



City of Milwaukee
Employees' Retirement System

Bernard J. Allen
Executive Director

David M. Silber, CFA, CAIA
Chief Investment Officer

Melody Johnson
Deputy Director

February 21, 2024

Mr. Jim Owczarski
City Clerk
Room 205, City Hall

Dear Mr. Owczarski:

Please be advised that a Special Meeting of the Administration & Operations (A&O) Committee Meeting of the Annuity and Pension Board of the Employees' Retirement System has been scheduled for **Tuesday, February 27, 2024 at 8:30 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.*

Please note and observe the following remote attendance etiquette to ensure a smooth and productive meeting:

- In order to cut down on background noise, participants in the meeting should put their phones on mute when they are not participating.
- At the start of the meeting, the Chairman will announce the names of the members of the Board present on the call, as well as anyone else who will be participating.
- Please request to be recognized by the Chairman if you would like to speak.
- Those participating on the call should identify themselves whenever they speak, and should ensure that the other participants on the call can hear them clearly.

The agenda is as follows:

- I. Approval of Terms of Audit Engagement Letter with the Wisconsin Legislative Audit Bureau.

Sincerely,

A handwritten signature in black ink that reads "Bernard J. Allen".

Bernard J. Allen
Executive Director

BJA;jmw

ERS management has no vote in Board proceedings and as a result does not have any authority to make plan actuarial assumptions or determine their reasonableness. Accordingly, determining the reasonableness of plan actuarial assumptions used in making accounting estimates is outside of ERS management's purview and control.

During the course of the audit, ERS management will provide documentation that the Board, in consultation with its expert independent actuarial and investment consultants, has duly authorized the plan actuarial assumptions used in making accounting estimates and thus determined their reasonableness



STATE OF WISCONSIN
Legislative Audit Bureau

Joe Chrisman
State Auditor

22 East Mifflin Street, Suite 500
Madison, Wisconsin 53703

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February 1, 2024

Mr. Benard J. Allen, Executive Director
Employees' Retirement System of the City of Milwaukee
789 North Water Street, Suite 300
Milwaukee, Wisconsin 53202

Mr. Daniel Gopalan, Chief Financial Officer
Employees' Retirement System of the City of Milwaukee
789 North Water Street, Suite 300
Milwaukee, Wisconsin 53202

Mr. David Silber, Chief Investment Officer
Employees' Retirement System of the City of Milwaukee
789 North Water Street, Suite 300
Milwaukee, Wisconsin 53202

Dear Mr. Allen, Mr. Gopalan, and Mr. Silber:

As required by s. 13.94 (1) (x), Wis. Stats., the Legislative Audit Bureau is performing a financial audit of the Employees' Retirement System of the City of Milwaukee (Retirement System), which is administered by the Employees' Retirement System (ERS) of the City of Milwaukee. This will include an audit of the basic financial statements and related note disclosures of the Retirement System, as of and for the year ended December 31, 2023, and the employer schedules of the Retirement System, as of and for the year ended December 31, 2023.

The Bureau supports the Legislature in its oversight of Wisconsin government and its promotion of efficient and effective state operations by providing nonpartisan, independent, accurate, and timely audits and evaluations of public finances and the management of public programs. Because the Bureau is a legislative service agency, the audit results, including recommendations for improvements in operations, are reported to the Legislature. Following the release of the report, the Joint Legislative Audit Committee may choose to hold a public hearing on the report.

We have begun planning for the Retirement System audit. We will have ongoing discussions with you as the audit progresses and we will keep you informed of the time frame for releasing the auditor's reports.

The enclosed Terms of the Audit Engagement details the audit services that will be provided, the auditor's responsibilities, management's responsibilities, and the planned form and content of the auditor's report and other communications. For purposes of this document, we consider management of ERS to include ERS staff only. Although this document is a matter of public record, it is not a contract. It is intended solely for the information and use of management of ERS and is not intended to be and should not be used by anyone other than these specified parties. This document will be executed in DocuSign. Please complete the process and sign via DocuSign by February 8, 2024.

Mr. Benard J. Allen, Executive Director,
Mr. Daniel Gopalan, Chief Financial Officer, and
Mr. David Silber, Chief Investment Officer

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February 1, 2024

Ms. Erin Scharlau is the managing director for this financial audit and will have immediate responsibility for reviewing the work performed and the conclusions reached for the audit. Ms. Scharlau may be reached at Erin.Scharlau@legis.wisconsin.gov or at (608) 266-2818.

If you have any questions, you may contact me directly at (608) 266 2818.

Sincerely,

A handwritten signature in cursive script, appearing to read "Joe Chrisman".

Joe Chrisman
State Auditor

JC/ES/ak

Terms of the Audit Engagement

The terms of the engagement for the financial audit of the Employees' Retirement System of the City of Milwaukee (Retirement System), which is administered by the Employees' Retirement System (ERS) of the City of Milwaukee, are outlined below. This document includes a description of the audit services that will be provided, the responsibilities of the auditor, the responsibilities of management, and the planned form and content of the auditor's report and other communications. For purposes of this document, we consider management of ERS to include ERS staff only.

