

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

Minutes of the Administration and Operations Committee Meeting
held January 21, 2010

The meeting was called to order at 10:08 a.m.

Committee Members Present: John Barmore, Chair

Committee Members Not Present: William C. Carey (excused)

Retirement System Staff Present: Bernard J. Allen, Executive Director
 Martin Matson, Deputy Director
 Tom Rick, Chief Investment Officer
 Melody Johnson, ERS Financial Officer
 Michael Becker, Pension Accounting Specialist
 Suzanne Fortier, Board Stenographer

Others Present: Beth Cleary, City Attorney; Jon Granger, Sagetic Solutions; Jay Patel and Prashanth Nekkhalapudi, S&S Consulting; and Bethann Ambrose and Connie McDonald, Jefferson Wells.

Due to the lack of a quorum, the meeting convened as a sub-committee.

Jefferson Wells Internal Audit Report(s). As a matter of information, Committee members received copies of the Accounting and Financial Reporting Internal Audit Report, dated December 21, 2009 and an Internal Audit Update, dated January 21, 2010. Ms. McDonald briefly talked about the 2009 Audit Plan Status. She stated that based on the results of the audit the controls related to financial reporting generally are adequate and functioning as intended by management. Ms. McDonald talked about three key observations regarding the close process and management's responses on each observation. Discussion ensued.

Standard Operating Guidelines Update. As a matter of information, Committee members received a copy of the Information Systems Division SOG – Update. Mr. Nekkhalapudi updated the Committee on the Standard Operating Guidelines: purpose; control objectives for information and related technology (COBIT); processes covered by Cobit; SOG framework and status. Discussion ensued.

ERS Special Projects Report. As a matter of information, Committee members received a copy of the ERS Special Projects Report, dated January 21, 2010. Mr. Granger briefly talked about the ERS Special Projects Work Plan and updated the Committee on the organizational study activities. Mr. Patel updated the Committee on the MERITS 2.0 Project –RFI process. He stated that staff has gone through ten vendor presentations. He indicated that staff will review our notes; do an analysis and bring the findings back to the A & O Committee. Mr. Patel indicated that all member services, payroll services and employer reporting were satisfactory. He noted that approximately 1,764 members have signed up for Member Self Service.

Mr. Patel talked about the Program Incident and Change Request Activity; defect and deficiency trends and inventory, and the year-to-year high priority PIR/CCR comparisons. He also noted that for the last year, on average, the on-line application was 99.79 percent, and the batch time was 99.44 percent. Mr. Patel talked about the 2009 IT operational improvements and automation. Brief discussion ensued.

Mr. Granger updated the Committee on the 809 data centers and the VPN services. He indicated that staff did get back a draft lease for Two Park Plaza location. ERS has been asked to look at

the City Attorney's changes and see if they are acceptable, so we are really close to finalizing the lease. Mr. Granger stated he is doing follow up with AT&T on a couple of the boilerplate agreements they have put on the table. He said that the data communications separate from DPW is still on hold pending the resolution of how we do this remote server site hookup; it looks like ERS will be able to find a way to satisfy DPW's needs without having to do anything extraordinary. Mr. Granger stated ERS did agree to a Memorandum of Understanding with the State of WI. Unfortunately the State came back and said the top administrators at the Department of Administration Division of Enterprise Technology were looking at the terms of the MOU and decided maybe they could not live with the terms as formally agreed. He said his contact at the State said she had talked with the division head and he and other members of the State DOA have recognized that they will not have jobs in the forthcoming future, so they do not want to lock the State into some commitment that they think could change. He said that he and Mr. Matson discussed changes that might be acceptable to ERS and put it back into the State's court. Discussion ensued. Mr. Granger briefly talked about the financial reports.

Authorization to Contract for Services for FileNet Upgrade. Mr. Matson stated that last July the Committee authorized staff to get some additional technical help for the WebSphere upgrade. ERS did sign a six-month agreement with Symphony for that piece of work. The upgrade to FileNet is several versions behind, and FileNet itself has about a dozen moving parts that handles both the imaging and workflow. Mr. Matson said that ERS needs the help to get up-to-date. Staff is looking for authorization to seek an outside vendor for that project. He said this would be done like an RFQ. Mr. Barmore asked if there would be a fiscal impact attached to this project. Mr. Matson stated staff would not know what the fiscal impact would be until we actually do a request for quote. He indicated his guess would be into the hundreds of thousands of dollars as this is not a small effort. Mr. Matson stated this could easily be an 18 month project. Mr. Barmore indicated this would be presented to the full Board.

Acceptance of Baker Tilly Management Letter. As a matter of information, Committee members received a copy of the Management Letter. Mr. Matson said this should have come back to the Committee earlier but somehow got overlooked. He stated there is not much to do but present the letter as ERS has already responded to the one audit concern and observations. Brief discussion ensued. Mr. Barmore indicated this would also be presented to the full Board.

There being no further business, Mr. Barmore adjourned the meeting at 11:22 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.)