4	23.3	22.8	0.6	20.28	15,000	15,000	-	-
Downtown East	8.95	20.3	24.7	22.2	2.4	27.65	1,000	1,000	-	-
Downtown West	3.99	21.3	19.9	18.3	1.6	23.40	26,000	26,000	-	-
Mayfair / Wauwatosa	4.24	25.2	28.8	18.9	9.9	20.70	104,000	104,000	-	-
Milwaukee Central	0.79	4.7	3.9	3.9	-	15.53	-	-	-	-
Milwaukee North Shore	2.41	18.2	19.2	19.2	-	17.32	(43,000)	(43,000)	-	-
Milwaukee Northwest	2.03	31.9	24.8	24.8	0.1	20.01	(4,000)	(4,000)	-	-
Milwaukee Southeast	1.17	27.2	27.2	25.2	2.0	25.69	(116,000)	(116,000)	-	-
Milwaukee Southwest	0.85	6.8	10.4	10.3	0.1	18.14	-	-	-	-
North Suburban	2.04	9.4	11.1	11.1	-	13.55	8,000	8,000	-	-
South Suburban	1.79	5.1	5.4	5.4	-	15.95	2,000	2,000	-	-
Third Ward / Walker's Point	2.73	11.4	14.7	14.6	0.2	21.78	(38,000)	(38,000)	-	-
Waukesha North	1.61	9.2	10.4	10.4	-	15.74	(4,000)	(4,000)	-	-
Waukesha South	0.56	8.2	9.7	9.7	-	13.97	1,000	1,000	-	-
Waukesha-Pewaukee	2.75	11.7	14.5	14.2	0.3	20.99	(3,000)	(3,000)	-	-
West Allis	1.89	32.1	32.4	31.4	1.0	17.50	1,000	1,000	-	-
Total	44.11	18.8	20.5	18.7	1.8	22.13	(49,000)	(49,000)	-	-

Source: CBRE Research, Q1 2026

IT Projects and Ticket Statistics

- Major Projects/Initiatives:
 - Planet Press Upgrade (In Progress)
 - Microsoft Windows Server Upgrade (In Progress)
 - Network Redesign (In Progress)
 - IP Address Review and Cleanup 2025 (In Progress)
 - DNS Review and Cleanup 2025 (In Progress)
 - AD Review and Cleanup 2025 (In Progress)
 - Firewall Review and Cleanup 2025 (In Progress)
 - VMware Environments Upgrade (Completed)
 - Desktop PCs Upgrade (Completed)
 - Backup Exec Upgrade (Completed)
 - Storage Area Network Firmware Upgrade (Completed)
 - Upgrade FileNet P8 to IBM CloudPak4BA (In Progress)
 - MERITS – SQL Server & Windows Upgrade (In Progress)
 - Perforce Upgrade (In Progress)
 - Workday Implementation Impact on MERITS (In Progress)
 - Business Continuity Tabletop Exercise (Completed)

- Application Statistics:

Category	High Priority	Low Priority	Total
Current Inventory	27	0	27
PIR's	04	0	04
CCR's	23	0	23
Pending/Hold	0	0	0
Deployed(Awaiting Next stage) /Ready for Production	0	0	0
Net Current Inventory	27	0	27