Audit Services

As required by s. 13.94 (1) (x), Wis. Stats., the Legislative Audit Bureau (Bureau) will perform a financial audit of the Retirement System. This audit will include the following:

- Basic financial statements of the Retirement System, which includes the Global Combined Fund and the Non-consenter Retirement Funds, and the related note disclosures, as of and for the year ended December 31, 2023; and
- Schedules of Employer Allocations of the Retirement System, and the total amounts for all entities, including ending net pension liability, total deferred outflows of resources, total deferred inflows of resources, and plan pension expense excluding that attributable to employer-paid member contributions reported in the Schedule of Pension Amount by Employer, as of and for the year ended December 31, 2023, including the related notes.

The financial statements and the employer schedules will be prepared by management of ERS, with oversight of the Annuity and Pension Board Chair, the Administration and Operations Committee, and the ERS Executive Director, in accordance with accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board (GASB). The Bureau will conduct the audit in accordance with auditing standards generally accepted in the United States of America, which are issued by the American Institute of Certified Public Accountants, and with *Government Auditing Standards*, which is issued by the Comptroller General of the United States.

The objectives of an audit are to obtain reasonable assurance about whether the financial statements as a whole and the employer schedules are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes the Bureau's opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit, conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, the misstatements would influence the judgment made by a reasonable user based on the financial statements or the employer schedules.

Certain supplementary information, although not a part of the financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. As part of the audit, the Bureau will apply certain limited procedures to the required supplementary information (RSI) listed below in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency

with management's responses to the Bureau's inquiries. The Bureau will not express an opinion or provide any form of assurance on the following RSI that will be presented:

- management's discussion and analysis;
- schedule of changes in the net pension liability;
- schedules of net pension liability and investment returns;
- schedule of employer's contributions; and
- notes to required supplementary information.

Supplementary information other than RSI will also accompany the financial statements. As part of the audit, the Bureau will subject the supplementary information listed below to the auditing procedures applied in the Bureau's audit of the financial statements and perform certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. The Bureau will provide an opinion on the following supplementary information in relation to the basic financial statements as a whole:

- Schedules of Administrative Expenses, Investment Expenses, and Payments to Consultants;
- Combining Schedule of Fiduciary Net Position; and
- Combining Schedule of Changes in Fiduciary Net Position.

The Bureau is not responsible for auditing other information that accompanies the financial statements, including the introductory, investment, actuarial, and statistical sections. This information will not be subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, the Bureau will not express an opinion or provide any form of assurance on this information.

Finally, the Bureau will provide an independent auditor's report on ERS's system of internal control over financial reporting and ERS's compliance with certain provisions of laws, regulations, and contracts that could have a direct and material effect on the financial statements or on the employer schedules. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. Such a report is also required by s. 13.94 (1) (x), Wis. Stats. The purpose of this report is solely to describe the scope of the Bureau's testing of ERS's system of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of internal control or on compliance. Accordingly, this report is not suitable for any other purpose.

Auditor Responsibilities

The Bureau is responsible for forming and expressing an opinion about whether the basic financial statements and the employer schedules that have been prepared by management of ERS, with oversight of the Annuity and Pension Board Chair, the Administration and Operations Committee, and the ERS Executive Director, are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

The Bureau will exercise professional judgment and maintain professional skepticism throughout the audit. The Bureau will identify and assess the risks of material misstatement of the financial statements and the employer schedules, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for the Bureau's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

In addition, the Bureau will:

- obtain an understanding of ERS's system of internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ERS's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements and the employer schedules, including the note disclosures, and whether the financial statements and the employer schedules represent the underlying transactions and events in a manner that achieves fair presentation; and
- conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Retirement System's ability to continue as a going concern for a reasonable period of time.

The Retirement System's financial statements, required supplementary information, and the employer schedules include significant information provided by ERS's consulting actuary. The Bureau has contracted with an actuarial auditor specialist to provide audit evidence as to the actuarial assumptions and methods used in calculating amounts required to be reported in the financial statements and the employer schedules for the Retirement System. The actuarial audit work will include an independent assessment of the actuarial valuation for December 31, 2023. As necessary, the Bureau will coordinate any discussion between the actuarial auditor specialist, the consulting actuary, and management of ERS related to the results of the actuarial audit work.

The inherent limitations of an audit, together with the inherent limitations of internal control, result in an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. Further, the Bureau's responsibility as auditors is limited to the period covered by the audit and does not extend to any other periods for which the Bureau was not engaged as auditors.

ERS Responsibilities

The audit of the basic financial statements and the employer schedules do not relieve management of ERS or those charged with governance of their responsibilities. The Bureau will conduct the financial audit on the basis that management of ERS acknowledges and understands its responsibilities, which include:

- the preparation and fair presentation of the financial statements and the employer schedules in accordance with GASB standards;
- the design, implementation, and maintenance of a system of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- implementation of systems and establishment of controls designed to achieve compliance with the provisions of applicable laws, regulations, and contracts;
- the accuracy and completeness of all information provided, and for maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
- the reasonableness of significant assumptions used in making accounting estimates;
- including the independent auditor's reports in any document containing the financial statements or the employer schedules that indicates that such information has been audited by the Bureau; and
- adjusting the financial statements and the employer schedules to correct material misstatements and confirming to the Bureau in the management representation letter that the effects of any uncorrected misstatements aggregated by the Bureau during the current engagement and pertaining to the current year under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Management of ERS is also responsible for informing the Bureau of any known or suspected fraud affecting the entity involving management, employees with significant roles in internal controls, and others where fraud could have a material effect on the financial statements or the employer schedules; any instances of identified or suspected noncompliance with laws, regulations, and contracts that could have a direct and material effect on the financial statements or the employer schedules; any litigation, claims, and assessments whose effects should be considered in preparing the financial statements or employer schedules; and any related party transactions, of which it is aware.

