STATE OF WISCONSIN
Legislative Audit Bureau
NONPARTISAN • INDEPENDENT • ACCURATE

Report 26-08
July 2026

Employes' Retirement System of the City of Milwaukee

Calendar Year 2025

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Employes' Retirement System of the City of Milwaukee Board Membership

Response

From the Executive Director of the Employes' Retirement System of the City of Milwaukee

Opinion Published Separately

The financial statements and our opinion on them are available in the Retirement System's Annual Comprehensive Financial Report.

STATE OF WISCONSIN

Legislative Audit Bureau

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State Auditor

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July 31, 2026

Senator Eric Wimberger and
Representative Robert Wittke, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Wimberger and Representative Wittke:

As required by s. 13.94 (1) (x), Wis. Stats., we have completed an audit of the financial statements of the Employes' Retirement System of the City of Milwaukee (Retirement System), as of and for the year ended December 31, 2025, prepared by management of the Retirement System. The Retirement System's Annual Comprehensive Financial Report, which can be found on the Retirement System's website, includes the financial statements and our unmodified opinion on them.

The Retirement System was created in 1937 and is a cost-sharing, multiple-employer, defined-benefit pension plan that provides postretirement financial benefits, as well as disability and death benefits, to members and their beneficiaries. Employers participating in the Retirement System include the City of Milwaukee and certain other entities associated with the City of Milwaukee, such as Milwaukee Public Schools, Milwaukee Metropolitan Sewerage District, and the Wisconsin Center District.

As of December 31, 2025, the Retirement System had 28,194 members. To comply with provisions in 2023 Wisconsin Act 12, the Retirement System was closed to new members as of December 31, 2023. Employees hired after that date are required to participate in the Wisconsin Retirement System.

The Retirement System's fiduciary net position increased from $6.0 billion as of December 31, 2024, to $6.5 billion as of December 31, 2025, or by 8.4 percent. This increase is primarily attributed to investment income, including unrealized gains from investments. The Retirement System reported a net pension liability of $1.8 billion as of December 31, 2025, which was a $0.3 billion decrease from the net pension liability calculated as of December 31, 2024.

The Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, which is required by *Government Auditing Standards,* begins on page 21.

A response from the Executive Director of the Employes' Retirement System of the City of Milwaukee follows the Appendix.

Respectfully submitted,

Joe Chrisman
State Auditor

JC/LK/ss

Introduction

The Retirement System is a cost-sharing, multiple-employer, defined-benefit pension plan.

The Employes' Retirement System of the City of Milwaukee (Retirement System) was created by Chapter 396 of the Laws of Wisconsin of 1937. The Retirement System is a cost-sharing, multiple-employer, defined-benefit pension plan that provides postretirement financial benefits, as well as disability and death benefits, to members and their beneficiaries. Employers participating in the Retirement System include the City of Milwaukee and certain other entities associated with the City of Milwaukee, such as Milwaukee Public Schools, the Milwaukee Metropolitan Sewerage District, and the Wisconsin Center District.

The Retirement System is governed by Chapter 36 of the Milwaukee City Charter. Under Chapter 36, the eight-member Annuity and Pension Board (Board) is responsible for administering the Retirement System. The 2025 Board members are shown in the Appendix and include:

- three representatives appointed by the President of the City of Milwaukee Common Council;
- three representatives elected by active members of the Retirement System;
- one member elected by retired members of the Retirement System; and
- the City of Milwaukee Comptroller, who serves as an ex-officio voting member.

The Board appoints an executive director who manages the day-to-day operations of the Retirement System and also serves as the secretary

for the Board. The Board also appoints a chief investment officer, who administers the Retirement System investment functions. The Board retains an investment consultant to provide investment management advice, such as assisting in the development and periodic review of the investment policy. The Board also retains an actuary to perform actuarial calculations, such as projecting future benefit payments and establishing contribution amounts.

As of December 31, 2025, the Retirement System had a fiduciary net position of $6.5 billion and was 77.8 percent funded.

The Retirement System was authorized 51 full-time equivalent positions in the City of Milwaukee 2025 budget. As of December 31, 2025, the Retirement System had a fiduciary net position of $6.5 billion and was 77.8 percent funded.