Portfolio as of June 10, 2026

Project Health	% Work Complete	Priority	Complexity (S / M / L)	Project Name	Project Mgr	Description	Strategic Goal	Status	Additional Vendor Required: Y/N	Actual Start Date	Target Completion Date	Estimates (Hours)	Actuals (Hours)	Hours Variance = Estimates - Actuals
G	1%	1	M	Upgrade Microsoft Windows Server 2016 Servers @	Prosser	Upgrade Windows Server 2016 to Latest Stable Version	G1	IP	N	5/22/26	12/31/26	100	1.00	99.00
G	1%	2	M	Firewall Review and Cleanup 2025 @	Zampino	Complete the Yearly Firewall Review for 2025	G1	IP	N	3/3/26	8/31/26	100	1.00	99.00
G	1%	3	M	AD Review and Cleanup 2025 @	Zampino	Complete the Yearly AD Review for 2025	G1	IP	N	3/3/26	8/31/26	100	1.00	99.00
G	1%	4	M	DNS Review and Cleanup 2025 @	Zampino	Complete the Yearly DNS Review for 2025	G1	IP	N	3/3/26	8/31/26	100	1.00	99.00
G	1%	5	M	IP Address Review and Cleanup 2025 @	Zampino	Complete the Yearly IP Address Review for 2025	G1	IP	N	3/3/26	8/31/26	100	1.00	99.00
G	5%	6	M	Upgrade Perforce @	John	Upgrade Software to Latest Stable Version on Windows 2025 Server	G1	IP	N	5/4/26	10/31/26	100	3.00	97.00
G	1%	7	M	Upgrade Planet Press @	John	Upgrade Planet Press to Latest Stable Version	G1	IP	N	5/12/26	9/30/26	100	1.00	99.00
G	0%	8	M	MERITS - SQL Server & Windows Upgrade	Manchu	Upgrade SQL Server to Version 2022 and Upgrade all MERITS Servers to Windows 2025 Server	G1	NS	N		9/30/26	970	0.00	970.00
G	98%	9	L	Network Redesign	Zaffiro	Project to Redesign Network Infrastructure	G1	IP	Y	11/27/24	6/30/26	1,100	562.75	537.25
G	55%	10	L	Upgrade FileNet P8 to IBM CloudPak4BA	Manchu	Upgrade Scanning, Indexing and Imaging to IBM CloudPak for Business Automation	G1	IP	Y	4/15/24	8/31/26	1,637	443.00	1,194.00
G	18%	11	M	WCAG / Website Refresh	Zaffiro	Upgrade to New WCAG 2.1 Standards and Upgrade Titan Software to Latest Stable Version	G4	IP	Y	5/1/26	11/30/26	245	6.00	225.00
G	50%	12	M	Workday Implementation Impact On MERITS @	Siddiqui	Understand and Mitigate Ways Workday Will Affect MERITS	G1	IP	N	6/1/25	3/31/27	320	100.00	220.00

Green = On Target / No Significant Issues / All Updates Approved
 Yellow = On Watch List – Issues Being Addressed
 Red = Project cannot move forward as planned without management attention or approval.

@ = Activity (no charter)

NS = Not Started
 IP = In Process
 OH = On Hold
 C = Completed

Completed Projects & Tasks in Last 12 Months	Finished	Hours
MERITS - EJB Upgrade @ (Manchu)	4/3/2025	210 hours
Upgrade Network Infrastructure Firmware/OS @ (Zampino)	4/2/2025	33.5 hours
Upgrade VMware Environments @ (Prosser)	4/2/2025	235 hours
Upgrade SAN Firmware and DSM @ (Raynal)	5/28/2025	25.5 hours
Firewall Review and Cleanup 2024 @ (Zampino)	5/30/2025	9.25 hours
Investigate Potential Replacements for Tracker/Serena/Solutions Business Manager @ (John)	7/2/2025	241.75 hours
Titan Upgrade @ (Zaffiro)	6/30/2025	11.25 hours
IP Address Review and Cleanup 2024 @ (Zampino)	7/9/2025	11 hours
DNS Review and Cleanup 2024 @ (Zampino)	7/31/2025	9.25 hours
Upgrade System Galaxy Security System @ (Zaffiro)	9/3/2025	17.25 hours
AD Review and Cleanup 2024 @ (Zampino)	9/10/2025	37 hours
Upgrade Microsoft Exchange Server 2019 to MS Exchange SE @ (Zampino)	9/30/2025	15.5 hours
Microsoft Windows Desktop and Laptop OS Upgrade @ (Powell)	10/15/2025	266.25 hours

Completed Projects & Tasks in Last 12 Months	Finished	Hours
Upgrade Logitech Video Conferencing System @ (Powell)	11/26/2025	2 hours
Upgrade Printer Firmware @ (Prosser)	12/31/2025	44 hours
Upgrade Change Auditor @ (Prosser)	12/15/2025	29.5 hours
Internal Audit - Vulnerability Assessment @ (Zampino)	12/30/2025	44.5 hours
Upgrade Struts and Modernize MERITS Website (Manchu)	12/20/2025	17,730 hours
Upgrade 789 and RO PC Firmware @ (Powell)	2/6/2026	17 hours
Upgrade WUG @ (Prosser)	1/15/2026	97 hours
Upgrade Server Firmware @ (Prosser)	3/6/2026	96.25 hours
Upgrade Backup Exec and Agents @ (John)	3/31/2026	57.25 hours
Upgrade Desktop PCs @ (Powell)	4/22/2026	17.75 hours
Upgrade VMware Environments @ (Prosser)	4/2/2026	152.25 hours
Upgrade SAN Firmware and DSM @ (Raynal)	5/29/2026	47.75 hours
Business Continuity Tabletop Exercise @ (Siddiqui)	5/31/2026	12 hours

Organizational/Personnel Update

Administration and Operations Committee

Wednesday, June 17, 2026

ERS is working with DER to fill the following positions:

Benefits Services Specialist

Chief Financial Officer

Office Assistant III

Records Technician II