In addition, management of ERS is responsible for responding to any findings and recommendations of auditors, and for establishing and maintaining a process to track the status of such findings and recommendations; informing the Bureau and providing report copies of any other audits or studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented; and following up and taking timely corrective action on audit findings and instances of noncompliance, including preparation of an appropriate corrective action plan.

For the Bureau to complete the financial audit, management of ERS agrees to provide access to information the Bureau deems necessary to conduct the audit. This includes any such books,

records, or other documents that may be confidential by law. Specifically, management of ERS agrees to provide the Bureau with:

- timely access to all information it is aware that is relevant to the preparation and fair presentation of the financial statements and the employer schedules, including information relevant to disclosures, such as records, documentation, and other matters;
- unrestricted access to persons within ERS from whom the Bureau determines it necessary to obtain audit evidence;
- draft financial statements, draft employer schedules, related note disclosures, management's discussion and analysis and other RSI, and any other supplementary information in a timely manner; and
- information on events occurring or facts discovered subsequent to the date of the financial statements and employer schedules of which management may become aware that may affect the financial statements or employer schedules.

With regard to the supplementary information referred to above in which the Bureau will provide an opinion in relation to the basic financial statements as a whole, management of ERS acknowledges and understands its responsibility to:

- prepare supplementary information in accordance with the applicable criteria;
- provide the Bureau with the appropriate written representations regarding supplementary information;
- include the Bureau's independent auditor's report on the supplementary information in any document that contains the supplementary information and that indicates that the Bureau has reported on such supplementary information;
- present the supplementary information with the audited financial statements, or if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and the Bureau's report thereon.

Management of ERS has prepared timelines for preparation of its 2023 financial statements and the employer schedules, including timelines for providing financial statements, employer schedules, and other information to the Bureau. Throughout the audit, the Bureau and management of ERS will discuss the availability and timing of key information available for audit, and any changes to timelines that may result if key information is delayed.

As part of the audit process, the Bureau will request from management of ERS, written confirmation concerning representations made to the Bureau in connection with the audit about the financial statements and employer schedules; its internal controls; its compliance with provisions of applicable laws, regulations, and contracts; and other related matters. In addition, the Bureau may request that ERS's attorney(s) provide a description and evaluation of pending or threatened litigation, asserted claims, and assessments that could have a material effect on the financial condition or presentation of the financial statements and employer schedules.

Audit Report and Other Communications

For the financial statements listed in the Audit Services section, the Bureau will issue an independent auditor's report upon completion of our audit that will be included in ERS's related financial report, which will include the financial statements as of and for the year ended December 31, 2023, related note disclosures, management's discussion and analysis, and other RSI and supplementary information. The independent auditor's report provided shall include the Bureau's opinion on the financial statements and the related note disclosures, as of and for the year ended December 31, 2023, and an in-relation-to opinion on the supplementary information listed in the Audit Services section. For the employer schedules listed in the Audit Services section, the Bureau will issue an independent auditor's report upon completion of our audit that will be included in ERS's related financial report, which will include the employer schedules as of and for the year ended December 31, 2023, and related note disclosures.

Circumstances may arise in which the Bureau's independent auditor's report may differ from its expected form and content based on the results of the audit. Depending on the nature of these circumstances, it may be necessary for the Bureau to modify the opinion, add emphasis-of-matter or other-matter paragraphs to the independent auditor's report, or withdraw from the engagement. If, for any reason, the Bureau is unable to complete the audit or is unable to form an opinion, the Bureau may decline to express an opinion or decline to issue an auditor's report as a result of the engagement.

For the financial statements and for the employer schedules, the Bureau will also issue an audit report that will include the Bureau's independent auditor's report on ERS's internal control over financial reporting and on compliance and other matters. This independent auditor's report includes deficiencies in internal control considered to be significant deficiencies or material weaknesses, instances of noncompliance that have a material effect on the financial statements or on the employer schedules, and fraud that is material, either quantitatively or qualitatively, to the financial statements or the employer schedules.

The Bureau may include program and administrative comments and recommendations in the audit report, as applicable. Further, if during the course of the audit, the Bureau observes opportunities for economy or improved controls, the Bureau will bring such matters to the attention of the appropriate level of management of ERS, either orally or in writing through an interim memorandum. At the conclusion of the audit, the Bureau will also report to the Annuity and Pension Board Chair, the Administration and Operations Committee, and the ERS Executive Director matters identified during the audit that are relevant to their responsibilities in overseeing the financial reporting process. However, auditing standards do not require the Bureau to design its procedures solely for the purpose of identifying other matters to communicate. At the conclusion of the audit, the Bureau will communicate to the Annuity and Pension Board Chair, the Administration and Operations Committee, and the ERS Executive Director the audit results and certain other items required to be communicated by auditing standards. The Bureau will also inform the Joint Legislative Audit Committee and the ERS Executive Director of any fraud, or violations of provisions of applicable laws, regulations, and contracts that come to the Bureau's attention, unless clearly inconsequential.