2023 Wisconsin Act 12

2023 Wisconsin Act 12 permitted the City of Milwaukee to impose a sales and use tax of 2.0 percent. The City of Milwaukee adopted the increase of the sales and use tax in July 2023, and the tax went into effect on January 1, 2024. The tax will end after 30 years or the first year the Retirement System actuary determines the Retirement System is fully funded. Each year, an amount up to 90 percent of the revenues collected in the first full year in which the tax is imposed, may be used for employer contributions to the Retirement System. The City of Milwaukee reported in its Annual Comprehensive Financial Report that $200.6 million was received as revenue for calendar year 2024 from the 2.0 percent sales and use tax. Based upon this amount, the maximum amount of the tax that can be used to fund employer contributions in any one year is $180.6 million.

The amount of employer contributions that may be funded from the sales and use tax for a given year is based upon calculations from the Retirement System's actuary and includes:

- the City of Milwaukee's contribution that relates to its share of the cost of amortizing the unfunded actuarial accrued liability, as of January 1, 2024;
- the City of Milwaukee's contributions that relates to the cost of amortizing changes in the unfunded actuarially accrued liability;
- and the increase in the current year service cost for the City of Milwaukee and each participating city agency in the Retirement System from 2022 to the current year.

The actuary calculated that $137.8 million and $141.3 million of the total employer contribution for calendar year 2024 and calendar year 2025, respectively, was eligible to be paid from the sales and use tax.

Employees hired after December 31, 2023, are required to join the Wisconsin Retirement System (WRS).

As a result of adopting the sales and use tax, the Retirement System was closed to new employees. Employees hired after December 31, 2023, are required to join the Wisconsin Retirement System (WRS). In addition, the Retirement System was required to use a 30-year amortization period for the unfunded actuarial accrued liability as of January 1, 2024, and to use a long-term rate of return assumption that was not higher than the one used by the WRS. The Retirement System was also prohibited from making Retirement System benefit provisions, such as increases or enhancements to benefits, for employees remaining in the Retirement System after December 31, 2023, except for those required for compliance with federal law.

Act 12 also included requirements for the Bureau to annually audit the financial statements of the Retirement System and to contract every five years for an actuarial audit of the Retirement System. In conducting this annual financial audit, we gained an understanding of Retirement System operations and reviewed internal controls. This report includes the results of our audit of the Retirement System's financial statements for calendar year 2025.

Under Act 12, beginning in 2026, the City of Milwaukee is required to annually submit a report to the Joint Legislative Committee on Finance on the City's use of the sales and use tax funds. Statutes also require the Legislative Audit Bureau to complete a financial audit every five years of the expenditure of revenues generated through the 2.0 percent sales and use tax.

Retirement System Participating Employers and Members

Employers participating in the Retirement System include the City of Milwaukee, Milwaukee Public Schools, and certain city agencies.

Chapter 36 of the City of Milwaukee Ordinances limits the employers that may participate in the Retirement System to the City of Milwaukee and city agencies as defined by Chapter 36-02-8. Employers participating in the Retirement System as of December 31, 2025, include the:

- City of Milwaukee, including the police and fire departments;
- Milwaukee Metropolitan Sewerage District;
- Wisconsin Center District;
- Veolia Water Milwaukee LLC;
- Milwaukee Housing Authority; and
- Milwaukee Public Schools (noncertified staff).

Prior to the closure of the plan to new members on December 31, 2023, Chapter 36-03 provided that full-time employees, part-time employees who are eligible under adopted rules and regulations, and elected officials who have indicated an intent to join are members of the Retirement System. Members are considered vested after four years of creditable service or when reaching the minimum service retirement eligibility age, whichever occurs first.

Employees hired after December 31, 2023, generally are not eligible for enrollment as a member of the Retirement System. Limited circumstances exist where an employee could either become an active member or could resume active participation in the Retirement System after December 31, 2023. For example, Chapter 36 provides that employees restored to active service following termination of a duty disability retirement benefit would be restored to active participation in the Retirement System.

The Retirement System had a total of 28,194 participants as of December 31, 2025.

As of December 31, 2025, 28,194 individuals participated in the Retirement System, including:

- 13,953 (49.5 percent) retired plan members or their beneficiaries who were receiving benefits;
- 8,296 (29.4 percent) active members who were making contributions;
- 3,679 (13.1 percent) inactive vested plan members who were not yet receiving benefits; and
- 2,266 (8.0 percent) inactive plan members that were due a refund.

