

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 12-2-10, 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

Others Present:

Gerald Schroeder	Larry Langer (Teleconference)
Mark Grady	Marco Ruffini (Teleconference)
Steve Huff	Sushil Pillai (Presentation)
Dale Yerkes	John Paprocki (Presentation)

Four (4) handouts were provided to the Audit Committee members and others:

- 2010 Annual Report Timeline - Draft
 - Investment Assessment Project - Report
 - 1020 Election of Employee Member of Board - Amendment
 - 1034 Election of Retiree Member of Board - Amendment
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1. Topic: Investment Assessment Project - Report

John Paprocki, from The Joxel Group, presented an assessment report on our Investment Policy, processes, controls, safeguards and best practices. This project was budgeted by the Pension Board and recommended by Baker Tilly in the 2009 Annual Audit recommendations. The intent of the project was to review our practices, levels of fund oversight, checks and balances and systems coordination.

The review encompassed the 2010 Investment Advisory review, monthly statements from BNY Mellon, the Investment Policy, fund transactions, the BNY Mellon WORKBENCH on-line system and a detailed walk-through of the current investment system.

Some of the basic findings of the Investment assessment were:

- There was no material weakness found in our controls.
- The use of an outside investment consultant is a “best practice”.
- ERS is in compliance with our Investment Policy.
- The Fiscal Officer is actively involved with the investment process.
- There is no added benefit to having internal ERS expertise to monitor market values or rate of returns.
- The 48 hour window to enact authorized transactions is adhered to.
- The current system of class action filings and monitoring is working well.
- The WORKBENCH system is underutilized.
- The Investment Advisor’s electronic notification to ERS regarding the source of funds to liquidate for cash needs often is a point of delay.
- The current controls in place were rated as GOOD.

The system as a whole had three (3) areas considered to be “Best Practices”:

1. Use of an independent investment consultant.
2. Use of an independent third party trust agent.
3. Development of the revised Investment Policy.

The report provided recommendations for future enhancements to the system. The Audit Committee recommended that the same presentation be provide to the full Pension Board. Mr.Paprocki agreed to attend the 12-15-10 meeting.

2. Topic: 2010 Annual Report & Actuarial Report – Timeline Discussion

The time-line document was reviewed by the committee with input from Buck Consultants. Discussion took place relative to wanting to move (by one month) the entire Annual Report process. Buck Consultants recommended some language changes and dates adjustment. The April 20, 2011 target date for a good draft version of the actuarial report was acceptable to Buck Consultants. The committee also recommended some minor modifications.

The Fiscal Officer agreed to make the necessary changes and send everyone a revised copy for another review.

3. Topic: Employee Election Ordinance - Resolution

The amended version of the 1020 Employee Election and 1034 Retiree Election Ordinances was discussed from the standpoint of it being only minor changes to reflect the move to electronic voting.

It was suggested that both Ordinances be further amended to reflect language authorizing "early voting" and "write-in" voting. Discussion took place relative to the difficulty of implementing such language, the potential costs involved, and the validity or need for such additional voting steps.

It was suggested that this Votenet electronic process was previously used for an employee election without an early or write-in capability. It was also suggested that any changes to the current process be applicable to the next employee election process in 2011.

It was agreed upon the issue would be addressed at the next Pension Board meeting on 12-15-10.

4. Topic: The Audit Committee adjourned at 3:15 PM

A handwritten signature in black ink, appearing to be 'G. Schroeder', written over a horizontal line.

Submitted by
Gerald J. Schroeder
ERS Manager