

Milwaukee County Employees' Retirement System (ERS)
Pension Budget, Audit and Compliance Committee Meeting

MINUTES

Call to Order:

Guy Stuller, Chairman, called the Audit Committee Meeting to order at 1:00 pm, on 7-1-10, in the 2nd Floor/Commission Room (210) of the Milwaukee County Courthouse, at 910 North 9th Street, Milwaukee, WI 53233.

Roll Call:

Board Members Present:

Guy Stuller
Keith Garland
Marilyn Mayr

Others Present:

Gerald Schroeder
Gregory Storm
Wayne Morgan
Darlene Middleman
David Arena
Dale Yerkes

Three (3) handouts were provided to the Audit Committee members and others:

- Draft 2009 Annual Report
 - Draft Pension Board Cover Letter
 - Draft Internal Control & Related Accounting Matters Document
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1. Topic: Annual Audit Review – Baker Tilly

A brief explanation of the audit process was provided by Baker Tilly representatives: Wayne Morgan and Darlene Middleman. Baker Tilly has a multi-year contract with Milwaukee County to provide audit services. Their services are paid for by Milwaukee County. Baker Tilly has a large Midwest practice that specializes in pensions.

The provided letter to the Pension Board is a required communication. The audit standard applied relates to reasonableness, but not absolute. The audit looked at controls in place and rendered an opinion on the status of the plan's net assets.

Baker Tilly provided a clean audit to the Audit Committee with no material weaknesses. They also supported the ERS responses to the Internal Control Recommendations document.

2. Topic: OBRA Status Report - ERS

Gregory Storm (from the Reinhart Law Office) indicated that the IRS will be meeting with them in July, to bring closure to this matter and provide direction to ERS to proceed with paying out OBRA cases.

ERS has assigned two staff to begin entering OBRA cases into the V-3 system, in anticipation of paying members out. Payout amounts have been manually calculated and are currently being tested for accuracy. A search vehicle has been used to locate OBRA members. To date, over 6,000 of the estimated 10,000 OBRA members have been located. The remaining 4,000 payouts will need to be placed in an interest-bearing account for up to five years. Efforts will continue to be made to locate these account members. U.S Bank is the likely institution, in that they already have a contract with Milwaukee County. This project is estimated to take 18 months.

3. Topic: Mandatory Direct Deposit –Status Report

On 5-19-10, the Pension Board voted to make it mandatory for all retirees to participate in the Direct Deposit program. Currently, about 7,100 (97%) retirees are on Direct Deposit. The remaining 200 retirees received a written notice on 7-1-10. Several notices will follow offering assistance, answering questions and providing banking debit card services for those having difficulties in opening an account.

ERS is using a 90day transition period to obtain 100% compliance with the new Board Rule. Effective October 2010, ERS is targeting full compliance with this mandate.

4. Topic: Fiscal Officer Recruitment

The ERS posting for filling the Fiscal Officer position came down on 6-24-10. The top two candidates will be interviewed on 7-7-10 and 7-8-10. ERS expects to hire someone by 7-19-10. It remains the intent of ERS to operate a two-person fiscal operation. The Baker Tilly Annual Audit supports this position each year.

5. Topic: Emergency Retirement processing - Discussion

A discussion took place relating to homebound or hospitalized members wanting to retire. It is the ERS practice to send two pension counselors out in such situations, in order to provide quick and accommodating services. These services are provided upon request and are offered by ERS staff in situations warranting such specialized processing.

Homebound service information will be provided at upcoming Pre-Retirement Seminars and in forthcoming newsletters.

6. Topic: Annual Report Distribution - Discussion

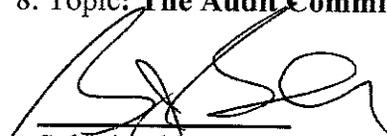
In 2009, the Annual Report was placed on the Intranet for employees to download a copy. Retirees were mailed a copy. This practice saved the county significant printing costs. This year in 2010, the Audit Committee approved not automatically sending out copies to retirees. ERS will notify all retirees that a copy may be downloaded on the County Website. Those retirees still wanting to have a hard copy may call the department and a copy will be sent out.

7. Topic: Investment Portfolio Project – Discussion

The one-time Investment Assessment Project (90 days) was discussed. This project was recommended by Baker Tilly in the 2008 Annual Audit. The 2010 Budget authorized such an assessment by ERS.

The intent is to have a third party review fees, valuations, net assets and such, as a quality assurance measure. Once established, our ERS Fiscal Officer will provide annual assessments on an ongoing basis. The Joxel Group has been selected to conduct the assessment, with the assistance of a CPA, with Investment and financial expertise. The auditor's resume' will be shared with the Audit Committee and a findings summary report will be presented before the committee.

8. Topic: The Audit Committee adjourned at 3:50 PM


Submitted by
Gerald J. Schroeder
ERS Manager