In our prior audit report (report 25-14), we identified nine employees that were enrolled in the Retirement System in error in calendar year 2024. We made recommendations to the Retirement System to implement procedures for following up with employers for any new enrollments and refund employee contributions for employees enrolled in error. The Retirement System implemented corrective actions to address our recommendations. During calendar year 2025, there were 40 new members enrolled in the Retirement System. These enrollments generally related to employees hired prior to December 31, 2023, and either transferred into a position with the same employer that was pension eligible or became pension eligible in their current position during calendar year 2025.

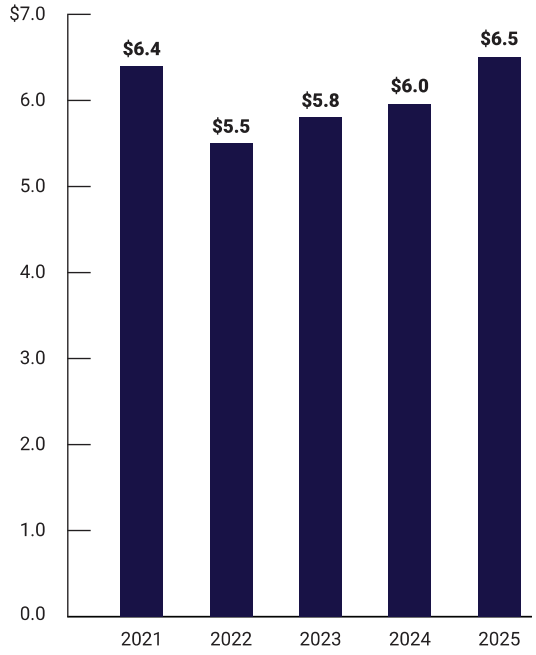
Financial Condition of the Retirement System

As of December 31, 2025, the fiduciary net position of the Retirement System was $6.5 billion.

The Total Net Position (fiduciary net position) of the Retirement System represents the value of the plan's assets that are restricted either for pensions or other governments. As shown in Figure 1, the Retirement System's fiduciary net position increased from $6.0 billion as of December 31, 2024, to $6.5 billion as of December 31, 2025, or by 8.4 percent. This increase is primarily attributed to investment income, including unrealized gains from investments.

Figure 1

Total Net Position[1]
Employes' Retirement System of the City of Milwaukee
As of December 31
(in billions)



[1] Shown as Total Net Position in the Statement of Fiduciary Net Position.

The Retirement System financial statements consist of three funds: the Global Combined Fund; the Non-Consenter Retirement Funds; and the Employers' Reserve Fund. The Global Combined Fund accounts for the members who have joined the system since the Global Pension Settlement was enacted in 2000 or who were active members prior to this settlement and who have since consented to the Global Pension Settlement. The Global Pension Settlement increased benefits and made certain changes to the administration of the Retirement System,

including permitting the use of Retirement System funds to pay costs related to plan administration. As of December 31, 2025, 99.3 percent of members are accounted for in the Global Combined Fund. Most of the financial activity of the Retirement System is accounted for in this fund.

The Non-Consenter Retirement Funds accounts for members who have not consented to the Global Pension Settlement. This fund was closed to new members in 2000 and, as of December 31, 2025, 207 members were accounted for in the Non-Consenter Retirement Funds.

The Employers' Reserve Fund accounts for voluntary contributions made by participating employers and investment earnings on these contributions. The amounts deposited in the Employers' Reserve Fund may be used to fund employer contribution requirements if a formal resolution is made by the employer directing a transfer to the Global Combined Fund. The City of Milwaukee is currently the only employer that has made deposits into the Employers' Reserve Fund. Voluntary contributions were last made to the Employers' Reserve Fund during calendar year 2022.

Audit Results

As required by s. 13.94 (1) (x) Wis. Stats., we have completed an audit of the financial statements and related notes of the Retirement System as of and for the year ended December 31, 2025. The Retirement System financial statements were prepared by the Retirement System staff using generally accepted accounting principles (GAAP) prescribed by the Governmental Accounting Standards Board (GASB). To complete our audit of the financial statements of the Retirement System, we reviewed the Retirement System's internal controls over financial reporting; tested financial transactions; and reviewed the financial statements, notes, required supplementary information, and other information that were prepared by the Retirement System staff.

