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From the Director, Retirement Plan Services, Department of Human Resources, as part of the Employees' Retirement System (ERS) governance audit project management team, requesting authorization to execute a contract with Funston Advisory Services, LLC, in an amount not-to-exceed \$289,000, with expenses shared equally by Milwaukee County as Plan Sponsor, and the Milwaukee County Pension Board, to implement governance reforms in public pension administration; and authorizing an appropriation transfer in the amount of \$144,500 from Org. Unit 1945-Appropriation for Contingencies to Low Org. 1149-ERS, by recommending adoption of the following:

AN ENGROSSED RESOLUTION

WHEREAS, in October 2017, Baker Tilly issued a report on the Milwaukee County (the 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 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 Milwaukee County Board of Supervisors (County Board) authorized ASD to engage Funston Advisory Services, LLC (FAS), a national subject matter expert on public retirement system governance, to conduct a comprehensive ERS governance audit, focusing on the following critical areas:

- 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, FAS completed the comprehensive governance audit in November 2018, and presented findings to County government stakeholders and the County Pension Board (Pension Board) in December 2018; and

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WHEREAS, those findings yielded several recommendations to significantly improve ERS governance, administration, and operations, and implement best and leading practices in public retirement system governance:

- Pension system governance model that aligns responsibilities, authorities, and resources with fiduciary duties
- Pension system governance that enables critical and meaningful oversight by the County as pension plan sponsor
- Develop clear lines of accountability for pension administration and operation
- Establish pension system governance that reflects best and leading practices nationwide in public pension system governance

; and

WHEREAS, there is broad consensus among stakeholders, including the Pension Board, that implementing the recommendations presented by FAS will result in sound pension system governance, and better organizational performance that reflects best and leading practices for public pension plans; and

WHEREAS, FAS has developed an implementation framework that provides for an implementation scope of work, covering three stages, to be completed in several months, and including nearly three weeks of collaborative work done with RPS and the governance project management team in Milwaukee; and

WHEREAS, Retirement Plan Services (RPS), DHR, will manage the contract in conjunction with a project management team consisting of DAS, DHR, and OCC, who will work with FAS to carry out the specified governance reforms and implementation of best and leading practices; and

WHEREAS, RPS-DHR and the ERS governance project management team respectfully request authorization to enter into a contract, not-to-exceed \$289,000, with FAS, to implement the recommendations that resulted from Phase 1 of the ERS governance audit; and

WHEREAS, RPS will work directly with FAS, and provide ongoing status reports to the Pension Board and the County Board throughout the implementation project; and

WHEREAS, the Pension Board, at its meeting of January 23, 2019, unanimously approved a motion to support implementing the recommendations from Phase 1 of the ERS governance audit, and to pay for 50 percent of the anticipated cost of implementing the recommendations from Phase 1 of the ERS governance audit; and

90 WHEREAS, the Committee on Personnel, at its meeting of April 11, 2019,
91 recommended adoption of File No. 19-265 (vote 4-0); and

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93 WHEREAS, the Committee on Finance and Audit, at its meeting of April 18,
94 2019, recommended adoption of File No. 19-265 (vote 6-0); now, therefore,

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96 BE IT RESOLVED, the Milwaukee County Board of Supervisors (County Board)
97 hereby authorizes Milwaukee County (the County) to enter into a contract not-to-exceed
98 \$289,000, with expenses shared equally by the County as Plan Sponsor, and the
99 County Pension Board (Pension Board), with Funston Advisory Services, LLC; and

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101 BE IT FURTHER RESOLVED, County stakeholders, including Retirement Plan
102 Services, the Office of Corporation Counsel, the Department of Administrative Services
103 (DAS), the Office of the Comptroller, and Human Resources shall to collaborate with
104 and the Pension Board to carry out recommend the substantial governance reforms for
105 approval by the County Board; and

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107 BE IT FURTHER RESOLVED, the County shall and implement best and leading
108 practices in public retirement system administration and governance, that resulted from
109 Phase 1 of the Employees Retirement System (ERS) governance audit, as well as
110 furnishing monthly to the Office of the Comptroller a report showing all fiscal
111 transactions of the retirement system for the preceding month; and

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113 BE IT FURTHER RESOLVED, DAS is authorized and directed to process an
114 appropriation transfer of \$144,500 from Org. Unit 1800-1945 – Appropriation for
115 Contingencies – to an appropriate account with Org. Unit 4149 1950 to provide 50
116 percent of the anticipated cost of implementing the recommendations from Phase 1 of
117 the ERS governance audit.

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