

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

Minutes of the Administration and Operations Committee Meeting
held April 20, 2017

The meeting was called to order at 9:07 a.m.

Committee Members Present: John Barmore

Committee Members Not Present: Martin Matson (excused) represented by Ms. Aycha
Sirvanci, Comptroller's office
Gerald Pace (excused)

ERS Staff Present: Bernard J. Allen, Executive Director
David Silber, Chief Investment Officer
Kelly Reid, Chief Technology Officer
Melody Johnson, Chief Financial Officer/
Interim Deputy Director
Karen McElwee, Management Services Analyst
Mary Turk, Business Operations Analyst
Bertha Bentley, Board Stenographer

Others Present: Thomas Bell, Deborah Ford, ERS Annuity and Pension Board Trustees; Miriam Horwitz, Andrea, Fowler, City Attorney's office; Molly King, Budget Office.

Approval of United Mailing Services, Inc. (UMS) Contract Renewal. Mr. Allen noted an RFQ was done and United Mailing Services, Inc. (UMS) was the lowest bidder. The Terms and Conditions section requested cyber insurance and collision insurance which neither bidder had. Ms. Fowler commented that she modified the contract so UMS would be in compliance. It was moved by Ms. Sirvanci and seconded by Mr. Barmore to approve the United Mailing Services, Inc. (UMS) Contract Renewal.

Approval of Hewlett-Packard Amendment. Ms. Reid noted Hewlett-Packard went through a name change in the last two weeks. She noted they provide services on the IT side, the development side and the MERITS side. The new name, she commented, is Enterprise Services LLC. It was moved by Ms. Sirvanci and seconded by Mr. Barmore to approve the Hewlett-Packard Amendment.

ERS 2018 Draft City Budget Request. Ms. Johnson presented the proposed budget which, she commented, needs to be submitted to the Budget Office by May 9. She commented that the ERS staff provided estimates of the 2018 needs. Ms. Johnson noted the budget request was developed by reviewing the 2016 actual experience and the 2017 adopted budget. The gross fringe benefit rate has decreased from 46% to 45%. She remarked that the 2017 budget was \$24.9 million and for 2018 the requested amount is \$23.5 million dollars which amounts to a \$1.4 million-dollar decrease. Ms. Johnson highlighted that investment management fees decreased by \$1.8 million due to the termination of Townsend and an increase of \$400,000 for Professional Services for Callan who is now the real estate consultant.

IT Projects Portfolio. As a matter of information, Committee members received the ERS IT Portfolio Report dated April 20, 2017. Ms. Reid updated the Committee on the technology projects, applications stats and a snapshot of the IT portfolio as of April 20, 2017. Ms. Reid noted the forthcoming ERS-IT Reorganization Plan where she met with the Budget Office and DER who will do a study of all IT positions and proposed pay grades. She said the MERITS Optimization is in progress working on three different areas simultaneously. Ms. Reid said the Struts 2 Upgrade, the Firewall and Active Directory Reviews and Cleanups, the DNS and IP Address Reviews and Cleanups, and the Member Education Videos are all in progress. Ms. Reid also noted the 2017 Desktop Rotation is now completed for another three years. She stated a Change of Address online feature will be implemented for the members. She noted an IT Disaster Recovery test will also be completed. Ms. Reid stated the cmers.com website will also have an update. Discussion ensued.

Approval of Proposed IT Reorganization. Ms. Reid said she had proposed bringing a few of the contractors in-house to maintain institutional historical knowledge. She stated contractors had done the work when MERITS was implemented and no one was working in infrastructure then. Ms. Reid said she had created a couple positions when she started at the ERS. Ms. Reid noted an evaluation was completed of the current IT market and pay. She remarked some of the current IT contracts would be eliminated, reducing the IT support costs by 40% and creating stability in the IT department by investing in long-term IT employees. She said the plan was to reduce turn-around rate and training costs by 50%. Ms. Reid said they looked at the salary ordinance and found pay grades within market rates. She noted that two IT positions are being re-classified to match IT positions at the city's IT department. Mr. Reid said the goal was to eliminate three IT contract positions. Ms. Reid said another contract position is being eliminated with the duties being shifted to another IT employee whose position is being re-classified. Ms. Reid said the re-alignment will be equivalent to the city's IT positions and pay grades with no changes being made to the other contract positions. Ms. Reid noted the savings would be \$1.5 million over a three-year period. Discussion ensued. It was moved by Ms. Sirvanci and seconded by Mr. Barmore to approve the Proposed IT Reorganization.

Organizational/Personnel Update. As a matter of information, Committee members received a copy of the Organizational/Personnel Update dated April 20, 2017. Mr. Allen noted the reorganizations and reclassifications are in progress, approval has been given to fill the Pension Accounting Manager position (a CPA position) and two IT positions are being re-classified.

There being no further business, Mr. Barmore adjourned the meeting at 10:25 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.)