We provided an unmodified opinion on the financial statements of the Retirement System as of and for the year ended December 31, 2025.

In addition to providing an unmodified opinion on the financial statements and related notes of the Retirement System as of and for the year ended December 31, 2025, we have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, which is required by *Government Auditing Standards* and begins on page 21.

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Retirement System Funding and Benefits

The Retirement System is funded through a combination of investment income and annual employer and member contributions.

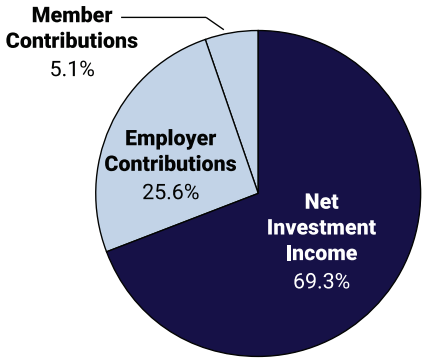
The Retirement System is funded through investment income and annual employer and member contributions. The overall investment goal of the Retirement System is to provide members with retirement, disability, and death and survivor benefits. As of December 31, 2025, investment assets totaled $6.5 billion. In 2025, the Retirement System reported net investment income of $756.0 million and contributions of $254.6 million from employers and members.

Investment Income

From 2021 through 2025, net investment income represented 69.3 percent of total funding for the Retirement System, as shown in Figure 2. Employer contributions and member contributions represented 25.6 percent and 5.1 percent, respectively, of total funding for the Retirement System during this time period.

Figure 2

Funding Sources
Employes' Retirement System of the City of Milwaukee
2021 through 2025



Net investment income increased from $408.5 million in 2024 to $756.0 million in 2025, or by $347.5 million.

Net investment income, which is the sum of realized and unrealized gains and losses less investment expenses, increased by $347.5 million, from $408.5 million in 2024 to $756.0 million in 2025. The increase in net investment income reflects the increase in investment returns for the Retirement System. The one-year investment return, net of investment fees, increased from 6.8 percent in 2024 to 12.9 percent in 2025. Investment expenses and securities lending borrower rebates and fees totaled $94.1 million in 2025 and primarily consisted of expenses related to investment managers.

Prior to 2023 Wisconsin Act 12, the Retirement System's long-term rate of return assumption was 7.5 percent, which was based on an experience study for the five-year period ended December 31, 2021, and approved by the Board in February 2023. Under Act 12, the Retirement System's long-term rate of return assumption is required to not be higher than the rate of return assumption of the WRS, which was 6.8 percent as of December 31, 2025. As of December 31, 2025, the three-year and five-year investment returns for the Retirement System were 9.9 percent and 8.1 percent, respectively.

The Board is responsible for establishing investment objectives and guidelines and hiring investment professionals. The Board contracts with an investment consultant to provide investment management advice. The Retirement System's investment policy was reviewed and updated during 2025 to reflect analysis completed in consultation with the Retirement Fund's investment consultant. Changes included an update to the asset allocation targets for each investment class to align with the Retirement Fund's overall investment goal. This policy was last updated in June 2026.

The investment policy defines the responsibilities of the Board, the Retirement System's investment staff, and the investment professionals with which the Board contracts. It further establishes a clear understanding of the investment goals and objectives of the fund and

provides specific guidelines and limitations for all investment managers for the fund. Under this policy, the Retirement System's Chief Investment Officer is responsible for monitoring investment managers, including performing due diligence reviews of investment managers. During 2025, the Retirement System contracted with 24 investment managers.

The Board-authorized asset allocation included in the investment policy, as of December 31, 2025, is shown in Table 1. Based upon amounts reported in the Statement of Fiduciary Net Position, as of December 31, 2025, the Retirement System's actual asset allocation was within the minimum and maximum of the established ranges for each investment type.

Table 1

Asset Allocation
Employes' Retirement System of the City of Milwaukee
As of December 31, 2025

	Target	Minimum	Maximum	Actual[1]
Public Equity	36.0%	32.0%	40.0%	35.9%
Fixed Income	32.0	27.0	35.0	32.6
Real Estate[2]	12.0	9.0	15.0	10.7
Private Equity	11.0	8.0	16.0	12.8
Hedge Funds[3]	9.0	6.0	14.0	8.0

[1] Calculated based on investments as reported in the Statement of Fiduciary Net Position.