Although generally accepted auditing standards and *Government Auditing Standards* require that the Bureau communicate certain matters to the Annuity and Pension Board Chair and the Administration and Operations Committee, s. 13.94, Wis. Stats., requires that an audit remain confidential until it is released. In accordance with this statute, the Bureau will complete certain audit procedures, such as draft audit-related communications, only through interactions with management of ERS.

The Bureau will keep management of ERS informed of the time frame for releasing the reports. Upon release, the Bureau will distribute the audit reports to ERS and others, as required under s. 13.94, Wis. Stats., publish the reports on its website, and make the report available for public inspection, unless restricted by law or regulation, or unless it contains privileged and confidential information.

Audit Workpapers

Audit workpapers will remain confidential until the Bureau releases the independent auditor's reports. At that time, statutes provide that they become open records unless they contain information that is otherwise confidential by law, in which case those portions will remain confidential. Audit workpapers and reports will be maintained for a minimum of seven years from the date of the audit's release.

The Bureau participates with other state auditing organizations in a peer review program covering the Bureau's audit practices. This program requires that the Bureau subject its system of quality control to an examination by a peer review team once every three years. As part of the process, the peer review team will review a sample of the Bureau's work, some of which may include confidential information. The Bureau's most recent peer review report is available at <https://legis.wisconsin.gov/LAB>.

By signing below, we acknowledge our understanding of the terms of this engagement, including the responsibilities of ERS management.

Bernard J. Allen, Executive Director
Employees' Retirement System of the City of Milwaukee

Daniel Gopalan, Chief Financial Officer
Employees' Retirement System of the City of Milwaukee

David Silber, Chief Investment Officer
Employees' Retirement System of the City of Milwaukee



City of Milwaukee
Employees' Retirement System

Bernard J. Allen
Executive Director

David M. Silber, CFA, CAIA
Chief Investment Officer

Melody Johnson
Deputy Director

February 7, 2024

Mr. Joe Chrisman
State Auditor
Legislative Audit Bureau
22 E. Mifflin Street, Suite 500
Madison, WI 53703

Ms. Erin Scharlau, CPA
Financial Audit Director
Legislative Audit Bureau
22 E. Mifflin Street, Suite 500
Madison, WI 53703

Dear Mr. Chrisman and Ms. Scharlau:

I am responding to Mr. Chrisman's request, dated February 1, 2024, for execution of the Terms of the Audit Engagement letter by ERS management on behalf of the Employees' Retirement System (ERS) of the City of Milwaukee.

Pursuant to Section 15-1 of the Milwaukee City Charter (MCC 15-1) and Section IV(D) of the ERS Rules and Regulations, the Annuity & Pension Board (Board), as the governing body of the ERS, has delegated the authority and responsibility for recommending engagement of auditors for annual audits of the ERS to its Administration and Operations Committee (Committee). Please see the enclosed copy of MCC-15-1, Section IV(D) of the ERS Rules and Regulations, and the Audit Charter of that Committee approved by the Board. Because a regular meeting of that Committee is not scheduled until March 20, 2024, I will request the Committee Chair to call a special meeting to recommend Board approval of the Terms of Audit Engagement letter. Also, to promote the expeditious resolution of this matter, it may be advisable to provide a draft audit contract for the Committee to recommend to the Board for approval at its earliest opportunity. This governance process for authorizing engagement of auditors, along with authority for contracting to incur the attendant cost of the audit, is among the financial controls utilized by ERS.

I also request that the Terms of Audit Engagement Letter be modified with respect to bullet #5 on page 4 (under the heading "ERS Responsibilities") to either omit reference to this item or to clarify that it does not include plan actuarial assumptions. Pursuant to MCC 15-15, authority to determine plan actuarial assumptions and their reasonableness for use in making accounting estimates is reserved to the Board. Please see a copy of MCC-15-15 enclosed. ERS management has no vote in Board proceedings and as a result does not have any authority to make plan actuarial assumptions or determine their reasonableness. Accordingly, determining the reasonableness of plan actuarial assumptions used in making accounting estimates is outside of ERS management's purview and control. During the course of the audit, ERS management will provide documentation that the Board, in consultation with its expert independent actuarial and investment consultants, has duly authorized the plan actuarial assumptions used in making accounting estimates and thus determined their reasonableness.

Sincerely,

A handwritten signature in black ink that reads "Bernard J. Allen". The signature is written in a cursive style with a large, prominent initial "B".

