

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

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

The meeting was called to order at 10:07 a.m.

Committee Members Present: John Barmore, Chair

Committee Members Not Present: William C. Carey (excused)
 W. Martin Morics (arrived later in meeting)
 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
 Michael Becker, Pension Accounting Specialist
 Suzanne Fortier, Board Stenographer

Others Present: Jay Patel, S&S Consulting; 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 July 17, 2008. Mrs. Owens updated the Committee on the special projects work plan. She stated ERS' basic business functions continue to be met. ERS has had an average of 55 tickets for the last three months for PIRs and CCRs. She said the internal audit with Jefferson Wells is ongoing, and staff has received questions for clarification for payroll and benefit processing. As of today, the Member Self Service has 559 members who have created user ids and logged into the system. Mrs. Owens reported that staff has sent out a survey to the members to determine how many members would be interested in the rollover of funds directly transferred to the institutions that came up as a project. She reported that approximately 260 letters were sent out to unclaimed property recipients that should not have been sent. Staff is working with the tech team as well as Mr. Haley and his team to determine what issues need to be resolved to fix this issue so it does not happen again. Mrs. Owens stated that as far as product acceptance, ERS is now working under support and maintenance with Saber.

She talked about the program incident and change request activity for the last 12 months stating the total ticket inventory is continuing to decline. The past three months show a decline from an average of 66 tickets to 55 tickets. The ticket inventory composition shows the activity levels continue to fluctuate depending on the monthly processing cycle or processing for special member populations. Mrs. Owens said the total ticket inventory forecast for the next six months will continue to trend slightly downward, but the high priority items are shown to remain constant.

Mr. Patel said the service level performance, which for June was 98.40 percent for the on-line services. There was a scheduled outage from 4:00 p.m. to 7:00 p.m. to allow for ceiling work that needed to be done for the server room on the 4th floor of this building. He noted that this outage was scheduled after the payroll process was sent out. If you take out the scheduled outage, the application was up 100 percent for June. On the disaster prevention and management, Mr. Patel reported that ERS has McAfee's Hacker Safe service has been running. Since Member Self Service has gone live there has been no detection of any new vulnerability within the infrastructure. He talked about the necessary construction work for the new server room. ERS continues to gain traction on the replacement project as we did a second round of procurement of a database service, database storage array, security servers 1 and 2. Mr. Patel indicated that ERS still needs to procure a couple more components from a replacement project standpoint. We have a tape backup solution at the 809 building and the warranty is going to expire so ERS decided to extend the warranty on the tape solution as this extended support mitigates the potential risk associated with hardware failure. Brief discussion.

Mr. Patel updated the Committee on the status of the Disaster Recover Site options. Discussion ensued. He briefly talked about the budget analysis stating there is an uncommitted balance of \$1 million. Mr. Patel said ERS continues to pay Saber for their support so ERS expects to run through the money through the rest of 2008. Discussion ensued with respect to the issuance of the 260 erroneous letters that were sent out on unclaimed property.

(Mr. Morics arrived at 10:22 a.m.)

Acceptance of 2007 Draft Financial Report. Mr. Matson handed out a copy of the Draft Financial Report. Mr. Morgan indicated the timing of the report is different than their plan going forward and what it has been in the past. He stated ideally they would prefer to be presenting all final reports at this meeting but the new risk assessment standards are still in the process of being completed. Mr. Morgan stated the audit is complete; there are no adjusting journal entries or past adjusted journal entries, so the draft financial statements we will look at today are, for all intents and purposes, final. He noted that VK cannot issue final reports for the financial statements or other reports specifically addressing the system of internal controls until the risk assessment standards and the mapping of the processes and procedures are completed. Management is still putting the final touches on the processes and procedures. Mr. Morgan did commit that all reports will be final at the September 2008 meeting. Mr. Matson asked if VK would like to do a presentation at the September meeting versus July. Mr. Morgan indicated that would make the most sense. He informed the Committee that the plan going forward will be final reports no later than July of each year as the risk assessment standards will just need to be updated each year. Also, Mr. Morgan stated that with the new system in ERS most of the updates will be done on real time.

Mr. Morgan proceeded to walk the Committee through the highlights of the draft Financial Statements.

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Mr. Barmore called for a break at 11:04 a.m. The Committee reconvened at 11:10 a.m.

Response to RFP for Banking Services and Vendor Selection. Due to the lack of a quorum, this item was referred for action at the July Board meeting.

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