Milwaukee County Employees' Retirement System (ERS)
March 19, 2026 Actuarial, Audit, and Risk Committee Meeting
MINUTES

Call to Order
Committee Chair Joshua Benson called the Actuarial, Audit, and Risk Committee meeting to order at 10:04 a.m. on Thursday, March 19, 2026. The meeting was held virtually.

Committee Members Present:
Nicole Best
Joshua Benson

Other Pension Board Members Present:
Mark Grady (for items 1-3)

Others Present:
Erika Bronikowski, Retirement Plan Services
Jacob Augustine, Retirement Plan Services
Jessica Culotti, Reinhart Boerner Van Deuren
Judd Taback, Office of Corporation Counsel
Brian Geib, Legislative Audit Bureau
Marina Litvinets, Department of Administrative Services
Carl Lingenfelter, Northern Trust
Jasmine Ommen, Northern Trust
Kathy Stevenson, Northern Trust

1. **Topic: Chairperson's Report**

   Chairperson Benson expressed appreciation to Trustee Best for her prior leadership of the Committee. Chairperson Benson noted that the meeting agenda would differ from the typical format to accommodate the availability of consultants, with the Committee moving between open and closed sessions as needed to allow presenters to participate based on their availability.

   The Committee voted to adjourn into closed session under Section 19.85(1)(e), Wis. Stats., with regard to Item(s) 2 for considering the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require.

2. **Topic: Risk Assessment and Internal Audit RFP Update**

   Item 2 was discussed in closed session. Upon returning to open session, the Committee took the following action after the unrelated presentation from Item 3: A motion was made by Trustee Benson to recommend that the Board cancel and reissue the Risk Assessment and Internal Audit RFP, with further direction that the reissued RFP be presented directly to the full Board to expedite the timeline. Trustee Benson noted that, given the wide range of responses received, additional clarity and a more defined scope of services were needed. The motion was seconded by Trustee Best and passed unanimously.

3. **Topic: General Education on AI**

   Kathy Stevenson, the Client Executive from Northern Trust for the ERS, introduced the AI Product Manager, Carl Lingenfelter, and the AI Enablement Lead, Jasmine Oomen, who presented this topic.

   Mr. Lingenfelter noted that he had prepared materials to provide an overview of industry developments related to artificial intelligence (AI), including current investment activity, the organization's historical approach, and considerations around risk and governance.

   Mr. Lingenfelter stated that AI remains a very new technology, noting that the public release of ChatGPT in November 2022 occurred just a little over three years ago. He emphasized that while AI is learning quickly, it is still early in its development, still evolving, and still only beginning to reveal its full potential. He cautioned that predictions about the future should be viewed carefully, as expectations for emerging technologies have often shifted over time, and noted the importance of balancing rapid adoption with a thoughtful long-term strategy.

   Mr. Lingenfelter highlighted the rapid pace of adoption and the broad economic impact of AI across industries, noting that it has been one of the fastest technology adoptions in history. He also pointed to the scale of investment activity in the space, explaining that leading developers such as OpenAI and Anthropic are now spending thousands of times more on training large language models than was required for earlier generations of models. He added that many of these next-generation models are still in development and not yet fully reflected in the tools currently in use today.

Mr. Lingenfelter noted that current investments in OpenAI are structured around detailed business plans with defined milestones and ongoing performance tracking, rather than simple funding agreements, and that continued capital deployment reflects progress that is meeting or exceeding expectations.

Mr. Lingenfelter further highlighted that the cost of computing power required for large-scale AI applications has decreased significantly, resulting in greater efficiency and expanded capabilities as investments scale further. He observed that these advancements, along with strong incentives to improve chips, data centers, and related infrastructure, are contributing to rapid innovation in the field. Given the pace of change, he noted that a cautious and measured approach is being taken with respect to adoption.

Mr. Lingenfelter also provided background on Northern Trust's prior use of AI and machine learning technologies. He explained that machine learning has long been used to analyze more narrowly defined datasets to identify patterns and anomalies, such as detecting unusual login activity. He cited examples of systems that flag potentially suspicious access attempts based on deviations from expected user behavior.

