

**EMPLOYEES' RETIREMENT SYSTEM
OF THE COUNTY OF MILWAUKEE**

Milwaukee, Wisconsin

REPORT ON AGREED-UPON PROCEDURES
Phase 2

EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE

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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

Members of the Pension Audit Committee
Employees' Retirement System of the County of Milwaukee
Milwaukee, Wisconsin

We have performed the procedures enumerated on page 2, which were agreed to by the Pension Board Chairman, Director of Audit, Interim Director of Retirement Plan Services, and County Corporation Counsel of Milwaukee County (County), or their designee (collectively, the specified parties), on identified retirement benefits paid to members as provided to us by management of the Employees' Retirement System of the County of Milwaukee (ERS). ERS's management is responsible for the creation and oversight of procedures to be performed on the identified retirement benefits paid to members. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

More detail of the procedures we applied and our findings are described on pages 2-4.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review of financial statements or any part thereof, the objective of which would be the expression of an opinion or conclusion, respectively, on the financial statements or a part thereof. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of Members of the Pension Audit Committee Employees' Retirement System of the County of Milwaukee, management of ERS and the above noted specified parties and is not intended to be and should not be used by anyone other than those parties indicated.

BAKER TILLY VIRCHOW KRAUSE, LLP



Milwaukee, Wisconsin
October 12, 2017

The following list describes procedures performed as agreed upon by the specified parties in our engagement letter dated March 28, 2017 and further specified in the Professional Services letter signed on September 13, 2017. Procedures were determined by the specified parties based on findings from Phase 1 of the agreed upon procedures related to corrections of mortality table factors used in certain identified benefit payment calculations.

Executive Summary

The intended focus of Phase II of the agreed-upon procedures was to assist management in appropriately identifying potential errors in the utilization of incorrect mortality factors over a specified period of time for a target population of 767 members. As part of this process, certain information as contained in management's testing spreadsheet was validated. Additionally, specific comparisons were performed in order to help management assess the likelihood of error. As a result of these procedures, it was determined that 376 (49%) instances, with retirements dating from January 2009 through December 2012, likely require VCP correction for the GAM 1983 mortality factor.

Procedures

Representing 100% of the target population, a listing of 767 members with retirement dates between January 1, 2009 and December 18, 2012, and who selected a Joint & Survivor retirement option, was generated by Retirement Plan Services (RPS) personnel. The following procedures were performed on this population:

- > Validated the benefit option selected by the member on their retirement application form agreed to the option listed in the Vi-Tech (V3) system. (Procedure 1)
- > Validated that the amounts being tested are the first full monthly benefit payments as documented in the V3 system. Validated that the amounts being tested are the maximum and base monthly benefits, as well as the mortality factor, as contained in the calculation spreadsheet used by RPS personnel as a validation tool during the retirement process. (Procedure 2)
- > Compared the mortality factor used in the benefit calculation per the V3 system and the mortality factor used in the benefit calculation per the calculation spreadsheet to the GAM 1983 Healthy mortality table factor that should have been used for retirements during this timeframe. (Procedure 3)
- > Compared the base monthly benefit amounts per V3 to the base monthly benefit amounts per the calculation spreadsheet on file. (Procedure 4)
- > Compared the first full monthly benefit payment amounts to the base monthly benefit amounts calculated per V3 and the calculation spreadsheet on file. (Procedure 5)

Findings

- > Findings related to whether the benefit option selected by a member on their retirement application form agreed to the option used in calculating their benefit per the V3 system. (Procedure 1)

| Number of Instances | Descriptions | % of Total |
|----------------------------|--|-------------------|
| 79 | Entire RPS physical file was not available | 10.3% |
| 662 | Option selected per the retirement application matched V3 system | 86.3% |
| 23 | Missing retirement application which shows the benefit option elected | 3.0% |
| 3 | Option selected per the retirement application did not match V3 system | 0.4% |
| 767 | TOTAL | 100.0% |

- > No specific findings related to Procedure 2. This information was utilized in Procedures 3 through 5. (Procedure 2)
- > Findings related to whether the mortality factors used in the V3 and spreadsheet calculations agree to the GAM 1983 Healthy mortality table. (Procedure 3)

| Number of Instances | Descriptions | % of Total |
|----------------------------|---|-------------------|
| 340 | No difference between the V3 and calculation spreadsheet mortality factor and the GAM 1983 mortality factor | 44.3% |
| 376 | Strong evidence that VCP correction is needed for the GAM 1983 mortality factor | 49.0% |
| 51 | Insufficient information to determine if correction is needed for the GAM 1983 mortality factor | 6.7% |
| 767 | TOTAL | 100.0% |

- > Findings related to whether a variance exists between the base monthly benefit per the V3 calculation and the base monthly benefit per the calculation spreadsheet on file. (Procedure 4)

| Number of Instances | Descriptions | % of Total |
|----------------------------|--|-------------------|
| 161 | No calculation spreadsheet was available in member's physical file, V3 system, or electronically on RPS's network | 21.0% |
| 288 | No variance between the base monthly benefit per V3 system and the base monthly benefit per the calculation spreadsheet | 37.5% |
| 318 | Variance between the base monthly benefit payment per V3 system and the base monthly benefit per the calculation spreadsheet | 41.5% |
| 767 | TOTAL | 100.0% |

- > Findings related to how a member's actual first full monthly benefit payment compared to the calculated base monthly benefit amount per the V3 system and per the calculation spreadsheet on file. (Procedure 5)

| Number of Instances | Descriptions | % of Total |
|----------------------------|---|-------------------|
| 161 | No calculation spreadsheet was available in member's physical file, V3 system, or electronically on RPS's network | 21.0% |
| 186 | No variance between the first full monthly benefit payment made to member and the calculated base monthly benefit per V3 system and the calculation spreadsheet | 24.3% |
| 420 | Variance between the first full monthly benefit payment made to member and the calculated base monthly benefit per either the V3 system or the calculation spreadsheet, or both | 54.7% |
| 767 | TOTAL | 100.0% |