

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

Minutes of the Administration and Operations Committee Meeting
held May 21, 2009

The meeting was called to order at 10:03 a.m.

Committee Members Present: John Barmore, Chair
 William C. Carey
 Thomas Fischer
 Angela Henschel

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: Beth Cleary, City Attorney's Office; and Connie McDonald and Michel Kopplin, Jefferson Wells.

ERS Special Projects Report. As a matter of information, Committee members received a copy of the ERS Special Projects Report, dated May 21, 2009. Mr. Granger updated the Committee on the organizational study activities and policies. He reported that all member services, payroll services and employer reporting were satisfactory last month. 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 1,346 members have signed up for Member Self Service.

Mr. Granger talked about the Program Incident and Change Request Activity; defect and deficiency trends and inventory. Mr. Patel talked briefly about the year-to-year high priority PIR/CCR comparisons. He also noted that both the on-line application and batch were both up 100 percent for April. He talked about the hardware replacement cycle. Mr. Patel talked about the disaster prevention and management - vulnerability assessment stating that ERS has expanded our response to Jefferson Wells for review and Jefferson Wells has accepted ERS' revised response. Mr. Granger talked about the development environment replacement – new production at 789 data center, and the 809 data center evaluation/assessment. Discussion ensued. Mr. Granger updated the Committee on the disaster recovery action items; budget analysis and financial reports. Discussion ensued.

Approval of ERS Ethics Policy. Mr. Matson stated the City Attorney is still working though the Ethics Policy for ERS. Ms. Cleary noted that the City Attorney's Office is not only looking at the policy and assessment tool, she is looking into several areas of law that requires consulting with other co-workers on issues of labor, enforcement and human

resources. She said that given that the City Attorney's Office is doing this a little deeper than initially intended, they are making sure to fill in all the gaps before bringing this back to the Committee. Ms. Cleary said it should be ready for the next cycle. Mr. Barmore directed this item be laid over another cycle. Brief discussion ensued.

Jefferson Wells Internal Audit Reports. As a matter of information, Committee members received the Internal Audit Update, dated May 21, 2009, and the Benefits Administration Internal Audit Report, dated May 14, 2009. Mr. Matson reported that Connie McDonald has replaced Heidi Weir at Jefferson Wells. Ms. McDonald touched on the 2009 audit plan status and stated at this point their within their budget. Ms. Kopplin reported that the benefit administration audit shows the processes are generally adequate and functioning as intended. Jefferson Wells did find two key observations: The reconciliations used throughout the benefit administration process are not always completed timely, accurately, or consistently; and additions and changes for participant's health coverage maintained in both MERITS and an Excel spreadsheet of not maintained each month, but overwritten, which does not provide a history of transactions in the event that ERS would have to research a past issue. She stated that based on management's responses, Jefferson Wells feels that resolution on these issues will be adequate and forthcoming. Mr. Matson stated that as far as the reconciliation, some of that has already been fixed. Additionally, we have automated some of the processes where some downloads are automated to the point where the reconciliation should be going faster. He said that for the healthcare piece, staff is still working through exactly what needs to be done and trying to determine which pieces are actually necessary, and he talked about the various issues that need to be addressed. Discussion ensued. Mr. Barmore indicated the report would be accepted and placed on file.

Approval of Third Amendment to DS Consulting Contract. As a matter of information, Committee members received a copy of a letter from the City Attorney's Office, dated May 20, 2009. Ms. Cleary handed out an updated copy of the contract amendment and stated the edited copy before the Committee does not make any material changes, just clean up of the language in the contract. Mr. Matson stated that anticipating the retirement of ERS' Financial Officer, this contract is to have Mr. Haley come back as a contract employee. The amendment provides for up to 700 hours of service from June 1, 2009 through December 31, 2009, and the total cost will be approximately \$91,000. After discussion, it was moved by Mr. Fischer, seconded by Mr. Carey, and unanimously carried, to approve the Third Amendment to the DS Consulting contract. Mr. Barmore thanked Mr. Haley for all his years of service and hard work and wished him well in his upcoming retirement.

ERS Organizational Review. As a matter of information, Committee members received copies of the Organizational Review: Final Report, dated April 20, 2009 and an Extract from Organizational Review: Final Report, dated May 14, 2009. Mr. Matson stated staff is not prepared to present this today as Wechsler will be doing their presentation to the full Board on May 26, 2009. He said that if any Committee members have something specific they would like to address, staff would take your questions and have answers for them at the Board meeting. Discussion ensued.

There being no further business, Mr. Barmore adjourned the meeting at 10:59 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.)