

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

Minutes of the Administration and Operations Committee Meeting
held September 22, 2021 via teleconference during COVID-19

The meeting was called to order at 9:03 a.m.

Committee Members Present: Molly King
Tom Klusman
Aycha Sawa, Chair

ERS Staff Present: Bernard Allen, Executive Director
Melody Johnson, Deputy Director
Jeff Shober, Chief Technology Officer
Daniel Gopalan, Chief Financial Officer
David Silber, Chief Investment Officer
Erich Sauer, Deputy Chief Investment Officer
Gust Petropoulos, Deputy Director Disability
Robin Earleywine, Pension Accounting Manager
Mary Turk, Business Operations Analyst
Jan Wills, Board Stenographer

Others Present: Eric Rismeyer, Dan Kwiecinski, Debbie Sweeney, Christine Webb, Hays Companies; Jason Coyle, Darlene Middleman, Baker Tilly; Dan Ludwig, Bill Judd, Ray Emry, CliftonLarsonAllen (CLA); Patrick McClain, City Attorney's Office; Terry Siddiqui, DS Consulting Partners, Inc.

Renewal of Fiduciary Liability and Cyber Insurance. As a matter of information, Committee members received the Hays Companies Fiduciary Liability & Cyber Liability Insurance Proposal document. Ms. Sweeney noted Hays is the commercial insurance broker for the ERS and does a small package policy for the ERS, which covers some property insurance and insurance required by the landlord. She said they also cover the fiduciary liability insurance program and a cyber liability policy, the fiduciary liability insurance having been purchased for many years while the cyber insurance was first covered on November 1, 2019. She said in 2008, the ERS asked Hays to evaluate the fiduciary liability insurance policy with the ERS' then broker and Hays was able to expand the scope of the coverage. Ms. Sweeney said current public entity fiduciary and cyber liability claim trends include a rise in excessive fee cases, increased regulatory enforcement by DOL and the IRS, increased use of voluntary correction programs, and a rise in cyber claims. Ms. Sweeney stated they always have pre-renewal meetings with their insurers to ensure ongoing interest in governmental accounts, determining coverage form changes, and discussing renewal pricing. She said the fiduciary liability covers \$50 million dollars of losses. She said the overall increase for the fiduciary liability insurance is \$43,673. Ms. Sweeney said the current cyber liability program has a \$5 million limit with a premium of \$21,500. Discussion ensued.

It was moved by Mr. Klusman, and seconded by Ms. King, to approve recommending to the Board the proposal on the Renewal of Fiduciary Liability Insurance as recommended by Hays. The Committee

also approved recommendation of the Cyber Liability Insurance renewal, of the \$1 million base coverage and \$2.5 million excess and leaving that third tier excess of \$1.5 million up to the full Board's discretion. The motion prevailed by the following roll call vote: AYES: Mses. King and Sawa; Mr. Klusman. NOES: None.

At this point, the Chair took the meeting out of order to item III., the CliftonLarsonAllen (CLA) presentation

CliftonLarsonAllen (CLA) Internal Audit Report Presentation – Benefit Calculations. As a matter of information, Committee members received the Benefit Calculation Process Audit document. Mr. Emry noted CLA presented to the A&O on July 22 and discussed the annual Enterprise Risk Assessment and related Audit Plan. He noted the Benefit Calculation Process Audit was also completed. He commented the fieldwork was completed for the Entity Controls and Governance Project and he said CLA is in the quality review process stage for that. Mr. Emry said they kicked off the Internal Vulnerability Assessment project yesterday and the fieldwork is tentatively scheduled for mid-October. He also presented an Executive Summary of the Benefit Calculation Process, which included discussion of the Benefit Calculation Process, Employment Contract, System Access, Segregation of Duties and Access to Personal Identifiable Information, and Organization Resilience. Mr. Ludwig added that they test at least 25 Service Retirement Payments. He said they look at the payments to make sure they are correct, reviewed, and processed, and he said all is in accordance. Discussion ensued.

CLA Risk Assessment Discussion.

Ms. Sawa advised that the Administration & Operations Committee may vote to convene in closed session on the following item (III.A.), as provided in Section 19.85(1)(d), to consider “strategy for crime detection and prevention.” The Committee may then vote to reconvene in open session following the closed session.

It was moved by Ms. King and seconded by Mr. Klusman, to convene in closed session. The motion prevailed by the following roll call vote: AYES: Mses. King and Sawa; Mr. Klusman. NOES: None.

The Committee convened in closed session at 10:42 a.m.

The Committee reconvened in open session at 10:59 a.m.

It was moved by Mr. Klusman, seconded by Ms. King, and unanimously carried, to approve CliftonLarsonAllen's suggestion to add two projects to the ERS' scope of work.

At this point, Ms. Sawa returned the meeting to the agenda order of item II., Approval of Annual Comprehensive Financial Report (ACFR) for the Year Ended December 31, 2020.

Approval of Annual Comprehensive Financial Report (ACFR) for the Year Ended December 31, 2020. As a matter of information, Committee members received the Annual Comprehensive Financial Report. Ms. Sawa noted the prior acronym would not be used anymore because the pronunciation of it is a derogatory term in South Africa. She said GASB is trying to

move away from that and the ERS is removing the acronym from all instances of its use. Mr. Gopalan said Baker Tilly's audit found no major findings during the audit. He said Baker Tilly did recommend a \$10 million dollar adjustment because of revised Private Equity reporting. He said the 2020 financial statements were submitted to GFOA for their certificate of achievement for excellence in financial achievement. Mr. Gopalan said the ERS recently received a certificate of achievement for 2019. He said in 2018, the ERS was 78.7% funded under GASB standards due to a change in the ERS' discount rate being lowered to 7.50% from 8.25%. Mr. Gopalan said in 2019, it rebounded to 84% funded and dipped slightly in 2020. He noted that even though benefits paid out totaled \$1.2 billion, the ERS was able to keep the funded ratio above 80%. Mr. Allen stated that as of June 30, 2021, the funded ratio on a market basis is 88% per the actuary Mr. Langer. Mr. Gopalan noted that for every \$1.00 the ERS receives, .76 comes from investment returns and the other .24 comes from employee and employer contributions. He added that benefit payments have gone up 9% between 2018 and 2020 while the administrative expenses have gone up 3% between 2018 and 2020. Discussion ensued.

It was moved by Ms. King, seconded by Mr. Klusman, and unanimously carried, to approve the Annual Comprehensive Financial Report (ACFR) for the Year Ended December 31, 2020.

IT Projects Portfolio. As a matter of information, Committee members received the IT Projects and Ticket Statistics, as well as the IT Portfolio. Mr. Shoher discussed individual items on the reports.

Organizational/Personnel Update. Ms. Johnson stated the ERS is still working with DER to fill the Network Administrator position. She said the position has closed and there were eight applicants. She said once DER reviews the applications, they would forward them to the ERS. Ms. Johnson said the Management Accountant – Sr. position was filled internally last week, now leaving an opening for a Program Assistant II position to be filled in a couple of months.

It was moved by Mr. Klusman, seconded by Ms. King, and unanimously carried, to adjourn the meeting.

There being no further business, Ms. Sawa adjourned the meeting at 11:30 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.)