Additionally, Mr. Lingenfelter described how machine learning has been used to improve operational efficiency in processing custody statements. He explained that models trained on large volumes of private equity limited partner statements have enabled automated extraction of key data elements, reducing reliance on manual data entry and verification processes and improving accuracy and efficiency in populating custody systems. Mr. Lingenfelter explained that traditional machine learning is limited to historical datasets and is generally effective for simpler documents, but less effective for complex materials such as structured credit fund documents, collateral agreements, and documents containing charts and tables. He noted that while machine learning can address approximately 80% of client documents, it struggles with more complex formats.

Mr. Lingenfelter stated that generative AI and large language models, trained on a much broader range of information, are better suited for processing complex documents and extracting data. He indicated that one of Northern Trust's initial use cases for generative AI is to expand document processing capabilities, improving both coverage and accuracy while increasing productivity. He added that generative AI also enables the generation of insights based on user queries due to its ability to recognize patterns across large datasets.

Mr. Lingenfelter further noted that Northern Trust's Board of Directors has adopted a more formal approach to AI initiatives, with priorities including process automation, productivity, client experience, risk, and controls. Mr. Lingenfelter also described client impact in terms of productivity, human interaction, and data insights, citing the use of Microsoft 365 Copilot, GitHub Copilot, and an internal AI-enabled search tool that helps employees access role-specific information with improved accuracy and context. Mr. Lingenfelter explained that future client interactions with data are expected to become more conversational, allowing users to engage directly with their data rather than relying solely on static reports or dashboards. He provided examples such as the ability to request customized views of portfolio data across different time periods or to apply exclusions, such as removing certain sectors, to better understand performance under varying scenarios.

Mr. Lingenfelter added that Northern Trust is exploring ways to integrate AI into its service to enable both employees and clients to interact more naturally with data and derive deeper insights. He further described potential use cases in which AI could proactively analyze portfolio statements, generate follow-up questions, and suggest additional areas of analysis, such as highlighting sector exposures or identifying alternative ways to evaluate portfolio performance.

Ms. Oomen provided an update on Northern Trust's efforts related to digital coworkers, noting that the organization is developing a multi-agent platform built on its enterprise AI environment hosted in Azure. She explained that Northern Trust has been collaborating with business units to identify cases where digital coworkers can support business process optimization and enable employees to focus on higher-value activities. The organization has identified several digital coworker scenarios and is actively designing and developing these capabilities.

Ms. Oomen described examples of digital coworkers under development, including an agent referred to as LARA, which supports learning and development and research functions. She explained that LARA leverages

Northern Trust's HR learning library to curate training materials, including classes and quizzes. This process, which would typically require manual effort over one to two weeks, can now be completed more efficiently, resulting in significant productivity gains for the HR function.

Ms. Oomen also described another digital coworker, FARA, which supports fund accounting research. She explained that FARA analyzes portfolio data, identifies pricing exceptions, and gathers relevant information from sources such as news feeds and market data providers to determine the cause of price variances. The agent consolidates this research into a single report for fund accountants, reducing the time required to investigate exceptions and enabling quicker validation or further analysis as needed.

Trustee Benson asked how the presenters overcome the mental hurdle of trusting the output generated by AI. Mr. Lingenfelter responded that as AI is used more frequently, it becomes more intuitive to understand when to rely on its output. He noted that, like learning to use search tools such as Google more effectively over time, earlier versions of generative AI were less reliable, but the models have improved significantly. Mr. Lingenfelter explained that newer reasoning models provide greater transparency by indicating their thought process and identifying when they rely on more validated or authoritative sources. He added that the systems are designed to interpret the context of a query and determine the appropriate level of rigor and sourcing needed to generate a response. Mr. Lingenfelter emphasized the importance of human oversight and how it remains essential for validating outputs. He stated that while AI improves efficiency by supporting research and analysis, it allows human effort to be focused on reviewing higher-risk items rather than routine verification tasks.

In response to a question from Trustee Best, Mr. Lingenfelter explained that the large language models used are third-party tools, primarily accessed through OpenAI via the organization's Microsoft relationship and operated within a secure Azure cloud environment. He noted that data remains encrypted and proprietary within this environment and is not directly accessible to external parties. Mr. Lingenfelter added that these models are used to support a range of applications, including Microsoft 365 Copilot and other vendor tools that have embedded AI into their search and support functionalities. He further explained that, in addition to these solutions, internal development teams are building custom applications and agents that interface with large language models while operating within controlled environments. These efforts allow the organization to integrate AI capabilities into its existing software applications while maintaining appropriate security and governance.

