

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

Minutes of the Administration and Operations Committee Meeting
held July 22, 2009

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

Committee Members Present: John Barmore, Chair
 Angela Henschel
 W. Martin Morics

Committee Members Not Present: William C. Carey (excused)
 Thomas Fischer (excused)

Retirement System Staff Present: Bernard J. Allen, Executive Director
 Martin Matson, Deputy Director
 David Silber, Pension Investment Analyst
 Suzanne Fortier, Board Stenographer

Others Present: Jon Granger, Sagetic Solutions; Jay Patel, S&S Consulting; and Connie McDonald and Steve Schmidbauer, Jefferson Wells.

Mr. Barmore noted for the record that per Board Rules and Regulations, Mr. Morics has appointed himself to the Committee for today's meeting in order to have a quorum present.

ERS Special Projects Report. As a matter of information, Committee members received a copy of the ERS Special Projects Report, dated July 16, 2009. Mr. Granger briefly talked about the ERS Special Projects Work Plan and updated the Committee on the organizational study activities. Mr. Granger talked about the MERITS 2.0 Project; procurement options and costs; and the Request for Information process. Lengthy discussion ensued.

Mr. Patel reported that all member services, payroll services and employer reporting were satisfactory in June. PIRs and CCRs issues are still being found in both problems and enhancements, and team has been able to fix these issues in a timely manner. He noted that approximately 1,435 members have signed up for Member Self Service. Mr. Patel talked about the Program Incident and Change Request Activity; defect and deficiency trends and inventory, and the year-to-year high priority PIR/CCR comparisons. He also noted that the on-line application was 100 percent for June. The batch side was at 97 percent as on June 13, 2009 there was an outage due to DPW doing some testing with their power shut down activities. Mr. Patel noted that when DPW initiated that, it caused an outage of the HVAC in our data center. Due to the temperature rising over 75 degrees for over 30 minutes, the servers systematically shut down. He stated that ERS continues to work with DPW to resolve these issues. Mr. Patel stated the silver lining is that because of the outage, ERS was able to test our configuration and software to not only send notifications to our tech team, but also gracefully shut down the servers to prevent any burnout. Discussion ensued. Mr. Granger talked about the disaster prevention and management: vulnerability assessment; IT Audit (IS Security); development environment replacement – new production at 789 data center; and 809 data center (HVAC, power)

evaluation/assessment. He also talked about the business continuity planning for a disaster recovery site and the budget analysis.

Authorization to Contract a Lease for a Remote Office Site. Mr. Matson stated that staff is in the process of reviewing the sites. Staff is asking for authorization from the Committee to negotiate the best price between the two locations on Park Place. He indicated the contract would be brought back before the Committee for approval. It was moved by Mr. Morics, seconded by Ms. Henschel, and unanimously carried, that staff be authorized to negotiate a lease and bring it back to the Committee.

Authorization to Contract for Services for the WebSphere Upgrade. Mr. Matson stated that ERS is currently in the middle of upgrading WebSphere. This software product actually touches everything within the system and the upgrade will occur over the course of 6 to 9 months. He said that ERS may or may not need help with this project, but staff would like authorization to get help if necessary. After discussion, it was moved by Mr. Morics, seconded by Ms. Henschel, and unanimously carried, to authorize staff to do an RFP and negotiate a contract for services to upgrade WebSphere, and that contract would come back to the Committee for approval.

Contingent Authorization to Contract for Services to Write a Request for Information. Mr. Matson stated that staff may be able to handle this internally, but if staff decides they cannot write the RFI, we would have the authorization to contract out for this service. He stated this is a budgeted item, but ERS may have to write a contract for the professional services. It was moved by Mr. Morics, seconded by Ms. Henschel, and unanimously carried, authorizing staff to negotiate a professional services contract for the purpose of writing a proposal for an RFI for MERITS 2.0.

Mr. Matson asked that items III. and IV. be taken up at this time due to time constraints. Mr. Barmore directed that items III. and IV. be taken out of order.

Annual Review/Approval of A & O Committee Audit Charter and Internal Audit Charter. As a matter of information, Committee members received copies of the A & O Committee Audit Charter and the Internal Audit Charter. Mr. Matson noted some technical changes to the A & O Committee Audit Charter. After discussion, it was moved by Mr. Morics, seconded by Ms. Henschel, and unanimously carried, to approve changes to the A & O Committee Audit Charter. Mr. Matson noted some technical changes to the Internal Audit Charter. After discussion, it was moved by Mr. Morics, seconded by Ms. Henschel, and unanimously carried, to approve the changes to the Internal Audit Charter.

Review of Request for Quotes and Approval to Contract for Mailing/Printing Services. Mr. Barmore advised that the Administration and Operations Committee may vote to convene in closed session on this item as provided in Section 19.85 (1) (e), Wisconsin State Statutes, for deliberating or negotiating the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session. The Committee will then reconvene in open session following the closed session. It was moved by Mr. Morics and seconded by Ms. Henschel, to convene in closed session on this item. The

motion prevailed by the following roll call vote: AYES: Mr. Morics, Ms. Henschel, and Mr. Barmore. NOES: None.

The Committee convened in closed session at 10:36 a.m. and reconvened in open session at 10:45 a.m.

It was moved by Mr. Morics, seconded by Ms. Henschel, and unanimously carried, to approve staff negotiating a contract with DMC for mailing/printing services.

Jefferson Wells Audit Reports. As a matter of information, Committee members received copies of the Internal Audit Update, dated July 16, 2009; Benefits Payroll Internal Audit Report and Benefits Calculation Internal Audit Report, dated July 9, 2009. Mr. Schmidbauer talked about the 2009 audit plan status. He indicated that JW finalized the Benefits Payroll and Calculation audits. Mr. Schmidbauer indicated the benefit calculation and payroll processes are generally adequate and functioning as intended by management. He talked about two key observations regarding the benefit payroll processes.

Mr. Morics left the meeting at 10:50 a.m. The meeting convened as a sub-committee at 10:50 a.m.

Discussion ensued with respect to the pension payroll files. Mr. Schmidbauer talked about the payroll processing; 1099 year-end processing and management's responses. He followed up on the prior year issues: adequacy of staffing and cross training – completed; documented procedures in the payroll processing – ongoing; bank signatories and access to banking applications – completed; bank account reconciliations – check log review – completed, rotation of duties – not completed: Revised date is September 30, 2009; and non-user specific MERITS accounts – completed. Discussion ensued.

There being no further business, Mr. Barmore adjourned the meeting at 11:00 a.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.)