[2] Reported as Real Assets on the Statement of Fiduciary Net Position.

[3] Reported as Absolute Return on the Statement of Fiduciary Net Position.

Contributions

Member contributions are determined by the Milwaukee City Charter, and employer contributions are determined by an actuary.

The Retirement System receives contributions from members and employers. Member contributions are based on a member's annual regular base salary and the applicable contribution rate as defined by Chapter 36-08-7. Member contributions, which are deducted from an employee's pay, totaled $33.6 million in 2025. Table 2 shows member contributions rates in effect during 2025, which varied depending upon the member's employee class and the member's enrollment date. Amendments to the Milwaukee City Charter for member contributions were made in 2014 to comply with the requirements of 2011 Wisconsin Act 10 and the Wisconsin Supreme Court decision in 2014 related to Act 10.

Table 2

Member Contribution Rates
Employes' Retirement System of the City of Milwaukee

Employee Group	Tier	Enrollment Date	Contribution Rate
General Employee	1	Prior to January 1, 2014	5.5%
General Employee	2	After January 1, 2014	4.0
Fire and Police	n/a	n/a	7.0
Elected Officials	1	Prior to January 1, 2014	7.0[1,2]
Elected Officials	2	After January 1, 2014	4.0

[1] If a member was enrolled prior to January 1, 2014, but was first elected to office on or after January 1, 2014, the member would pay the contribution rate paid prior to becoming an elected official.

[2] If a member was enrolled prior to January 1, 2014, but was first elected to office on or after January 1, 2014, and their employer was paying contributions on their behalf, the employer would continue to pay contributions on their behalf at a contribution rate of 7.0 percent.

Actuarially required employer contributions increased $3.3 million to total $220.9 million in 2025.

Employer contributions are determined by the Retirement System's actuary and were due to the Retirement System by December 31, 2025, for calendar year 2025. Actuarially required employer contributions to the Global Combined Fund and the Non-Consenter Retirement Funds for 2025 totaled $220.9 million, which was an increase of $3.3 million (1.5 percent) from the $217.6 million in actuarially required contributions received from employers in 2024.

Retirement System Benefits

The Retirement System is a defined-benefit plan that provides lifetime retirement benefits, survivor benefits, and disability benefits to eligible members and their beneficiaries. A defined-benefit plan is in contrast to a defined-contribution plan, such as a 401(k) plan, in which benefits are based on the amounts contributed to a member's account and investment gains or losses on those funds.

Benefits are determined under Chapter 36-05 and are based on a member's employee group. As shown in Table 3, certain age and years of service criteria must be met in order to be eligible for a benefit.

Table 3

Retirement Benefit Eligibility Criteria
Employes' Retirement System of the City of Milwaukee

Employee Group	Enrollment Date	Eligibility for Retirement[1]
General	Prior to January 1, 2014	Age 60, or age 55 with 30 years of creditable service
General	On or after January 1, 2014	Age 65, or age 60 with 30 years of creditable service
Fire	Prior to July 30, 2016	Age 57, or age 49 with 22 years of creditable service
Fire	On or after July 30, 2016	Age 57, or age 52 with 25 years of creditable service
Police	Prior to December 20, 2015	Age 57, or any age with 25 years of creditable service
Police	On or after December 20, 2015	Age 57, or age 50 with 25 years of creditable service

[1] Assumes consent to the provisions of the Global Pension Settlement.

Retirement benefits are determined by a formula based on the member's years of service, a percentage multiplier, and final average salary.

In general, retirement benefits are based on a member's years of service, a percentage multiplier, and final average salary. Depending on a member's employee class, there are limits on the maximum retirement benefit. For example, the maximum retirement benefit for general city employees cannot exceed 70.0 percent of the final average salary. In addition, if a member's calculated monthly retirement benefit is less than $100, the total benefit will be paid in a lump sum.

