

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

Minutes of the Administration and Operations Committee Meeting
held January 20, 2009

The meeting was called to order at 10:03 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
 Michael Haley, Financial Officer
 Suzanne Fortier, Board Stenographer

Others Present: Jon Granger, Sagetic Solutions; and Heidi Wier, Bethann Ambrose and Jack Bullis, Jefferson Wells

ERS Special Projects Report. As a matter of information, Committee members received a copy of the ERS Special Projects Report, dated January 20, 2009. Mr. Granger updated the Committee on the organizational study. Discussion ensued. He reported that ERS' basic business functions continued to be met during December, and ERS continues to find issues, but the numbers of new tickets are falling. Mr. Granger briefly touched on some of the annual processes. He reported that Member Self Service has about 1,014 members who have created user IDs and logged into the system. Mr. Granger talked about the defect and deficiency trends of the annual ticket activity by priority for 2008.

Mr. Patel 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. He reported that for December, both on-line and batch levels were 100 percent. The 2008 average for on-line was 99.49 percent and the batch was 100 percent. Mr. Patel went over the 2008 major IT accomplishments.

Mr. Granger updated the Committee on Disaster Prevention and Management talking about the HVAC facility at 789 N. Water and the 809 data center. Discussion ensued. He talked about the vulnerability assessment stating a deep scan was executed and no new high priority vulnerabilities were detected.

Approval to Move Forward with Remote Server Site and Remote Office Site. Mr. Granger went over the business continuity planning, the disaster recovery checkpoint activities; the possibility of ERS having a remote site, and the disaster recovery checkpoint conclusions. Mr. Granger talked about the next steps: arrange for data communications services that are separate from the City network; proceed to develop detailed specifications for a Remote Office, and initiate a search for a site; or proceed to secure a Remote Server site by either negotiating with the State or send out an RFQ to AT&T, Berbee, Sungard and the State. He indicated that staff feels the route to go is to try to negotiate with the State. After discussion, it was moved by Mr. Carey, seconded by

Mr. Morics, and unanimously carried, to authorize staff to proceed with the recommendations on page 24.

(Mr. Morics left the meeting at 10:50 a.m.)

Further discussion ensued with respect to the business continuity planning. Mr. Granger briefly talked about the special project budget.

Approval to Amend Inland Construction Contract. As a matter of information, Committee members received a copy of the First Amendment to the Contract. Mr. Granger said the original contract with Inland contained a completion date, and as there was still work to be done, ERS wanted to extend this contract until the end of February 2009. It was moved by Mr. Carey, seconded by Mr. Barmore, and unanimously carried, to approve the amendment to the Inland contract.

Approval of Website Privacy Policy. As a matter of information, Committee members received a copy of the ERS Website Privacy Policy. Mr. Matson indicated that this was reviewed by the City Attorney's Office and the Board accepted it last fall. After discussion, it was moved by Mr. Carey, seconded by Mr. Barmore, and unanimously carried, to approve the website privacy policy based on staff recommendation.

Jefferson Wells Internal Audit Reports. As a matter of information, Committee members received a copy of the Internal Audit Update report, dated January 20, 2009, the 2008 Internal Audit Issue Tracking Log, and a copy of the Investments Internal Audit Report, dated January 2, 2009. Ms. Wier updated the Committee on the audit plan status and talked about the tracking log. She reported on the results of the Investments audit stating JW only found one control recommendation. Ms. Wier said that ERS was not ensuring that the external investment managers were reconciling to the custodian, Northern Trust, on a quarterly basis as required by the Statement of Investment Policy. She indicated that JW were able to confirm that everything did reconcile so it was just a control enhancement to make sure that staff is ensuring that process does happen. Mr. Rick talked about the Statement of Investment policy. He said that when you look at Northern Trust's reports, you will see that the manager's values are correct. What staff was not doing is actually getting a copy of that reconciliation from the managers. That process has been implemented with all the managers and ERS will start receiving those reports on a quarterly basis starting at the end of 2008. Discussion ensued.

There being no further business, the meeting was adjourned at 11:15 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.)