

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

Minutes of the Administration and Operations Committee Meeting
held February 18, 2010

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

Committee Members Present: John Barmore, Chair
 William C. Carey

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

Others Present: Beth Cleary, City Attorney; Jon Granger, Sagetic Solutions; Jay Patel and Connie McDonald and Steve Schmidbauer, Jefferson Wells.

Jefferson Wells Internal Audit Report(s). As a matter of information, Committee members received copies of the Enrollment, Contributions, and Member Services Internal Audit Report, dated February 3, 2010; the Ethics and Governance Internal Audit Report, dated February 11, 2010, and the Internal Audit Update dated February 18, 2010. Mr. Schmidbauer briefly talked about the 2009 Audit Plan Status. He stated that based on the results of the audit the controls related to member services processes and ethics and governance are generally adequate and functioning as intended by management. ERS staff should be commended on the enrollment, contributions, and member services practices. Mr. Schmidbauer talked about the ethics and governance processes stating there were no major weaknesses found. He did talk about some observations regarding the processes. Lengthy discussion ensued. Mr. Schmidbauer talked about the prior year follow up regarding enrollment, contributions and member services.

Approval of Statement of Work #5. As a matter of information, Committee members received a copy of the Statement of Work #5. After discussion, it was moved by Mr. Carey, seconded by Mr. Barmore, and unanimously carried, to approve the SOW #5.

Close Out 2009 Budget. As a matter of information, Committee members received a copy of a memorandum, dated February 10, 2010. Ms. Johnson talked about the settlement with the City for ERS' 2009 expenditures, indicating that ERS owes the City \$945,713. This is due to the amendment to the Intergovernmental Agreement to allow the Trust to provide the City 1/12th of the operating budget for the coming year in January, and thereafter reimburse the City monthly for costs actually charged to the ERS budget.

ERS Special Projects Report. As a matter of information, Committee members received a copy of the ERS Special Projects Report, dated February 18, 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 and 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 but 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.

Summary of Standard Operating Guidelines. As a matter of information, Committee members received a copy of the Standard Operating Guidelines Executive Summary, dated February 12, 2010. Mr. Matson indicated the Committee requested this document, which takes you from the inception of the retirement system to our current state. Mr. Matson said this would be an exceptional document, especially for new Board members to really get a handle on the System. He said he would like to bring this back to the Committee after Mr. Morics assigns members and walk through the document at that time. Mr. Barmore complimented staff and the vendor on the work that went into this document.

Approval of Remote Office Lease. As a matter of information, Committee members received a copy of the lease for Two Park Plaza. Mr. Matson talked about the lease for Two Park Plaza for ERS' remote office site. He indicated that this took a lot of negotiations to get to this point, and staff feels we have an acceptable document, which has been reviewed by the City Attorney's Office and the attorneys for Two Park Plaza as well. Mr. Matson asked for approval of this lease. It was moved by Mr. Carey, seconded by Mr. Barmore, and unanimously carried, to approve the remote office lease for Two Park Plaza.

Approval of Memorandum of Understanding with State of WI for Remote Office Site. As a matter of information, Committee members received copies of the MOU, a State of WI Agency Managed Physical Services (Co-location) Service Offering Definition, and IT Services FY10 Rate Sheet, a MOU Co-Location Computer Facility and Professional Services Exhibit C – ERS Facility Requirements, and a State of WI Agency Managed Physical Services (Co-location) Roles and Responsibilities. Mr. Matson handed out a replacement MOU Co-Location Computer Facility and Professional Services, stating this will now be referred to as a contract with the State of WI. He talked about some changes made to the document, which were reviewed by the City Attorney, and both staff and the City Attorney agree that this is acceptable. It was moved by Mr. Carey, seconded by Mr. Barmore, and unanimously carried, to approve the MOU with the State of WI based on staff recommendation.

Mr. Carey asked to clarify the earlier discussion regarding the Board Rule regarding media communication. It was moved by Mr. Carey, seconded by Mr. Barmore, and unanimously carried, to refer the Board Rule to the Legislative Committee for review and possible revision.

There being no further business, Mr. Barmore adjourned the meeting at 11:35 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.)