Chapter 36-05 also provides for pension escalators, which are annual increases in a retired member's benefit payment to account for cost-of-living adjustments. The effective date and amount of pension escalators vary by the member's employee group, when the member enrolled in the Retirement System, the member's retirement date, and the member's participation in the Global Combined Fund. Certain general employees are eligible for a pension escalator between 1.5 percent and 2.0 percent, depending on their enrollment and retirement dates. Members in the Police and Fire employee groups are typically eligible for a pension escalator based on the consumer price index, with certain members having a set minimum pension escalator of 2.0 percent and a maximum pension escalator of 3.0 percent.

Further, Chapter 36-05 provides duty disability retirement benefits for members that become permanently and totally incapacitated for service as a result of the performance of their duties. The amount of the benefit provided to the Police and Fire employee groups is based upon a certain percentage of the current annual salary for the position that was held by the member, dependent upon the type of disability, as well as other factors.

The average annual benefit payment increased from $34,498 in 2024 to $35,323 in 2025, or by 2.4 percent.

Retirement System benefits provided to retired members, disabled members, or their beneficiaries increased from $488.0 million in 2024 to $493.3 million in 2025, or by 1.1 percent. The number of retired members, disabled members, or their beneficiaries increased from 13,901 as of December 31, 2024, to 13,953 as of December 31, 2025, or by 0.4 percent. The average annual benefit payment increased from $34,498 in 2024 to $35,323 in 2025, or by 2.4 percent.

Administrative Expenses

Administrative expenses of the Retirement System totaled $10.1 million in 2025.

Administrative expenses of the Retirement System include salaries and fringe benefits, information technology and other professional services, and general office expenses. Administrative expenses of the Retirement System are paid by the City of Milwaukee and then reimbursed by the Retirement System. As shown in Table 4, administrative expenses increased from $9.3 million in 2024 to $10.1 million in 2025, or by 9.0 percent. This increase is primarily due to increases in professional services and information technology services costs.

Table 4

Administrative Expenses, by Type
Employes' Retirement System of the City of Milwaukee

	2024	Percentage of Total	2025	Percentage of Total
Salaries	$3,956,715	42.6%	$3,986,605	39.4%
Fringe Benefits	1,659,369	17.9	1,517,809	15.0
Information Technology Services	696,485	7.5	1,568,772	15.5
Other Operating Services and Supplies	733,488	7.9	742,700	7.3
Professional Services	757,914	8.2	1,029,947	10.2
Facility Operations and Maintenance	357,105	3.8	329,651	3.2
General Office Expense	233,629	2.5	244,604	2.4
Other Expenses[1]	892,660	9.6	705,747	7.0
Total	**$9,287,365**	**100.0%**	**$10,125,835**	**100.0%**

[1] Includes expenses related to amortization, depreciation, interest on leased assets, and equipment usage fees.

The largest administrative expenses of the Retirement System are salaries and fringe benefits, which together, totaled $5.5 million in 2025 and were 54.4 percent of total administrative expenses. As noted, the Retirement System was authorized 51 full-time equivalent positions in the 2025 City of Milwaukee budget.

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Pension Liabilities

Accounting standards for public pension plans establish accounting and financial reporting requirements for measuring the pension liability, as well as requirements for both the notes and required supplementary information to the Retirement System financial statements and the GAAP-based financial statements of the employers that participate in the plan. The accounting standards require the Retirement System to calculate the total pension liability and the net pension liability. As of December 31, 2025, the Retirement System reported a net pension liability totaling $1.8 billion and was 77.8 percent funded.

Each of the participating employers in the Retirement System reports its proportionate share of this net pension liability in its own financial statements if prepared under GAAP. The Retirement System issues a separate report that is used by employers for this reporting. The Retirement System has engaged a private firm to audit the report.

Calculating the Total Pension Liability

The total pension liability is the sum of the amounts needed to pay for the pension benefits earned by each member.

The total pension liability for the Retirement System is the sum of the amounts needed to pay for the pension benefits earned by each member based on service provided as of the date the actuarial valuation is performed. A total pension liability exists because the employers participating in the Retirement System have committed to providing benefits to their employees in the future when those employees retire. That commitment is part of employee compensation and constitutes a liability.

The calculation of the total pension liability is complex and includes various actuarial assumptions and calculations, such as:

- a projection of future benefit payments for current and former members and their beneficiaries based upon the current terms of the Retirement System;
- a discount of those payments to their present value, or the amount of funds currently needed to provide the projected payments in the future; and
- an allocation of the present value of benefit payments over past, present, and future periods of employee service.

