

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38

From the Director of Audits, Audit Services Division, Office of the Comptroller, as part of the proposed Employees' Retirement System (ERS) governance audit project management team, requesting authorization to execute a Professional Services Contract with Funston Advisory Services in an amount not-to-exceed \$85,000 to perform Phase 1 of an ERS governance audit, by recommending adoption of the following:

A RESOLUTION

WHEREAS, in October 2017, Baker Tilly issued a report on the Milwaukee County Employees' Retirement System (ERS), where one of their key findings was that ERS had unclear governance and guidance related to critical functions and roles; and

WHEREAS, the aforementioned consulting report was prepared in the wake of the filing of several Voluntary Correction Programs with the Internal Revenue Service, and significant breakdowns in the payment of pensions to Milwaukee County (the County) retirees; and

WHEREAS, County staff in the Audit Services Division (ASD), Office of the Comptroller, Department of Administrative Services (DAS), Department of Human Resources (DHR), and the Office of Corporation Counsel (OCC) reviewed the Baker Tilly report and agree that additional work is needed in addressing governance challenges within the system; and

WHEREAS, the ASD conducted research on potential firms to solicit to conduct a governance audit, and Funston Advisory Services (FAS) consistently emerged as a national subject matter on governance reviews; and

WHEREAS, FAS has an impressive client list, including work with clients which have undergone stress in their pensions and their "one size fits one" approach coupled with their national database puts them in an excellent position to evaluate ERS's governance model; and

WHEREAS, FAS would work with fiduciary and sponsor boards and managers to understand the key issues affecting ERS governments; and

39 WHEREAS, at the request of the Director of Audits, ASD, FAS provided potential
40 areas of focus for a phased review of ERS governance, including:

- 41
- 42 • Legal and Regulatory Framework
- 43 • Governance Framework
- 44 • Enterprise Strategies and Policies
- 45 • Enterprise Risks
- 46 • Investment Operations
- 47 • Pension and Insurance Operations
- 48 • Any other areas identified by stakeholders

49
50 ; and

51
52 WHEREAS, the ASD will manage the contract in conjunction with a project
53 management team consisting of DAS, DHR, and OCC, who will work to prioritize key
54 project focus areas for the review; and

55
56 WHEREAS, the ASD and the project management team respectfully request
57 authorization to enter into a contract, not-to-exceed \$85,000, with FAS to perform
58 Phase 1 of an ERS governance audit; and

59
60 WHEREAS, the Phase 1 report will be provided to both the Milwaukee County
61 Pension Board and the Milwaukee County Board of Supervisors, and a decision about
62 proceeding with any subsequent review phase will be made in consultation with those
63 Boards; and

64
65 WHEREAS, the Committee on Finance and Audit, at its meeting of March 15,
66 2018, recommended adoption of File No. 18-229 (vote 4-0); now, therefore,

67
68 BE IT RESOLVED, the Milwaukee County Board of Supervisors authorizes the
69 Director of Audits, Audit Services Division, Office of the Comptroller, to enter into a
70 contract with Funston Advisory Services in an amount not-to-exceed \$85,000, to
71 perform an Employees' Retirement System governance audit.

72
73
74 jmj
75 03/15/18
76 S:\Committees\2018\Mar\F&A\Resolutions\18-229.docx