

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

Minutes of the Administration and Operations Committee Meeting
held October 21, 2008

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

Committee Members Present: John Barmore, Chair
 Michael Daun (representing W. Martin Morics)
 Sebastian Raclaw

Committee Members Not Present: William C. Carey (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: Beth Cleary, City Attorney's Office; Jon Granger, Sagetic Solutions; Leon Wechsler and Ben Lott, L. R. Wechsler, Ltd.; and Doug Ausnehmer, Tony Bongard, Robert Cooper and Lance Weiss, Deloitte & Touche.

Mr. Barmore indicated he would be taking the agenda out of order and take up Item IV. at this time.

Mr. Barmore advised that the Administration and Operations Committee may vote to convene in closed session on the following item (IV.), 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 may reconvene in open session following the closed session.

Organizational Review Presentations and Selection of Vendor. It was moved by Mr. Raclaw, and seconded by Mr. Daun, to convene in closed session. The motion prevailed by the following roll call vote: AYES: Messrs. Daun, Raclaw and Barmore. NOES: None. The Committee convened in closed session at 10:02 a.m., and reconvened in open session at 12:10 p.m.

Approval of Wells Fargo Contract. As a matter of information, Committee members received a copy of the Wells Fargo Contract. Mr. Matson indicated the Board has already approved Wells Fargo for banking services and the contract, which has been reviewed by the City Attorney is before the Committee for approval. After discussion, it was moved by Mr. Raclaw, seconded by Mr. Daun, and unanimously carried, to approve the Wells Fargo contract.

ERS Special Projects Report. As a matter of information, Committee members received a copy of the ERS Special Projects report, dated October 21, 2008. Mr. Granger talked about the special projects work plan. He stated ERS' basic business functions continued to be met during September. Mr. Granger indicated that ERS continues to find issues, which are logged and tracked, but ERS still manages to provide the services required. He indicated that staff is preparing for annual processing. One process done through MERITS this year was the health care enrollment, which was done satisfactorily.

Mr. Granger briefly touched on other annual processes. He reported that Member Self Service has 843 members who have created user IDs and logged into the system. Mr. Granger indicated that the ARIS process maps have been published on CMERS.com for anyone to view. ERS is also reworking a browser functionality which is a research support system built in 2000 called Legaldocs, which will be made available to the City Attorney's Office and ERS staff. Mr. Granger reported that ERS has still not heard back regarding the Nationwide Retirement Solutions request.

He talked about the program incident and change request activity for the last 12 months. Mr. Patel said the service level performance for September shows a small hit for on-line performance as there was an outage that had to do with FileNet imaging, which was addressed and solved. On the disaster prevention and management, he indicated ERS has and executed contract with Inland Construction to handle the HVAC in the fourth floor server room and that work should be done in the next three to four weeks. Mr. Patel said that ERS has contracted with Henneman Engineering to do an assessment of the 809 building data center, and that work should begin within the next two to three weeks as well. He talked about the vulnerability assessment and the McAfee Hacker Safe Service, which has found no major issues. Mr. Patel said that Jefferson Wells was planning a formal vulnerability assessment as part of the audit plan within the next few weeks; therefore, ERS has put our vulnerability assessment project on hold. Mr. Granger updated the Committee on the status of the Disaster Recover Site options. He briefly talked about the MERITS and special projects budget.

Update and Recommendation regarding Custodial RFP. As a matter of information, Committee members received copies of a letter from Mercer, dated October 10, 2008 and a memorandum from Mr. Thomas, dated October 15, 2008. Mr. Silber said that the custody RFP team, along with Mercer and in consultation with the City Attorney's Office, recommends putting the RFP Custody search on hold. In doing so, they recommend extending the contract with Northern Trust for one year. He said the Mercer letter talks about the turbulence and volatility in the markets makes this a particularly risky time if ERS decided to change custody of our global securities from one custody provider to another. Mr. Silber said Mr. Thomas' memo notes that ERS has incurred unrealized losses in our securities lending pool, and if ERS left at this time we would incur those losses. If markets calm down ERS will be able to reverse these unrealized losses. He indicated that the contract with Northern Trust will be set up with an option to terminate at any time. If the markets do calm down during the one year period, ERS could then return to the RFP process and decide whether to retain Northern Trust long term or to make a change. Brief discussion ensued.

There being no further business, Mr. Barmore adjourned the meeting at 12:47 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.)