Assumptions used in the actuarial valuation are based on an experience study that is performed every five years. The most recent study was performed in 2022 and related to the five-year period that ended on December 31, 2021. Certain assumptions developed in this study were updated in response to the requirements of Act 12.

The total pension liability for the Retirement System was $8.2 billion as of December 31, 2025.

To determine the total pension liability for the Retirement System, the Retirement System's actuary performed an actuarial valuation as of January 1, 2025, and adjusted for changes in assumptions, interest earned, contributions paid, and benefits paid during 2025. The total pension liability for the Retirement System was $8.2 billion as of December 31, 2025.

The discount rate can have a significant effect on the amount of the total pension liability.

The discount rate is a critical factor in calculating a pension plan liability, and it can have a significant effect on the amount of the total pension liability. The discount rate, or interest rate, is used to calculate the present value of projected benefit payments and is specifically defined under the accounting standards. Act 12 required that the discount rate used by the Retirement System cannot be higher than the discount rate of the WRS. Therefore, the Retirement System used the long-term expected rate-of-return assumption used by the WRS as of December 31, 2025, which is 6.8 percent.

Calculating a Net Pension Liability or Asset

To determine the net pension liability or asset, accounting standards require the total pension liability to be subtracted from the pension plan's fiduciary net position. When the total pension liability is greater than the fiduciary net position, the pension plan will disclose a net pension liability in its notes. When the fiduciary net position is greater than the total pension liability, the pension plan will disclose a net pension asset in its notes.

The Retirement System reported a net pension liability of $1.8 billion as of December 31, 2025.

As of December 31, 2025, the Retirement System reported a net pension liability. The Retirement System had a fiduciary net position restricted for pensions of $6.4 billion and a total pension liability of $8.2 billion, which resulted in a net pension liability of $1.8 billion. The fiduciary net position of the Employers' Reserve Fund is not included in the calculation of the net pension liability because those funds cannot be used for pension benefits until authorized by the employer.

As shown in Table 5, the total pension liability increased $0.2 billion, from $8.0 billion reported as of December 31, 2024, to $8.2 billion reported as of December 31, 2025. This increase was the result of current year service and interest cost and an increase related to differences between expected and actual experience. Because the fiduciary net position restricted for pensions increased by $0.5 billion from $5.9 billion reported as of December 31, 2024, to $6.4 billion as of December 31, 2025, the net pension liability as of December 31, 2025, decreased $0.3 billion to $1.8 billion.

Table 5

Net Pension Liability
Employes' Retirement System of the City of Milwaukee
As of December 31
(in billions)

	2021	2022	2023	2024	2025
Fiduciary Net Position[1]	$ 6.4	$ 5.5	$ 5.7	$5.9	$6.4
Total Pension Liability	(6.9)	(7.0)	(7.8)	(8.0)	(8.2)
Net Pension Asset (Liability)	**$(0.5)**	**$(1.5)**	**$(2.1)**	**$(2.1)**	**$(1.8)**

[1] The fiduciary net position of the Employers' Reserve Fund is excluded from the fiduciary net position used to calculate the net pension asset (liability), beginning for the calculation of the net pension liability as of December 31, 2023.

As noted, the discount rate is a critical factor in calculating the pension plan liability. Under the pension accounting standards, the Retirement System is required to calculate the sensitivity of the net pension liability to a one percentage point decrease or increase in the discount rate. A one percentage point decrease in the discount rate (5.8 percent) would increase the net pension liability to $2.8 billion. A one percentage point increase in the discount rate (7.8 percent) would decrease the net pension liability to $1.0 billion.

The Retirement System was 77.8 percent funded as of December 31, 2025.

A net pension liability indicates that, as of December 31, 2025, the assets of the Retirement System were not sufficient to cover the projected liability for benefit payments to employees under the financial reporting standards. Based upon the calculation of the total pension liability and

the fiduciary net position, the Retirement System had a funded ratio of 77.8 percent as of December 31, 2025.

Actuarial Audit

As part of our audit, we retained an actuary to conduct an independent review of the actuarial calculations and actuarial valuation report for the Retirement System. The actuarial audit concluded that the actuarial valuation report of the program was prepared in compliance with GASB standards, and the valuation was performed in accordance with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board.

