

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE  
ANNUITY AND PENSION BOARD**

Minutes of the Administration and Operations Committee Meeting  
held June 18, 2024 via teleconference

The meeting was called to order at 9:00 a.m.

Committee Members Present: Molly King  
Thomas Klusman  
Timothy Heling, Chair

ERS Staff Present: Bernard Allen, Executive Director  
Melody Johnson, Deputy Director  
David Silber, Chief Investment Officer  
Erich Sauer, Deputy Chief Investment Officer  
Dan Gopalan, Chief Financial Officer  
Jeff Shoer, Chief Technology Officer  
Gust Petropoulos, Deputy Director - Disability  
Jan Wills, Board Stenographer

Others Present: David Anderson, Jim Kreiser, Dan Ludwig, Brian Pye, CliftonLarsonAllen (CLA); Erin Scharlau, Legislative Audit Bureau; Patrick McClain, City Attorney's Office; Bill Christianson, Comptroller; Terry Siddiqui, DS Consulting, Inc.

**CliftonLarsonAllen (CLA) Internal Audit Status Report Presentation – 2023.** As a matter of information, Committee members received the Internal Audit Status Report Presentation – 2023 document. Mr. Ludwig stated they would be discussing the audits that go back to the 2023 Audit Plan. He said they work with the CMERS team and all levels of the organization. He noted the CMERS team is responsive, transparent, and is easy to work with in providing information. Mr. Ludwig said CMERS is a well-run organization, has good control structure, everything is tightly managed, and there are multiple layers of controls over each of the processes. He said, based upon CLA's review and findings, there have been no internal control deficiencies or areas that would need to be improved at this time. Discussion ensued.

**CliftonLarsonAllen (CLA) Audit Reports Presentation – 2023.** As a matter of information, Committee members received the Entity Level Controls & Governance, Accounting & Finance, Benefit Calculation, HR and Payroll, and Benefit Administration documents.

**Entity Level Controls & Governance.** Mr. Ludwig said this is a thorough review of management's controls at the Executive level or highest level. He stated the controls in place would be expected to be found at any organization to insure the organization is operating effectively.

Mr. Ludwig said the object of the COSO (Committee of Sponsoring Organizations of the Treadway Commission) 2013 Controls Framework Assessment is to review and evaluate the

Entity Level processes and controls that are in place against leading practices of the COSO Internal Control – Integrated Framework (2013).

He said this audit included the review of processes and controls related to the design and test of operating effectiveness, including

- Control Environment (Organization’s commitment to integrity and ethical values, Board demonstrates independence from management and exercises oversight of the development and performance of internal control, management establishes, with Board oversight, structures, reporting lines, and appropriate authorities and responsibilities in pursuit of objectives, organization demonstrates commitment to attract, develop, and retain competent individuals in alignment with objectives, organization holds individuals accountable for their internal control responsibilities in pursuit of objectives).
- Risk Assessment (Organization specifies objectives with clarity to enable identification and assessment of risks relating to objectives, identifies risks to the achievement of its objectives and analyzes risks for determining how risks should be managed, considers potential for fraud in assessing risks, identifies and assesses changes that could impact the system of internal control).
- Control Activities (Organization selects and develops control activities that contributes to the mitigation of risks, selects and develops general control activities over technology, deploys control activities through policies).
- Information and Communication (Organization obtains or generates and uses relevant, quality information to support the function of internal control, internal communicates information, including objectives and responsibilities for internal control, communicates with external parties regarding matters affecting the functioning of internal control).
- Monitoring Activities (Organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether components of internal control are present and functioning, evaluates and communicates internal control deficiencies in a timely manner to parties responsible for taking corrective action).

Mr. Ludwig said CLA goes through all the controls to see that the organization is functional and operating effectively. He noted CMERS matched up well with all the control points. Mr. Pye said there are five phases of maturity and CMERS wants to be at the Defined level where they are now. Mr. Ludwig said the reports are in the Defined category and there were a few that were one better in the managed category. Discussion ensued.

**Accounting & Finance.** Mr. Ludwig said this audit included the review of processes and controls related to the design and test of operating effectiveness, including

- Procurement and Cash Disbursements Process and Controls (Vendor Selection, Procurement Process, Invoice Review and Approval).
- General Accounting Process (Journal Entry Review and Approval, Balance Sheet Reconciliations, Intra-Government Reimbursement Process).

- Third Party Service Reports review (SSAE SOC-1).
- Financial Reporting Process (Financial Statement Compilation and Review Process, Preparation and Approval of the Annual Budget).
- Control over Complex Accounting Spreadsheets.
- Actuarial Reports (Preparation and Review of Actuarial Data, Review and Approval Actuarial Reports).
- System Access Restrictions (User System Access Review and Approval, Segregation of Duties).
- Organizational Resilience (Review and Update of Standard Practice Instructions (SPIs), Cross Training Procedures).

He said CMERS has a well-honed process with good control over all of these functions. He noted the external auditors do the review in greater detail of the Financial Reporting Process. Mr. Ludwig noted there were no findings for this audit.

