

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

Minutes of the Administration and Operations Committee Meeting
held October 20, 2010

The meeting was called to order at 9:05 a.m.

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

Committee Members Not Present: Larry Holland

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

Others Present: Beth Cleary, City Attorney; Jay Patel, S & S Consulting; Jon Granger, PDG Consulting; and Tony Popanz, Jefferson Wells.

Jefferson Wells Internal Audit Reports. As a matter of information, Committee members received copies of the Internal Audit Update, dated October 20, 2010; Accounting and Financial Reporting Internal Audit Report, October 2010; and Benefits Calculation Internal Audit Report, September 2010. Mr. Popanz stated the prior year issues in the benefits calculations area have been addressed. The prior year issues in the accounting and finance area are in the process of being addressed. He said with the new leadership under Ms. Johnson he has a lot of confidence that they are taking the right steps and are well under way with addressing some of those issues. Mr. Popanz one new issue is regarding end user computing applications and that touches on both benefit calculations and accounting and finance processes, and he talked about those issues. He gave some examples of end-user computing controls such as security access, version control, and user documentation that would allow a novice user to use the spreadsheets appropriately and not inadvertently change the logic. Mr. Popanz indicated that management's response is there may be a policy for end-users spreadsheets that will address each of these different control areas. It will be considered global over your critical spreadsheet population.

Mr. Popanz talked about the Benefits Calculation area prior year follow up: cross training of benefits calculation duties and documented procedures in the benefits calculation process have been completed. He also updated the Committee on the prior year follow up for the Accounting and Finance Audit regarding cross training of accounting and finance duties; supervisory review and approval of journal entries and reconciliations; accounting policies; accounting procedural documentation; key financial spreadsheet controls; expense and invoice processing; financial statement close process; and actuarial information. He also noted one observation regarding AccPac user access.

Mr. Carey wanted to note that in several areas Jefferson Wells did commend staff for the progress they have been making. Mr. Barmore notably recognized Ms. Johnson because it is very reassuring for the Board to have an outside independent auditor recognize that ERS has some staff in place that are lifting the bar and getting the job done. He said his thanks goes to all the ERS staff for all the hard work.

ERS Special Projects Report. As a matter of information, Committee members received a copy of the ERS Special Projects Report, dated October 20, 2010. Mr. Granger briefly talked about the ERS Special Projects Work Plan and updated the Committee on the

organizational study action plan. Discussion ensued. Mr. Patel indicated that all member services, payroll services and employer reporting were satisfactory. He noted that approximately 2,432 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. Mr. Patel noted that for the month of September the service level on-line application was 99.8 percent as staff had to fix an issue so there was a 20 minute outage, and the batch was 100 percent. Discussion ensued.

Ms. Reid talked about Virtualization and the benefits/pros and costs/cons for a Virtual Environment. Mr. Granger talked about the business continuity planning schedule and goals. He also talked about the remote office, disaster recovery server services and the financial reports.

Approval of Revised Board Rule II. C. 4. As a matter of information, Committee members received a copy of the Board Rule amendment, dated June 21, 2010. Mr. Matson stated that last year the Board had a presentation from the City Attorney's Office regarding open records. Coming out of the presentation and discussion was the Board indicating they would like to formally make the Executive Director the custodian of electronic records. ERS then wrote a request to the City Attorney's Office to amend the Board Rule relating to the duties of the Executive Director. Mr. Matson stated this was referred to the A & O Committee for review and approval by the Board. After discussion, it was moved by Mr. Carey, seconded by Mr. Barmore, and unanimously carried, to approve the revised Board Rule II. C. 4.

Approval of First Amendment to Saber Contract (Name Change Only). As a matter of information, Committee members received a copy of the 1st Amendment, dated October 14, 2010. Mr. Matson handed out a slightly revised contract, which had some minor edits and Saber actually added their name at the end as to who would actually sign the contract on their behalf. He indicated that Saber still exists as an organization within the Hewlett-Packard State & Local Enterprise Services, Inc. It was moved by Mr. Carey, seconded by Mr. Barmore, and unanimously carried, to approve the First Amendment to the Saber contract.

Discussion of Board Rule XI. B. re: Use of ProCard for Travel Expenses. As a matter of information, Committee members received a copy of Board Rule XI. Mr. Matson stated it was debatable whether we need to change this Board Rule. He said the ProCards have just been issued this month. Mr. Matson said the ProCard payment is similar to being amounts prepaid directly by the ERS, so you could amend this rule to say "Amounts prepaid directly by the ERS, including use of the ProCard", or this Rule could just be left as it currently reads. After discussion, Ms. Cleary indicated she would take a closer look at this Board Rule to make sure the mechanism is reflected here. Mr. Barmore directed this be brought back to the next A & O Meeting.

There being no further business, Mr. Barmore adjourned the meeting at 10:30 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.)