

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

Minutes of the Administration and Operations Committee Meeting
held February 15, 2018

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

Committee Members Present: Thomas Bell, Chair
 Martin Matson
 Himanshu Parikh

ERS Staff Present: Bernard Allen, Executive Director
 Daniel Gopalan, Chief Financial Officer
 Melody Johnson, Deputy Director
 Kelly Reid, Chief Technology Officer
 David Silber, Chief Investment Officer
 Mary Turk, Business Operations Analyst
 Jan Wills, Board Stenographer

Others Present: Connie McDonald, Darlene Middleman, Wayne Morgan, Baker Tilly; Kyle Johnson, Daniel Ludwig, Experis; Andrea Fowler, City Attorney's Office.

Baker Tilly Financial Audit. Mr. Morgan went through the required communications with management and discussed the timing of the audit. Mr. Morgan said in an audit they do not render an opinion on the system of internal control. He did say they look at the key transaction cycles for the pension system and determine which are the most important internal key controls over financial reporting for those areas and determine that they are implemented and that they are operating but he said they do not test for operating effectiveness. Mr. Morgan said they then determine how they are going to sample and whether to test controls. He said if any control issues rise to a material weakness or deficiency, they are included in the final report. Mr. Morgan said Baker Tilly then determines how they are going to audit the critical areas, contributions, and benefit payments. He said preliminary testing is done to report any issues, adjust the audit procedure and then report issues to the Administration & Operations Committee. Mr. Morgan said an opinion is given regarding that management's financial information is fairly stated with the materials levels.

Ms. Middleman reported fieldwork was done at the ERS in January. She stated they look at IT system of controls for effectiveness, participant testing, distribution testing and controls over investments to make sure they are operating effectively. She said no deficiencies were found in participant testing. She said the final fieldwork will be done mid-April and Baker Tilly will present the financial statements to the Board on June 25th. Ms. Middleman said last year was the first year of GASB 72 and this year GASB 82 is in effect which is clarification of definitions for employer contributions. She said employer contributions on behalf of the member are listed as member contributions on statements. Ms. Middleman said there were no other significant accounting pronouncements. Mr. Morgan added that in the next two years there would be changes in actuarial standards of practice but nothing will be new on the accounting and financial side. Mr. Morgan said they presented the required communications to management in the room and they were ready to go into closed session.

Mr. Bell advised that the Administration & Operations Committee may vote to convene in closed session of the following item (I.), as provided in Section 19.85 (1)(c), for considering employment, promotion, compensation or performance evaluation data of any public employe over which the governmental body has jurisdiction or exercises responsibility and in Section 19.85 (1)(f), when considering financial, medical, social or personal histories or disciplinary data of specific persons, preliminary consideration of specific personnel problems or the investigation of charges against specific persons except where par. (b) applies which, if discussed in public, would be likely to have a substantial adverse effect upon the reputation of any person referred to in such histories or data, or involved in such problems or investigations. The Administration & Operations Committee may then vote to reconvene in open session following the closed session.

It was moved by Mr. Matson, and seconded by Mr. Parikh, that the Committee convene in closed session. The committee convened in closed session at 9:21 a.m.

It was moved by Mr. Matson, and seconded by Mr. Bell, that the Committee reconvene in open session. The Committee reconvened in open session at 9:49 a.m.

Experis Social Engineering (Phishing) Report. Mr. Bell advised that the Administration & Operations Committee may vote to convene in closed session of the following item (II.), as provided in Section 19.85(1)(d), to consider “specific applications of probation, extended supervision, or parole, or consider[] strategy for crime detection or prevention.” The Administration & Operations Committee may then vote to reconvene in open session following the closed session.

It was moved by Mr. Matson, and seconded by Mr. Parikh, that the Committee convene in closed session. The Committee convened in closed session at 9:50 a.m.

It was moved by Mr. Matson, and seconded by Mr. Bell, that the Committee reconvene in open session. The committee re-convened in closed session at 9:58 a.m.

Approval of Hearing Examiner Services Agreement. Ms. Fowler went over the draft agreement and stated it was similar to the medical council agreement. She noted the changes were in the scope of their duties and that the agreement is contingent upon including the individual in ERS’ fiduciary insurance. She said that once that is completed, the agreement would be executed. Discussion ensued. It was moved by Mr. Matson and seconded by Mr. Parikh, and unanimously carried, to approve the Hearing Examiner Services Agreement.

Close out of 2017 Budget. Ms. Johnson directed the Committee to the memo addressed to Mr. Allen regarding the Close out of the 2017 Budget. Ms. Johnson said she was seeking approval for the final payment to the City for the 2017 expenses. She said the City of Milwaukee and the ERS entered into an intergovernmental cooperative agreement where the ERS would pay one-twelfth of the current year budget in January and the remaining payments would be equal to the ERS’ expenditures. Ms. Johnson said for 2017 the ERS’ total expenditures were \$18.3 million dollars. She said of that amount, \$343,000 was non-trust expenditures and total trust expenditures were \$18 million. Ms. Johnson said the ERS previously paid \$16.4 million dollars to the City, including the \$2 million advance paid in January leaving a balance of \$1,636,287 dollars. Ms. Johnson stated the non-trust items include salary expenditures paid by the City for health and life insurance personnel and actuarial costs for PABF. Mr. Allen added that the City pays the ERS bills and the City is reimbursed from the ERS. It was moved by Mr. Parikh, seconded by Mr. Matson, and unanimously carried, to approve the payment of \$1,636,287 dollars to the City.

IT Projects Portfolio. As a matter of information, Committee members received the ERS IT Portfolio Report dated February 15, 2018. Ms. Reid updated the Committee on the technology

projects and a snapshot of the IT portfolio as of February 15, 2018. Ms. Reid stated one IT contract position is now insourced while an offer was made to insource another IT contract position. She said an additional IT position will be insourced toward the end of the year.

Organizational/Personnel Update. As a matter of information, Committee members received a copy of the Organizational/Personnel Update dated February 15, 2018. Ms. Johnson commented that ERS is working with DER to fill vacancies including Pension Accounting Manager, Accounting Assistant II, Records Technician II and Program Assistant II. She said an offer was made to the finalist candidate for the Database Administrator and is being negotiated with DER. Ms. Johnson said ERS is working to reclassify the Pension Accounting Specialist position.

There being no further business, Mr. Bell adjourned the meeting at 10:14 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.)