

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 11-5-09, 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
Dean Roepke

Others Present:

Gerald Schroeder
Steve Huff
Mark Grady
Dale Yerkes

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

- Pension Budget Overview – Dale Yerkes
 - 2010 Pension Board Budget – Dale Yerkes
 - Amendment to the Rule 713 – Mark Grady
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1. **Topic: Protective Survivorship Option (PSO)**

It was noted that at a previous Board meeting, the revised PSO form was approved with some modification. Specifically, the elimination of Option #2, the ineligibility for a backdrop and designation of only one beneficiary.

Steve Huff was asked to do further review of the PSO form, from the standpoint of common calamity, naming a contingent beneficiary, multiple beneficiaries and Option 7. We will be targeting the next Audit Committee meeting on 12-3-09, to get a legal analysis on these issues.

2. Topic: Rule 713 / Section B Elimination

Discussion took place on amending Rule 713, by eliminating Section (b). It was proposed that we eliminate Section (b), based on inappropriate language and current inconsistency with prior Pension Board action and County Ordinance. The Pension Board has not used the 10year average language identified in Board Rule 713 (b) to set the assumed rate of return for the last three years. Ordinance takes precedence over a Board Rule, and it is essential that consistency exist between the two.

Currently, ERS uses the back-drop interest rate, that is equal to the actuarial rate, as the assumed rate of return for funding purposes. Presently, the rate ERS uses is 8%.

The Audit Committee endorsed the amendment, and will recommend the Board approve it at the 11-18-09 meeting.

3. Topic: Retirees (Option 1& 6): Beneficiaries Pre-decease the Member

General discussion took place concerning the situation in which a retiree takes Option 1 or 6, and has their designated beneficiary pre-decease them. ERS staff recommended that the Board revisit our current practice of not allowing any change after retirement. It was pointed out that it is believed to not have a fiscal impact associated with a practice change, because the pension under Options 1 or 6 is not based on an actuarial life expectancy of the beneficiary.

Discussion also took place relating to the ramifications associated with allowing such a practice for Options 2, 3, 4 & 5. These options would have a likely cost impact associated with them, because the beneficiary's life expectancy is actuarially determined.

It was proposed that the committee continue to review both issues and get an actuarial assessment. Mark Grady will take the lead on this and invite Larry Langer, from Buck Consultants, to do a teleconference with the Audit Committee at the next meeting on 12-3-09.

4. Topic: 2010 Pension Budget Preview

The ERS Fiscal Officer Assistant, Dale Yerkes, led a general discussion on the 2010 Pension Board Budget.

Both Budget documents (Pension Overview & 2010 Pension Board Budget) were discussed, with some key points being highlighted:

- V-3 maintenance and support costs are included.
- A 50% salary offset for David Arena, will be itemized in the Fiscal file.
- A Temporary staff allocation has been incorporated for various projects.
- Legacy Pension and Healthcare costs were added.
- A Salaries and wages increase was factored in.
- OBRA corrective action compliance funds were included.

The final version of the 2010 Pension Board Budget will be submitted for approval at the 12-16-09 meeting.

5. Topic: **Adjournment: The Audit Committee adjourned at 2:10 pm.**



Submitted by
Gerald J. Schroeder
ERS Manager