Bernard J. Allen
Executive Director

36-14. Home Rule. For the purpose of giving to cities of the first class the largest measure of self-government with respect to pension, annuity, and retirement systems compatible with the constitution and general law, it is hereby declared to be the legislative policy that all future amendments and alterations to this act are matters of local affair and government and shall not be construed as an enactment of statewide concern. Cities of the first class are hereby empowered to amend or alter the provisions of this act in the manner prescribed by s. 66.0101, Wis. Stats., provided that no such amendment or alteration shall modify the annuities, benefits, or other rights of any persons who are members of the system prior to the effective date of such amendment or alteration. In a city of the first class in a county with a population of at least 750,000 that has established a retirement system pursuant to 2023 Wisconsin Act 12, the city and board shall continue to amend, create, and repeal ordinances and rules, administer benefits, discharge their duties with respect to the retirement system, and take any other actions necessary to administer the system and maintain the qualified tax status of the system under the federal Internal Revenue Code until the plan is terminated under section 16A of this act. The city and board may not make any of the following changes to the retirement system for employees who remain in the retirement system:

a. Except as required for compliance with federal law, increase or enhance the retirement benefit.

b. For policemen, any changes to the system that are contrary to the agreement between the City of Milwaukee and the Milwaukee Police Association, Local #21, I.U.P.A., AFL-CIO effective January 1, 2020 through December 31, 2022.

c. For policemen who are supervisors, any changes to the system that are contrary to the agreement between the City of Milwaukee and the Milwaukee Police Supervisors' Organization effective January 1, 2022 through December 31, 2022.

d. For firemen, any changes to the system that are contrary to the agreement between the City of Milwaukee and the Milwaukee Professional Fire Fighters' Association Local #215 IAFF, AFL-CIO effective January 1, 2021 through December 31, 2022.

e. Any changes to the system that are contrary to any benefits or payments as defined in Chapters 34 and 36 of the City of Milwaukee City Charter. (*am. Ch. Ord. 332, File #67-355-a, July 25, 1967. S. 36-14 rc. File #230362, Sept. 19, 2023; eff. Nov. 18, 2023.*)

36-15. Administration. 1. ANNUITY AND PENSION BOARD.

a. Retirement System and Group Life Insurance. The general administration and responsibility for the proper operation of the retirement system and for making effective the provisions of this act are hereby vested in an annuity and pension board which shall be organized immediately after the first 4 members provided for in this section have qualified and taken the oath of office. In addition to all other duties and responsibilities assigned to the board by the provisions of the employees' retirement act, the board shall be responsible for administering the city's group life insurance program, retiree health benefits and retiree dental COBRA benefits as provided for in ordinance adopted by the common council. (*Par. a am. File #990253, June 2, 1999; eff. Aug. 18, 1999.*)

b. Emergency Powers. It is expressly provided that in the event of a national emergency declared by the president of the United States or a national emergency resulting from aerial attack on the area surrounding or on the city of Milwaukee, and a quorum of the board is not available to direct activities of the board, or no member of the board is available or present to authorize continuation of the board's operations, including maintaining and safeguarding of records, receipts and disbursements, expenditure of funds, and safeguarding of investments and securities, then in such event the secretary of the board shall have full authority to discharge the duties and responsibilities of such board, as is provided for in this act, and shall be further empowered to bind the board; provided further, that in the event the secretary of the board is incapacitated, then the assistant secretary shall function in his stead and in the manner hereinbefore provided. However, any vacancies on the board shall be filled as soon as possible.

36-15-2 Employees' Retirement System

c. Firemen's Pension Fund of the Former Town of Lake. At any time after May 12, 1964, when the board of trustees of the city of Milwaukee firemen's pension fund of the former Town of Lake certifies to the city clerk of Milwaukee that less than 3 active members remain in such fund, all of the duties and responsibilities devolving upon the board of trustees of the city of Milwaukee firemen's pension fund of the former Town of Lake shall be transferred to and assumed by the annuity and pension board of the employees' retirement system. In the event that such transfer occurs as herein provided for all funds of the city of Milwaukee firemen pension fund of the former Town of Lake shall at the effective date of transfer be turned over to the annuity and pension board of the employees' retirement system. Such funds so transferred shall be maintained separately and apart from any other funds under the direction, supervision and control of the annuity and pension board of the employees' retirement system and shall be used solely for the purposes of administering the city of Milwaukee firemen's pension fund of the former Town of Lake as provided for by law. Payments out of such fund shall be made upon direction of the annuity and pension board of the employees' retirement system. All receipts of such fund shall be under the supervision, direction and control of the annuity and pension board of the employees' retirement system, it being the intent of this subsection that whatever duties and responsibilities relating to the administration of the fund of the city of Milwaukee firemen's pension fund of the former Town of Lake are to be assumed and performed by the annuity and pension board of the employees' retirement system from and after the transfer of such fund.

d. The annuity and pension board is authorized to perform administrative work necessary to implement the provisions of s. 34-06, provided it is compensated by the city for the actual cost of the work performed. *(Par. d cr. File #041513, March 16, 2005; eff. May 31, 2005.)*

e. Policemen's Annuity and Benefit Fund.

e-1. The annuity and pension board is authorized to exercise all powers and duties vested in the policemen's annuity and benefit fund board of trustees by ch. 35.

e-2. The annuity and pension board is authorized to invest the assets of the policemen's annuity and benefit fund provided it accounts for the assets separately from the assets of the combined fund.

e-3. All cost and expenses incurred by the annuity and pension board to manage, administer, or operate the policemen's annuity and benefit fund shall be paid by the city of Milwaukee.

