

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

Minutes of the Administration and Operations Committee Meeting
held December 16, 2008

The meeting was called to order at 10:04 a.m.

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

Retirement System Staff Present: Bernard J. Allen, Executive Director
 Martin Matson, Deputy Director
 Tom Rick, Chief Investment Officer
 Suzanne Fortier, Board Stenographer

Others Present: Beth Cleary, City Attorney; Jon Granger, Sagetic Solutions; Heidi Wier, Bethann Ambrose and Jack Bullis, Jefferson Wells; and Wayne Morgan and Darlene Middleman, Virchow Krause.

ERS Special Projects Report. As a matter of information, Committee members received a copy of the ERS Special Projects Report, dated December 16, 2008. Mr. Granger talked about the topics for discussion, and discussion ensued with respect to the organizational study. He updated the Committee stating ERS' basic business functions continued to be met during November. He indicated that ERS continues to find issues, which are logged and tracked, but ERS still manages to provide the services required. Mr. Granger briefly touched on some of the annual processes. He reported that Member Self Service has about 970 members who have created user IDs and logged into the system.

Mr. Granger talked about the program incident and change request activity for the last 12 months, and also went over the high priority PIR and CCR comparisons from 2008 versus 2007 and the inventory.

Mr. Patel reported that for November, both on-line and batch levels were 100 percent. He reported that Inland Construction has started the HVAC work on the fourth floor, and it is anticipated that work will be done this week. ERS also had Henneman Engineering do an evaluation of the HVAC and electric in the 809 building data center. ERS received the report and is in the process of reviewing the risks identified and their recommendations. Mr. Patel said that once that is complete, ERS will meet with DPW personnel to figure out possible improvements. Discussion ensued. Mr. Patel briefly talked about the McAfee's Hacker Safe Service and the vulnerability assessment done by Jefferson Wells.

Approval of Move Forward on Disaster Recovery. Mr. Granger updated the Committee on the status of the Disaster Recover Site options. Lengthy discussion ensued. He stated that staff would like to step back and review the risk exposures; evaluate the likelihood of an occurrence; review scenarios under which a remote server site and a remote office would be effective and validate the business value proposition. After further discussion, the Committee approved staff doing a disaster recovery checkpoint exercise in a timely manner.

Mr. Granger briefly talked about the MERITS and special projects budget.

Jefferson Wells Internal Audit Reports. As a matter of information, Committee members received a copy of the Internal Audit Update report, dated December 16, 2008. Ms. Wier stated that Mr. Bullis, the manager of their IT audit functions, was also present and he will be reporting on some of the IT work. She briefly talked about the audit plan status – financial/operational. Ms. Wier stated that Jefferson Wells (“JW”) has completed the vulnerability assessment; a draft report was issued and they are awaiting manager responses to some questions that arose.

She indicated that reports were also issued for the application controls (MERITS) and the IT strategic plan. Ms. Wier stated that the controls are still functioning properly and adequately, but there are some recommendations for improvement. Mr. Bullis stated that JW is recommending that the IT Strategic Plan be more formalized and that the additional components that have not yet been included in some of the documentation be all drawn together in one IT Strategic Plan. Management has pointed out that the information technology team will continue their practices as they are now, but this will become a priority once the IT Manager position is filled, hopefully within the next three months. Discussion ensued with respect to MERITS 2.0, budgeting, and what is the IT Strategic Plan. Ms. Wier asked if the Committee is requesting that the response from management be changed to address the timing of defining the Strategic Plan. Mr. Morics said he thinks the response is that the Strategic Plan will begin to be developed and conceptually be brought before the A & O Committee at the earliest convenience. Mr. Barmore stated he did not think any change was needed to the last sentence of the response on page 5.

Mr. Bullis proceeded to talk about the application controls (MERITS) audit. He said that during the course of the audit, JW tested the off site tape shipment invoices for a period of about a month and a half. He said it was found that on two days during that period the backups were not done. Mr. Bullis noted that looking at the procedures that were documented and the assignment of personnel to the backup process, JW found that the backup procedures were not consolidated in one easily followed document. On the two days those backups were not done the primary person responsible for the backup was not available. He said JW’s recommendation is that all of the back up processes and procedures be documented formally and condensed such that the secondary person responsible for doing the backups would have not difficulty doing the backups. Discussion ensued.

Mr. Bullis said the internal reports used in training documentation are screen shots of actual reports, many of which contained social security numbers and information of that nature. He said that JW recommended that management review those reports and look at the possibility of masking some of the social security number other than the last four digits. This way the personal confidential information for that individual is not necessarily available to all employees. Mr. Bullis said that management has looked at this from two standpoints: the operational feasibility and the practicality and how employees can do their jobs with that information not available. Management also identified mitigating controls that are in place and periodically informing personnel of the importance of maintaining confidentiality of the information on those reports.

He noted that ERS serves eight agencies that periodically send data files using a methodology called File Transfer Protocol (FTP). The data files that are sent to ERS are not encrypted and those files also contain confidential information such as social securities numbers. Mr. Bullis indicated that JW's recommendation was that a secure file transfer solution should be identified and implemented to the extent that it is feasible for service agencies to meet the technical requirements for the transfer of data to ERS. He noted that management's response is that this is one of the 2009 projects. There are some security related enhancements that management has made to the current FTP services, which are listed in the response section of page 7.

Mr. Bullis briefly talked about the developer guide and unit testing guidelines documents, which were created when MERITS was first implemented. He indicated that the information in these documents are not necessarily current, and management responded that these will be reviewed and updated. With respect to access to MERITS reports on the Network Folders, Mr. Bullis said the issue is that all the main users have access to that folder, and therefore, access to the information contained within those reports. That is not necessarily something a developer within IT would need to have access to. JW asked management take a look at who has access to that folder of reports and make appropriate adjustments to removing access. Management responded that the access list will be reviewed and evaluated, and changes, if needed, will be implemented. Discussion ensued.

On Account Lockout Time, Mr. Bullis indicated that users accounts are locked out for 30 minutes after a user enters the incorrect password 3 times, but automatically unlocked after the 30 minutes. Management felt this was appropriate based on the environment here; they have reviewed the policy and concluded that they have adequate security measures, as well as staff flexibility desired. He said JW pointed out to management that they felt there was an element of risk involved in automatically resetting the password after 30 minutes. If management is willing to accept that risk, that is fine, but they need to be aware of the fact that there is an additional risk.

Mr. Bullis stated the disaster recovery plan for MERITS has not been finalized, but is an on-going project. Discussion ensued with respect to all the recommendations contained in the report.

Mr. Morics asked if item IV. could be taken up as he had to leave the meeting shortly.

(As a matter of information, the agenda was taken out of order).

Approval of Deloitte & Touche Contract and Statement of Work. As a matter of information, Committee members received a copy of the contract. Mr. Matson said this is just an administrative item. He said the City Attorney had reviewed and approved the contract as a service request, which the Board accepted at a meeting in October or November. Mr. Matson said this is here for formal approval, and is for the regular ARIS map updates for 2009. It was moved by Mr. Morics, seconded by Mr. Carey, and unanimously carried, to approve the contract and statement of work.

Acceptance of Virchow Krause Management Letter. As a matter of information, Committee members received a copy of the VK letter. Mr. Morgan and Ms. Middleman went over the management letter and lengthy discussion ensued.

(During the above presentation Mr. Morics left the meeting at 11:52 a.m.)

There being no further business, the meeting was adjourned at 12:05 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.)