## File No. 18-**xxx**

(ITEM ) From the Director of Audits, as part of the proposed Employees’ Retirement System (ERS) governance audit project management team, requesting County Board action to authorize entering into a contract, not to exceed $85,000, with Funston Advisory Services, to perform 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 retirees; and

 WHEREAS, County staff in the Office of the Comptroller-Audit Services Division (ASD), 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, 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

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

* Legal and Regulatory Framework
* Governance Framework
* Enterprise Strategies and Policies
* Enterprise Risks
* Investment Operations
* Pension and Insurance Operations
* Any other areas identified by stakeholders

; and

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

WHEREAS, ASD and the project management team respectfully request authorization to enter into a contract, not to exceed $85,000, with Funston Advisory Services, to perform Phase 1 of an ERS governance audit; and

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

BE IT RESOLVED, that the Milwaukee County Board of Supervisors authorizes the Director of Audits, to enter into a contract, not to exceed $85,000, with Funston Advisory Services to perform an ERS governance audit..