e-4. The city of Milwaukee shall indemnify and hold harmless the board members, officers, directors and employees of the annuity and pension board and the employees' retirement system from any liability, damages, or injury arising out of the management, administration, investment or operation of the policemen's annuity and benefit fund.

e-6. The annuity and pension board annually shall conduct a meeting, or direct its staff to conduct a meeting, to report on the status of the fund and answer any inquiries of retirees or widows. The annuity and pension board shall give all retirees and widows at least 30 days' notice of the time and location of the meeting. *(Par. e cr. File #050744, Oct. 18, 2005; eff. Jan. 3, 2006. Par e-5 rp. File #151869, June 14, 2016; eff. August 30, 2016.)*

f. The annuity and pension board is authorized to perform administrative work necessary to carry out the duties of the city's designated Wisconsin retirement system employer agent, alternate employer agent, and retirement contact, and to conduct Wisconsin retirement system eligibility determinations and reporting, as appropriate, provided it is compensated by the city for the actual cost of the work performed. *(Par. f cr. File #230822, Oct. 10, 2023; eff. Dec. 9, 2023.)*

2. MEMBERSHIP. The membership of the board shall consist of the following:

a-1. Three members to be appointed by the president of the common council subject to the confirmation of such common council for a term of 4 years.

a-2. Commencing in 1997, when terms expire for members appointed by the common council president, members shall be appointed for terms expiring the 3rd Tuesday of April 2000. Thereafter the common council president shall appoint members for a term of 2 years within 60 days of the commencement of a new common

council term, and then within 60 days following 2 years of the commencement of a common council term. If a vacancy occurs in a board position, the president shall appoint within 60 days after the vacancy occurs.

b. The city comptroller ex-officio.

c. Three employee members who shall be members of the retirement system and who shall be elected by the members of the retirement system for a term of 4 years according to such rules and regulations as the board shall adopt to govern such election.

d. One member to be elected by the vote of persons who had been members but who have retired from the retirement system and receive a retirement allowance, to serve for a term of 4 years. The election of such person shall be conducted in the same manner as is the election of an employee member under par. c except, however, that only retirees as herein described shall be allowed to vote in such election. Nothing herein contained shall preclude any member elected to the board from succeeding himself or herself. *(Sub. 2 am. Ch. Ord. 486, File #79-869-a, Mar. 13, 1980. Sub. 2-a ra. to 2-a-1 File #960237, June 4, 1996; eff. Aug. 20, 1996. Sub. 2-a-2 cr. File #960237, June 4, 1996; eff. Aug. 20, 1996. Sub. 2-c am. File #960237, June 4, 1996; eff. Aug. 20, 1996. Sub. 2-d am. File #960237, June 4, 1996; eff. Aug. 20, 1996. Sub 2-a-3 cr. File #131162, Dec. 17, 2013; eff. March 10, 2014. Sub 2-c-0 am. File #131162, Dec. 17, 2013; eff. March 10, 2014. Sub 2-c-1 to 3 cr. File #131162, Dec. 17, 2013; eff. March 10, 2014. Sub 2-a-3 rp. File #181603, Feb. 26, 2019; eff. April 29, 2019. Sub 2-c-0 am. File #181603; Feb. 26, 2019; eff. April 29, 2019. Sub 2-c-1 to 3 rp. File #181603, Feb. 26, 2019; eff. April 29, 2019.)*

3. VACANCY. If a vacancy occurs in the office of a board member, the vacancy shall be filled for the unexpired term in the same manner as the office was previously filled.

4. OATH OF OFFICE. Each member of the board shall, within 10 days after his appointment or election, take an oath of office that, so far as it devolves upon him, he will diligently and honestly administer the affairs of the board and that he will not knowingly violate or willingly permit to be violated any of the provisions of law applicable to the retirement system.

5. DECISION VOTE. Each member of the board shall be entitled to one vote in the board. A majority of members present shall be necessary for a decision by the members of the board at any meeting of the board. *(Sub. 5, am. Ch. Ord. 544, File #84-1168, Dec. 11, 1984.)*

6. RULES AND REGULATIONS.

Subject to the limitations of this act and with the advice of the city attorney the board shall, from time to time, establish rules and regulations for the administration of the funds created by this act, for the transaction of its business and in order to carry out the provisions of this act. All rules and regulations promulgated by the board shall be filed with the city clerk within 30 days after they have been approved by the board and revocation of such rules or amendments thereto shall be filed in the same manner.

7. OFFICERS AND EMPLOYEES; EXPENSES. The board shall elect from its membership a chairman and vice chairman and shall by a majority vote of all its members appoint a secretary, who may be, but need not be, one of its members. It shall appoint an executive director and shall engage such actuarial and other service as shall be required to transact the business of the retirement system. The compensation of all persons engaged by the board and all other expenses of the board necessary for the operation of the retirement system shall be paid at such rates and in such amounts as the board shall approve. *(Sub. 7 m. to 7-0, File #950077, July 14, 1995; eff. Sept. 27, 1995.)*

a. It shall be the duty of the secretary and executive director of the retirement system to maintain records respecting the amount of system funds invested in common stocks and preferred stocks and such secretary and executive director shall function under direction of the annuity and pension board and shall be appointed by such board under civil service procedure with civil service status; the incumbent secretary and executive director shall have civil service status with the enactment of this section. In the event of a vacancy in the office of secretary and executive director, such office shall be filled by the board under civil service procedures and thereafter such secretary and executive director shall have civil service status, subject to the rules and regulations thereof. An executive director hired pursuant to an exemption granted by the board of city service commissioners shall continue to serve unless dismissal is approved by 6 board members voting in open session. *(Par. a cr. File #950077, July 14, 1995; eff. Sept. 27, 1995. Par. a am. File #131162, Dec. 17, 2013; eff. March 10, 2014. Par. a am. File #181603, Feb. 26, 2019; eff. April 29, 2019.)*