**Benefit Calculation.** Mr. Ludwig said one of the most important parts of CMERS is making sure benefit payroll checks that are prepared are properly calculated. He said they go through a detailed process of identifying samples of the calculations for the participants. He said they do a variety of tests, including lump sum payments to early retirements to terminations to traditional retirement payments. Mr. Ludwig said this audit included the review of processes and controls related to the design and test of operating effectiveness, including

- Participant Benefit Calculations (Processes and Controls, System Applications and Controls, Use of Authorized Supporting Documentation, Management Review and Approval Procedures).
- Employment Contracts (Impact of Employee Contract Changes in MERITS, Impact of Retroactive Changes).
- System Access Restrictions (System Access Review and Approval, Access and Safeguarding of PII -Personal Identifiable Information, Segregation of Duties).
- Organizational Resilience (Standard Practice Instructions, Cross Training Procedures).

He said for Benefit Calculation and Employment Contract, the Process Maturity Level is at a Managed level and ahead of its peers. Mr. Allen said a decision was made 20 years ago to automate Benefit Calculation for MERITS, the Milwaukee Employee Retirement Information Technology System. Discussion ensued.

**HR and Payroll.** Mr. Ludwig said this audit included the review of processes and controls related to the design and test of operating effectiveness, including

- Human Resource Compliance with City of Milwaukee Department of Employee Relations (Background Check of Eligible Candidates, Hiring, Transfer, and Promotion of Employees, Termination of Employees, Approval of Wage Increases).
- Payroll Process (Employee Time Sheet Approval, Payroll Reconciliation).

- System Access Restrictions (User System Access Review and Approval, Segregation of Duties).
- Organizational Resilience (Review and Update of Standard Practice Instructions, Cross Training Procedures).

**Benefit Administration.** Mr. Ludwig said this audit included the review of processes and controls related to the design and test of operating effectiveness, including

- Health & Dental Insurance Benefits (Rate Accuracy, Benefit Election Approval, Change Authorization, Deduction Reconciliations, Premium Reconciliations).
- Life Insurance Benefits (Benefit Election Approval, Premium Reconciliations, Receipt, Collection and Reconciliation of Participant Receivables, Death Benefit Claim Administration).
- System Access Restrictions (System Access Review and Approval, Access and Safeguarding of PII, Segregation of Duties).
- Organizational Resilience (Standard Practice Instructions, Cross-Training Procedures).

Mr. Heling advised that the Administration & Operations Committee may vote to convene in closed session on the following item (III.), as provided in Section 19.85(1)(d), Wisconsin State Statutes, to consider “strategy for crime detection and prevention.” The Administration & Operations Committee may then vote to reconvene in open session following the closed session.

### **2023 Cybersecurity Assessments.**

It was moved by Ms. King, seconded by Mr. Klusman, and unanimously carried, to convene in closed session. The motion prevailed by the following roll call vote: AYES: Ms. King; Messrs. Heling, and Klusman. NOES: None.

The Committee convened in closed session at 9:50 a.m.

The Committee reconvened in open session at 10:24 a.m.

Mr. Ludwig stated this is the proposed 2024 audit plan. He noted 2023 was more focused on the non-IT functionality of CMERS and 2024 will be heavy on IT. Mr. Ludwig said the 2024 Audit Plan includes the three-year Risk Assessment (to see that risks were not missed, that any risks were properly identified, and brought to the attention of the A&O Committee), the Benefit Payroll Audit (the actual cash disbursement process), and Contributions Audit. Mr. Anderson discussed the remaining 2024 Audit Plan which includes the IT General Controls, Business Continuity, External Vulnerability Assessment, Internal Vulnerability Assessment, the Purple Team Assessment, and Engagement Management.

**Approval of A&O Committee Audit Charter and Internal Audit Charter.** As a matter of information, Committee members received the Approval of A&O Committee Audit Charter and Internal Audit Charter documents. Mr. Allen said this is a renewal of existing charters and noted

the only document change was the date change to May 2024 on both documents. He said the charter gives the A&O Committee jurisdiction over a number of subject areas without having to go back to the Board and getting a referral each time. Mr. Allen said they are looking for a recommendation from the Committee to the full Board to renew the charters.

It was moved by Ms. King, and seconded by Mr. Klusman, to approve the Approval of A&O Committee Audit Charter and Internal Audit Charter.

**IT Projects Portfolio.** As a matter of information, Committee members received the IT Projects Portfolio. Mr. Shober discussed the ongoing and completed IT projects.

**Organizational/Personnel Update.** Ms. Johnson stated that there are no ERS vacancies.

It was moved by Mr. Klusman and seconded by Ms. King to adjourn the meeting.

Mr. Heling adjourned the meeting at 10:35 a.m.

Bernard J. Allen  
Secretary and Executive Director

**NOTE:** All proceedings of the Annuity and Pension Board Meetings and related Committee Meetings are recorded. All recordings and material mentioned herein are on file in the office of the Employees' Retirement System, 789 N. Water Street, Suite 300.)