

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

Minutes of the Administration and Operations Committee Meeting
held September 21, 2011

The meeting was called to order at 10:00 a.m.

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

Committee Members Not Present: Larry Holland (arrived at 10:06 a.m.)

Retirement System Staff Present: Bernard J. Allen, Executive Director
 Martin Matson, Deputy Director
 Kelly Reid, Chief Technology Officer
 David Silber, Pension Investment Analyst
 Jim Zaffiro, Business Systems Coordinator
 Suzanne Fortier, Board Stenographer

Others Present: Tony Popanz and Paul Rozek, Experis; Jay Patel, S&S Consulting Group, and Jon Granger, PDG Consulting.

Experis (f/k/a Jefferson Wells) Internal Audit Report(s). As a matter of information, Committee members received copies of the Internal Audit Update, dated September 21, 2011; Investment Audit Report, dated September 2011; Workstation and Remote Access Audit Report, July 2011 and Benefits Calculation Audit Report, July 2011. Mr. Popanz and Mr. Rozek briefly talked about the 2011 Audit Plan Status. Mr. Popanz talked about the Investment audit stating that the Northern Trust Securities Lending fees was changed from 30 percent to 25 percent; however, Northern Trust has continued to charge a 30 percent fee on securities lending proceeds. He reported that ERS management acted on this immediately and it was an error on Northern Trust's part due to a miscommunication between their contract group and the securities lending group. Mr. Popanz indicated that prior to this meeting Mr. Rick indicated to him that approximately \$160,000 was recovered and is now back into the coffers of ERS. After discussion, Mr. Barmore asked for a letter from Northern Trust so ERS has some documentation regarding this issue.

(Mr. Holland arrived at 10:06 a.m.)

Mr. Popanz talked about the investment audit, which looked at monitoring for contractually required insurance certificates; review of private equity manager fees; and documentation for manager account reconciliations. He also talked about the management responses for any areas that had recommendations from Experis. Discussion ensued with respect to the investment audit findings.

Mr. Rozek talked about the workstation and remote access audit, which looked at documented procedures to deploy new devices; policies and procedures to address the loss of equipment; and prior year follow up on centralized retention for security access request forms. Mr. Popanz talked about the benefit calculation audit prior year follow up on documented procedures in the benefits calculation process. Lengthy discussion ensued.

ERS Special Projects Report. As a matter of information, Committee members received a copy of the ERS Special Projects Report, dated September 21, 2011. Ms. Reid updated the Committee on the organization study reclassifications. She updated the Committee on the MERITS product life-cycle management and the current information technology projects. Mr. Patel briefly talked about the project status summary; defect and deficiency inventory; year-to-date. Mr. Patel talked about the PIR/CCR comparisons, and the service level agreement performance. Mr. Granger updated the Committee on the business continuity program schedule and detailed status. Lengthy discussion ensued.

Discussion of Website Redesign Initiative. As a matter of information, Committee members received a presentation book. Ms. Reid introduced Mr. Zaffiro, who is the project management expert. Mr. Zaffiro stated he is also ERS' webmaster and currently works for the website. He briefly talked about the survey/market analysis done. Mr. Patel talked about the Member Self-Service Project plan. Mr. Zaffiro talked about the benefits of the upgrade. Lengthy discussion ensued.

Mr. Barmore called for a break at 11:28 a.m. The Committee reconvened at 11:43 a.m.

Approval of Wells Fargo Contract Amendment. As a matter of information, Committee members received a copy of the First Amendment to the Agreement. Mr. Matson stated Wells Fargo is ERS' financial institution that handles our checking account and pension payroll. He noted that Wells Fargo, as part of their annual review, came to ERS with a new fee schedule, which will lower the fees overall for the checking account. Mr. Matson talked about some additional services offered to ERS. This is not changing the contract other than the fee schedule, and this has been approved by the City Attorney's Office. It was moved Mr. Carey, seconded by Mr. Holland, and unanimously carried, to approve the Wells Fargo contract amendment.

Approval of Baker Tilly Contract Amendment. As a matter of information, Committee members received a copy of the Baker Tilly contract amendment. Mr. Matson stated that the Baker Tilly contract ended with the current financial audit that was presented back in June 2011. He stated that because the actuary is going to be doing the Five Year Experience study in 2012, it was recommended that ERS keep Baker Tilly for an additional year before going out to market. Mr. Matson said this amendment extends the contract for one additional year, and this has been approved by the City Attorney. It was moved by Mr. Carey, seconded by Mr. Holland, and unanimously carried, to approve the Baker Tilly contract amendment.

Review of Request for Quotes for Optimization Services and Award of Contract.

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. He noted it was his intention to adjourn the meeting from closed session. It was moved by Mr. Holland and seconded by Mr. Carey, and unanimously carried, to convene in closed session.

The Committee convened in closed session at 11:46 a.m. There being no further business, Mr. Barmore adjourned the meeting at 12:08 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.)