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b. The assistant secretary and executive director shall fulfill the duties of the secretary and executive director in his or her absence for any reason, and in the event a vacancy shall occur in the office of assistant secretary and executive director the position shall be filled by the board under civil service procedures, and he or she shall have civil service status under the rules and regulations applicable thereto. (Par. b cr. File #950077, July 14, 1995; eff. Sept. 27, 1995.)

8. **DATA REQUIRED.** The board shall keep in convenient form such data as shall be necessary for actuarial valuation of the various funds of the retirement system, and for checking the experience of the system.

9. **RECORDS.** The board shall keep a record of all its proceedings which shall be open to public inspection. It shall publish annually a report showing the fiscal transactions of the retirement system for the preceding year, the amount of the assets of the system and the financial condition of the system as disclosed by an actuarial valuation of the retirement system. The board shall by resolution determine which of its records are obsolete or no longer required and direct the secretary of such board to destroy those records; provided, however, that no records shall be destroyed unless the secretary shall certify that it is no longer required in the conduct of the board's business or essential to the safeguarding of records with respect to members' or retired members' rights or benefits, and provided further that in no event shall any record be destroyed until it has been in existence for more than 7 years.

10. **LEGAL ADVISOR.** The city attorney shall be the legal advisor of the board.

11. **CUSTODIAN OF FUNDS.** The city treasurer shall be the custodian of the several funds of the retirement system and shall give up such bond for the proper performance of his duties as is required by the board. All payments from said funds shall be made by him only upon vouchers signed by 2 persons designated by the board. A duly attested copy of a resolution of the board designating such persons and bearing on its face specimen signatures of such person shall be filed with the treasurer as his authority for making payments upon such vouchers. No payment shall be made unless it has been authorized by the board. Nothing contained herein shall preclude the board from providing for

custody by an appropriate entity of its funds and securities in the manner in which it deems prudent. (Sub. 11 am. Ch. Ord. 375, File #71-1754, Dec. 7, 1971.)

12. **MEDICAL COUNCIL.** The board shall designate a medical council to be composed of 3 physicians. If required, other physicians may be employed to report on special cases. The medical council shall arrange for and pass upon all medical examinations required by the retirement system, shall investigate all essential statements and certificates by or on behalf of a member in connection with an application for disability retirement, and shall report in writing to the board its conclusion and recommendations upon all the matters referred to it. Nothing contained in this subsection shall prevent the making of a certification by the medical panel of physicians of either the fire department or police department with respect to the operation of s. 36-05-3-c.

13. **ACTUARY.** The board shall designate an actuary who shall be the technical advisor of the board on matters regarding the operation of the funds created by the provisions of this act, and shall perform such other duties as are required in connection therewith.

14. **PERIODIC VALUATIONS; TABLES AND RATES THEREON.** At least once in each 5-year period the actuary shall make an actuarial investigation into the mortality, service and compensation experience of the members and beneficiaries of the retirement system, and shall make a valuation of the assets and liabilities of the funds of the system, and taking into account the results of such investigation and valuation, the board shall adopt for the retirement system such mortality, service and other tables as shall be deemed necessary. (Sub. 14 rc. Ch. Ord. 375, File #71-1754, Dec. 7, 1971.)

15. **ANNUAL VALUATION.** a. On the basis of such tables as the board shall adopt, the actuary shall make an annual valuation of the assets and liabilities of the funds of the retirement system. This annual valuation shall, unless otherwise required by s. 62.625, Wis. Stats., comply with Actuarial Standards of Practice and shall contain a certification from the board's actuary to that effect. For the purposes of the annual valuation, the actuary shall employ the individual entry-age normal actuarial cost method.

b. Beginning with the valuation that determines employer contributions due and payable January 31, 2011, the actuary shall employ a 5-year asset smoothing period. The actuary shall calculate amortization of unfunded liability based on a level dollar amortization. Notwithstanding any other provision of this chapter, the outstanding balance of the unfunded actuarial accrued liability as of January 1, 2024, shall be amortized over a closed 30-year period using an annual investment return assumption that is the same as or less than the annual investment return assumption used by the Wisconsin Retirement System for participating employees, as defined in s. 40.02(46), Wis. Stats. At each subsequent valuation date, any changes to the unfunded actuarial accrued liability shall be amortized using a closed layered amortization method. Any such changes resulting in an increase of the liability shall be amortized over a fixed period not to exceed 10 years. Any such changes resulting in a decrease of the liability shall be amortized over either a fixed 10-year period or the remainder of the 30-year period beginning on January 1, 2024, whichever is longer. Beginning with the valuation that determines employer contributions due and payable January 31, 2011, the board shall provide a copy of the final annual valuation, as certified by the board, to the mayor and the common council no later than August 15. Unless otherwise required by s. 62.625, Wis. Stats., no changes shall be made to this paragraph without an affirmative vote of the board of at least 5 of its members, and written certification from the board's actuary that such changes comply with Actuarial Standards of Practice. *(Par. a ra. File #091274, Mar. 2, 2010; eff. May 18, 2010. Par. a am. File #170935, Nov. 28, 2017; eff. Feb. 13, 2018, Par. b cr. File #091274, Mar. 2, 2010; eff. May 18, 2010. Par. b am. File #131162 Dec. 17, 2013; eff. March 10, 2014. Par. b am. File # 170935, Nov. 28, 2017; eff. Feb. 13, 2018. Par. b am. File #181603, Feb. 26, 2019; eff. April 29, 2019. Sub. 15-15. rc. File #230362, Sept. 19, 2023; eff. Nov. 18, 2023.)*

