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# City of Milwaukee –Employees' Retirement System (ERS)

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## *Benefits Calculation Audit Report*

MAY 2017

**EXPERIS**  
RISK ADVISORY SERVICES  
WISCONSIN OFFICE

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*This report is intended solely for the use of City of Milwaukee Employees' Retirement System and is not intended to be and should not be used by any other parties without the prior written consent of Experis.*

## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY.....</b>	<b>3</b>
BACKGROUND.....	3
AUDIT SCOPE AND OBJECTIVES .....	3
PROCEDURES PERFORMED .....	3
OVERALL ASSESSMENT .....	4
<b>OBSERVATIONS, RECOMMENDATIONS &amp; MANAGEMENT'S RESPONSE</b>	<b>5</b>

## **EXECUTIVE SUMMARY**

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### **BACKGROUND**

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At the direction of the Administration and Operations Committee, the Benefits Calculation Audit was performed during the period April 1 – April 30, 2017. The City of Milwaukee Employees' Retirement System (ERS) has the responsibility of administering the benefits of its member constituency, which is comprised of employees and retirees of the City of Milwaukee and its related agencies. A database of monthly benefits is maintained for over 12,000 retired and/or disabled City workers. ERS uses the MERITS application to calculate benefits in accordance with legislative statutes and contractual obligations and process monthly pay checks for each member or surviving beneficiary, as applicable. Prior to payment processing, each retiree's benefits calculation is independently reviewed for accuracy. As changes to benefit calculations occur as a result of collective bargaining, legal opinion, or legislative activity, MERITS is updated and all changes to MERITS are reviewed for accuracy prior to implementation.

### **AUDIT SCOPE AND OBJECTIVES**

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The objective of the Benefit Calculation audit encompassed the review of processes and controls related to the following:

- Calculation and independent review of member benefits
- Verification processes over changes to benefits calculation methodology
- Physical security over members' confidential paperwork

Various audit techniques were used to assess and examine the effectiveness of the ERS internal control environment. Audit techniques included conducting interviews with ERS personnel, observation of performance of required procedures and controls, and examination of related documentation.

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## PROCEDURES PERFORMED

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The following procedures were performed during the internal audit. All transactions tested occurred during the period of January 2016 through February 2017.

- Verified on a sample basis that member compensation history was reviewed and earnings adjusted for any retroactive payments
- Verified on a sample basis that benefits calculations for service retirement, Global Pension Settlement (GPS) lump sum bonus, disability, and death benefits were accurately calculated and independently reviewed
- Verified a sample of contract changes were properly approved and entered into MERITS accurately
- Examined evidence that a sample of changes made to the benefits calculation methodology were independently reviewed and verified for accuracy and validity
- Assessed physical controls over sensitive member information
- Reviewed a sample of Standard Practice Instructions Guidelines (SPI) for accuracy

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## OVERALL ASSESSMENT

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ERS management has implemented a solid internal control environment for its Benefit Calculation process. Based on the results of our review, **no internal control deficiencies** were noted.

Audits are only one part of a comprehensive risk management and control program. Recommendations are provided with the objective to assist the Board, Administration and Operations Committee and management in the effort to eliminate, reduce or mitigate overall risks. The procedures performed, findings, and recommendations, including management's written response, are included in the next section of this report.

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**OBSERVATIONS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE**

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None.