Ms. Oomen explained how risks are incorporated into Northern Trust's platform and tool selection. She noted that guardrails have been developed to address identified risks, including the detection of hallucinations and toxicity in AI-generated outputs, and to ensure that responses are sourced appropriately. These guardrails are embedded across use-cases as part of the organization's governance framework.

Mr. Lingenfelter added that Northern Trust employs a multi-stage, gated process to manage AI-related initiatives. He noted that with the widespread use of tools, such as Copilot, there is no shortage of ideas from across the organization. These ideas are evaluated in collaboration with business leaders to assess feasibility, timing, and safe implementation. He further explained that, once an idea is prioritized, it proceeds through an architecture review board process. This includes a "permit to design" phase for solution development, followed by a "permit to build" review involving stakeholders from security, privacy, compliance, and operational risk functions. After development, a "permit to operate" review is conducted to confirm that the solution meets all requirements and is functioning as intended prior to production use. He noted that this structured process helps ensure consistent governance of AI initiatives.

4. <u>Topic</u>: Meeting Minutes – January 28, 2026

A motion by Trustee Best, seconded by Trustee Benson, was made to approve the January 28, 2026, Actuarial, Audit, and Risk Committee Meeting minutes. The motion passed unanimously.

5. <u>Topic</u>: Status of Audit and Compliance Report

a. CY2025 Annual Audit Status

Ms. Bronikowski provided a brief update on the calendar year 2025 audit, noting that the process is underway and progressing on a timeline consistent with prior years. She reported that requests from the Legislative Audit Bureau ("LAB") are being received and addressed, and that risk interviews with selected staff and trustees have been scheduled and, in some cases, completed. Ms. Bronikowski indicated that the audit is proceeding as expected with no major concerns at this time.

b. 2024 Annual Audit Findings Update

Ms. Bronikowski provided an update on the status of the 2024 annual audit findings, noting that no changes have occurred since the January report. She reported that eight findings and related recommendations were identified, with three items remaining open. Ms. Bronikowski indicated that two of the outstanding items are expected to be resolved through the risk assessment project, with timing dependent on upcoming Board action, and that the remaining item relates to an update to the Board's charter scheduled for mid-year. She noted that completion of these initiatives is expected to resolve the remaining 2024 audit recommendations.

c. 2025 Compliance Report

Ms. Bronikowski presented the 2025 Compliance Report, which reflects the Board's adherence to its policies, charters, and governance requirements. She noted that the report has been streamlined to highlight only outstanding items to assist the Committee in monitoring progress and identifying trends. Ms. Bronikowski reported that five items were identified as not in compliance for 2025. She explained that two items related to the review of the annual internal audit plan and comprehensive risk assessment, as well as the biennial review of internal audit effectiveness, are expected to be resolved through the risk assessment project.

She further noted that additional items related to investment controls are being addressed through the development of enhanced documentation, including monthly checklists and annual reviews of the investment consultant. Finally, Ms. Bronikowski stated that the noncompliance related to the 10-year actuarial audit will be addressed through a proposed policy update, as the LAB will conduct an actuarial audit every five years.

Ms. Bronikowski indicated that all outstanding items are expected to be resolved through these actions and that she will continue providing compliance updates to the Committee until the next annual report cycle.

6. <u>Topic</u>: Litigation Monitoring Services

Ms. Bronikowski reported that this topic was intended to be an informational update from the Board's securities litigation monitoring provider, Levi & Korsinsky, LLP; however, the firm was unable to attend the meeting. She noted that, in preparation, she developed an explanatory memo outlining the procurement schedule to assist the Committee and Board in determining whether to pursue a competitive bid or continue with the current provider. Ms. Bronikowski indicated that this decision can be addressed at a future meeting and that Levi & Korsinsky, LLP, has expressed interest in presenting to the Committee at a future meeting.

Trustee Benson noted that, given the absence of the presenter and the lack of a quorum, it would be appropriate to defer the topic to a future meeting.

The Committee voted to adjourn into closed session under Section 19.85(1)(e), Wis. Stats., with regard to Item(s) 7 for considering the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require.

7. <u>Topic</u>: Actuarial Services Contract

Item 7 was discussed in closed session. Upon returning to open session, the Committee took the following action: A motion was made by Trustee Best to recommend that the Board approve a one-year extension of the current actuarial services contract with Segal. The motion was seconded by Trustee Benson and passed unanimously.

8. <u>Topic</u>: Adjournment

The meeting adjourned at 11:22 a.m.