16. EXECUTION OF DOCUMENTS. Whenever any document, record or paper requires the signatures of either the chairman of the board or the secretary or both, or the vice chairman in the absence of the chairman, such officers may execute the aforesaid documents on behalf of the board and the employees' retirement

system by identifying themselves in the case of the chairman or vice chairman of the board as president or vice president of the employees' retirement system and in the instance of the secretary of the board as secretary of the employees' retirement system, and the executions made with that identification shall in all respects be deemed the execution for and on behalf of the board and of the employees' retirement system.

17. CONTRACT FOR FUND ADMINISTRATION. The board is authorized notwithstanding any other provision to the contrary, to enter into contracts with established trust companies who have been engaged in such trust business extensively for at least 25 years continuously or other similar established companies able to demonstrate sufficient fiscal experience and expertise and administrative capacity to undertake operations, investments and custody of pension and retirement funds and to exercise a trustee relationship over the fund so as to accept total responsibility, obligation, administration, investment and custodial services and serve as trustee of this fund. When such services are contracted for as provided for herein, members of the board shall be thereupon released from their obligations or liability under this act with respect to all functions, duties, responsibilities and obligations which are undertaken by contract by such trust entity. The provisions of this subsection are vested and contractual as to members and beneficiaries of this fund. Contracts entered into pursuant to this subsection shall neither be impaired, abrogated or suspended during their duration by any collateral, indirect or direct procedures or actions and the rights herein provided for which are designated to protect the members and the beneficiaries of the fund and the integrity of such fund are in all respects vested, contractual and binding and shall not be altered, modified or impaired by subsequent action. *(Sub. 17 cr. Ch. Ord. 375, File #71-1754, Dec. 7, 1971.)*

18. REVIEW. Any person, aggrieved within the meaning of ch. 68, Wis. Stats., by a determination of the board reviewable under ch. 68, Wis. Stats., may have such determination reviewed in accordance with the procedures established under ss. 68.08 to 68.13, Wis. Stats. *(Sub. 18 cr. Ch. Ord. 478, File #78-2302, Oct. 23, 1979.)*

D. ADMINISTRATION AND OPERATIONS COMMITTEE

The Administration and Operations Committee shall review the annual budget, make recommendations to the Board concerning staff budget requests, monitor and participate in the budget approval process of the City of Milwaukee, ascertain internal staff requirements, computer needs and office remodeling needs, select an auditor, and exercise all powers and perform all duties specified in the A and O Committee Audit Charter, June 2005, and the Internal Audit Charter, June 2005.

E. SPECIAL COMMITTEES

The Chair may appoint committees as necessary on an ad hoc basis to carry out any specified task of concern to the Board in conducting its business as identified by the Chair or Board. The Chair may appoint a special committee at any Board meeting. A special committee shall not perform any tasks that fall within the function of an existing standing committee. A special committee shall cease to exist upon completing the task for which it was formed and upon presentation of its final report to the Board.

V. MEETINGS OF THE BOARD

A. NOTICE

Written notification of all Board regular meetings and all written materials to be considered at such meetings will be distributed to each Board member at least five days prior to a meeting. At least twenty-four hours' notice shall be given to each Board member in the case of a special meeting. The meeting notice shall state the time, place, subject matter, including any subject matter contemplated for Closed Session, and in the case of a special meeting; the purpose of the meeting. Public notice of Board and committee meetings shall be given in accordance with Wis. Stat. §19.84. Any gathering of Board members for the purpose of engaging in pension business and in sufficient number to determine the body's course of action regarding such pension business to be discussed is subject to the Open Meetings Law and requires notice.

Source: Wis. Stat. § 19.84; *State ex rel. Newspapers, Inc. v. Showers*, 135 Wis. 2d 77, 100-01, 398 N.W.2d 154 (1987); City Attorney Opinion Letter, April 16, 1996

B. QUORUM

Six members of the Board shall constitute a quorum. A quorum must be present in order for the Board to conduct business. In the case of a Board committee, a majority of the committee constitutes a quorum. A quorum must be present in order for a Board committee to conduct business. In the event the Board or a committee is without a quorum, the Chair may continue the meeting to provide information to members on any agenda topic and thereafter entertain a motion to adjourn.

Source: Provision based upon City Attorney Opinion Letter, April 18, 1996.