

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

Minutes of the Administration and Operations Committee Meeting
held April 15, 2008

The meeting was called to order at 1:40 p.m.

Committee Members Present: John Barmore, Chair
 William C. Carey

Committee Members Not Present: W. Martin Morics (excused)
 Sebastian Raclaw

Retirement System Staff Present: Bernard J. Allen, Executive Director
 Martin Matson, Deputy Director
 Tom Rick, Chief Investment Officer
 Alva Coleman, Information Systems Manager
 Michael Haley, Financial Officer
 Suzanne Fortier, Board Stenographer

Others Present: Beth Cleary, City Attorney's Office; Jon Granger, Consultant, Jay Patel, S&S Consulting.

Due to the lack of a quorum, the meeting convened as a sub-committee.

Election of Vice-Chair. Mr. Barmore indicated this would be held until a quorum is present.

ERS Special Projects Report. As a matter of information, Committee members received a copy of the ERS Special Projects Report, dated April 15, 2008. Ms. Owens reported that Member Self Service is complete and went live this morning. She stated that the basic business functions continue to be met; there has been a decrease in the discovery rate of PIRs/CCRs; and all of the annual processing items are now completed. Ms. Owens reported that ERS is now operating in a warranty period with Saber with the expiration of the core application being July 8, 2008. The expiration for Configuration Maintenance is December 31, 2008.

Mr. Granger stated that ERS is experiencing 60 to 70 tickets per month for defects and deficiencies. He noted that the number of new issues discovered each month is about equal and the ticket inventory forecast is relatively flat. Going forward there has been a slight up tick in the trend for high priority tickets. He said that based on some information seen today, it appears those are mainly change requests and not defects. Mr. Patel reported that MERITS availability to the business community for March was 100 percent. He talked about the vulnerability assessment RFP, which the Committee approved. In the meantime ERS has procured a subscription base service from McAfee called Hacker Safe Services, which scans ERS' website and identifies any vulnerabilities on our infrastructure. He reported that service has been turned on for about three to four weeks and ERS gets a daily report on the findings. The technical team then takes care of the issues discovered, and as of now, there are no critical or urgent vulnerabilities. Mr. Patel indicated ERS is in the process of procuring the hardware for the replacement of the

development infrastructure, and improving the HVAC facility on the fourth floor of this building. On the disaster recovery (“DR”) data transfer testing, he indicated one of the key elements to figure out is what will be the communication pipe between this location and a remote site so that the team can do an application of the data. Mr. Patel said that when the data is touched here at the primary site, it gets replicated over to the DR site. The size of that pipe or communication channel is a major issue in determining the total cost of the DR site. He said a few weeks ago the team did a test on a communication pipe between ERS and the fourth floor at the 809 building. The team did a time stamp to see how long it would take to transfer a file of a certain size from point A to point B. Mr. Patel indicated this data would help the team in understanding about application strategy for when ERS puts up a remote DR site. It also will help the team make an educated decision as to what kind of pipe would be needed to effectively transfer the data and continue to meet the service level agreement in the event ERS would bring the DR site up and operational. Brief discussion ensued with respect to the possible site for disaster recovery. Mr. Granger briefly talked about the budgets and cost-to-date. He also reported that the Financial Reports reflects the payout of retention for work Saber did for ERS for which retention was owed. In the future this will show payment of work that completed the Member Self Services and Configuration Maintenance modules. Mr. Granger noted that as for post-implementation support is concerned, ERS has been paying Saber’s invoices as they have been submitted.

Approval of 2009 Budget. As a matter of information, Committee members received a letter from Mr. Allen, dated April 8, 2008, with an attached Summary of the 2009 Draft Budget Request and the 2009 Non Trust Budget Request. Mr. Haley went through the various line items included in the 2009 Budget Request. Discussion ensued with regard to manager fees. Mr. Barmore indicated that this would be taken up by the full Board for approval.

Fiduciary Liability Insurance Review. As a matter of information, Committee members received a letter from the City Attorney’s Office, dated April 9, 2008. Mr. Matson stated before the Committee is a portion of the Hays Company’s findings on ERS’ contracts, which include comments by the City Attorney. He indicated that staff would forward this to Willis of WI for comment and possibly bring back to the Committee their responses. Mr. Matson noted that staff would like to also have a discussion about changing the timing of the current fiduciary liability insurance renewal. As of now the insurance expires every year on September 30 and the new rates take effect October 1. He said staff recommends changing the insurance renewal to July 31 with the new insurance in effect as of August 1. This would give ERS the opportunity to bring the fiduciary liability insurance to the Board in June so if there is any work that needs to be done, there will be enough time for making changes. Mr. Matson said that currently Willis comes before the Board at the September meeting, and the Board has no choice but to accept whatever is offered due to the timing. Mr. Barmore stated this will be discussed with the full Board for action.

Approval of Whyte Hirschboeck Dudek Contract. Mr. Matson reported that the City Attorney is currently rewriting the contract and subject to their review, this could be

approved by the full Board. Historically what has been done is a contract is written for a specific lawsuit handed by Whyte Hirschboeck Dudek. Whyte Hirschboeck Dudek has submitted a contract, which Ms. Cleary has reviewed and revised, and WHD agrees of the revisions. Mr. Matson stated a copy of the contract will be in the Board packet as it was not available for today. Brief discussion.

Approval of Subordination, Non-disturbance and Attornment Agreement for 789 N. Water St. As a matter of information, Committee members received a copy of a letter from the City Attorney's office, dated April 8, 2008. Mr. Matson noted that this was noticed incorrectly on the agenda. He said that as it turns out, when the Board approved the lease the attornment provision was actually in the lease, which means this is an administrative act on behalf of ERS, so no Board approval is required. Mr. Allen indicated that the building is being refinanced by a bank loan and given the state of the credit markets today, ERS wants to cooperate to help in the refinancing. Mr. Barmore asked if this needed to be presented at the full Board meeting to dispose of it properly. Mr. Matson stated that because it was noticed it will have to be discussed at the Board meeting. Ms. Cleary indicated that it sounds like the building is in the market for a new buyer, so in the next few weeks ERS may have to sign another attornment provision.

Recommendation from ERS Staff to Settle Expenses with the City of Milwaukee. Mr. Matson said this is on the agenda as a place holder. It was taken up at the last A & O Committee meeting, and staff recommended a new methodology. Essentially what ERS would do is forward 1/12 of the budget in January of every year, and then forward actual expenditures following that first month. ERS will still do a final settlement with the City at the end of the year. Mr. Matson stated that to effectuate this new procedure requires a change to the Intergovernmental Cooperation Agreement. ERS has forwarded a request to the City Attorney to handle that change, which will come back to the Board for formal action to present that change to the Common Council. Ms. Cleary noted that Mr. Konrad is currently talking with Mr. Ledvina in the Budget Office to make sure they approve the recommended amendment. Brief discussion ensued.

There being no further business, Mr. Barmore adjourned the sub-committee meeting at 2:35 p.m.

Bernard J. Allen
Secretary and Executive Director

(NOTE: All proceedings of the Annuity and Pension Board Meetings and related Committee Meetings are recorded. All recordings and material mentioned herein are on file in the office of the Employees' Retirement System, 789 N. Water Street, Suite 300.)