The actuarial audit made two recommendations related to certain assumptions used in the actuarial calculations.

The actuarial audit made two recommendations related to certain assumptions used in the actuarial calculations. The consulting actuary for the Retirement System agreed with the results of the actuarial audit and stated that they would consider the recommendations as part of the next experience study, which is anticipated to be completed in 2027 and would be first reflected in the January 1, 2028 actuarial valuation.

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Auditor's Report

Report 26-08

STATE OF WISCONSIN
Legislative Audit Bureau

Joe Chrisman
State Auditor

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Madison, Wisconsin 53703

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Senator Eric Wimberger and
Representative Robert Wittke, Co-chairpersons
Joint Legislative Audit Committee

Members of the Annuity and Pension Board and
Mr. Patrick J. McClain, Executive Director
Employes' Retirement System of the City of Milwaukee

We have audited the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position and the related notes for the Employes' Retirement System of the City of Milwaukee (Retirement System), as of and for the year ended December 31, 2025, which collectively comprise the Retirement System's basic financial statements, and we have issued our report thereon dated July 29, 2026.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* which is issued by the Comptroller General of the United States. The basic financial statements and related auditor's opinion have been included in the Retirement System's Annual Comprehensive Financial Report.

Report on Internal Control over Financial Reporting

Management of the Retirement System is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the Retirement System's internal control as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Retirement System's internal control. Accordingly, we do not express an opinion on the effectiveness of the Retirement System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent misstatements or to detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the Retirement System's financial statements will not be prevented or that a material misstatement will not be detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the basic financial statements of the Retirement System are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be used when considering the Retirement System's internal control and compliance. The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Retirement System's internal control or on compliance. Accordingly, this report is not suitable for any other purpose.

LEGISLATIVE AUDIT BUREAU

July 29, 2026

Appendix

Appendix

Board Membership
Employes' Retirement System of the City of Milwaukee
As of December 2025

Name	Affiliation	Term Expires
Matthew Bell, Chair[1]	Milwaukee Police Department, elected by active members of the Retirement System	December 31, 2025
Bill Christianson	City of Milwaukee Comptroller, ex-officio	
Justin DeCleene	Milwaukee Police Department, elected by active members of the Retirement System	December 31, 2028
Deborah Ford	Retired from Milwaukee Public Schools, appointed by the Milwaukee Common Council President	May 12, 2028
Timothy Heling	Milwaukee Fire Department, elected by active members of the Retirement System	December 31, 2026
Thomas Klusman[2]	Retired from Milwaukee Police Department, elected by retired members of the Retirement System	December 31, 2025
Rudolph Konrad[3]	Retired City Attorney, appointed by the Milwaukee Common Council President	Appointment pending
Nik Kovac	City of Milwaukee Budget Director, appointed by the Milwaukee Common Council President	Appointment pending

[1] Matthew Bell was reelected to the Board in January 2026.

[2] John Barmore, a retired Milwaukee Fire Department employee, was elected to the Board and replaces Thomas Klusman in January 2026.

[3] Bernard J. Allen, retired executive director of the Retirement System, was appointed in May 2026, and replaces Rudolph Konrad.

Response

City of Milwaukee
Employes' 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

July 28, 2026

Joe Chrisman, State Auditor
Legislative Audit Bureau
22 East Mifflin Street, Suite 500
Madison, Wisconsin 53703

Dear Mr. Chrisman:

Thank you for the opportunity to review the audit report of the Employes' Retirement System of the City of Milwaukee (ERS) for the year ended December 31, 2025. We are pleased that no significant concerns were identified during the audit of ERS's financial statements. This result reflects ERS's commitment to robust internal controls and transparent financial reporting, as well as the diligence and professionalism of the ERS staff.

We have separately received the two mortality table recommendations made as part of the actuarial audit. The ERS's consulting actuary will consider these recommendations for implementation during the plan's upcoming experience study next year.

ERS would like to thank the Legislative Audit Bureau staff for their hard work and partnership throughout this engagement. We sincerely appreciate the time, effort, and expertise your team devoted to the financial audit of ERS, and look forward to our continued collaboration.

Sincerely,

Patrick J. McClain
Executive Director

PJM:jmw