Milwaukee County Employees' Retirement System (ERS)
Audit Committee Meeting
MINUTES

Call to Order
Chairperson Vera Westphal called the Audit Committee meeting to order at 1:30 p.m. on Thursday, July 14, 2016 in the Commission Room (210) of the Milwaukee County Courthouse, 901 N. 9th Street, Milwaukee, WI 53233.

Board Members Present:
Laurie Braun
Vera Westphal

Others Present:
Erika Bronikowski
Jim Carroll
Steve Huff
C. J. Pahl
Vivian Aikin

1. Topic: 10 Year Certain Beneficiaries
Ms. Aikin summarized for the Committee the case of a recent retiree death involving the 10 Year Certain payment option. Upon his retirement, a deferred vested member designated his two children as beneficiaries (50% each). One of the children predeceased the retiree but he did not name another beneficiary as permitted. Approximately 30 of the 120 guaranteed monthly payments remain to be paid out. Retirement Plan Services ("RPS") consulted with counsel and determined two possible options: payment of 100% of the monthly benefit to the surviving child or payment of 50% to the surviving child and 50% to the retiree's estate. After discussion, it was agreed that payment of 100% to the surviving child was the most appropriate solution. In addition, Ms. Braun requested information on how many retirees there are who elected the 10 Year Certain payment option with more than a single beneficiary.

2. Topic: Interest on Overpayments Due to Death
RPS requested guidance from the Committee and counsel regarding interest on benefit overpayments that result when the Retirement office does not receive prompt notification of a retiree death. Ms. Bronikowski explained that when this occurs, monthly pension payments may not be stopped until additional payments (usually less than three) are made. It was decided that 5% interest must be charged on these overpayments.

3. Topic: Pensionable Earnings – Shift Differential
Ms. Bronikowski advised the Committee that currently the County's Payroll Department does not include "shift differential" in pensionable earnings when providing this information to RPS. RPS has determined that further investigation of this issue is needed including a reconciliation of all pay codes to determine what should be included in pensionable earnings.

4. Topic: Appeal Time Limit Discrepancy between Rule 1016 & Rule 1026
Mr. Huff clarified for the Committee why ERS Rule 1026 ("Appeal procedures related to disability retirement determinations") has a 30 day time limit while Rule 1016 ("Claims appeal procedure") has a 120 day time limit. The timing requirement for filing a disability appeal in Rule 1026 is based on the timing set forth under Ordinance section 201.24(4.9(1)). The general claims appeal procedures in Rule 1016 allow a longer time requirement which is not contrary to the Ordinances.

5. Topic: Non-vested Deferred Payments
Ms. Bronikowski alerted Committee members that RPS is reviewing approximately a dozen cases in which it appears non-vested deferred members were granted pension benefits in error. After discussion, it was agreed that RPS would provide more details on this topic at a future Committee meeting.

6. Topic: 415 Limit Determination Methods

Mr. Huff outlined for the Committee Internal Revenue Code Section 415 and the need for testing. Pre-2006, Mercer Human Resources Consulting provided actuarial services to ERS. Part of their service included creating 415 testing charts for ERS use. In 2006, Buck Consultants replaced Mercer as actuary and supplied ERS with another set of 415 testing charts. Buck uses a different testing method than Mercer did. Mr. Huff suggested that the Pension Board may want to consider a possible Rule to clarify what method to use in determining 415 limits. Committee members asked for additional information on how many retirees are over the 415 limit using the Mercer method before recommending this topic to the full Pension Board.

7. Topic: Administrative Corrections

Ms. Bronikowski alerted the group to the discovery that a member who was granted an Ordinary Disability retirement in 2012 may not meet the 15 year requirement after adjustments to his service credits resulting from the DC48 Furlough Settlement.

The Audit Committee meeting adjourned at 2:20 p.m.