



City of Milwaukee
Employees' Retirement System

Bernard J. Allen
Executive Director

David M. Silber, CFA, CAIA
Chief Investment Officer

Melody Johnson
Deputy Director

April 15, 2020

Mr. Jim Owczarski
City Clerk
Room 205, City Hall

Dear Mr. Owczarski:

Please be advised that an Administration & Operations (A&O) Committee Meeting of the Annuity and Pension Board has been scheduled for **Wednesday, April 22 at 9:00 a.m. in the Employees' Retirement System Conference Room at 789 N. Water Street, Suite 300.** If a quorum of the Board is present, this meeting will convene as a Special Board Meeting. *Special Notice: Due to the COVID-19 (Coronavirus) outbreak, in-person public attendance will be restricted. Instructions on how to call in will be available on ERS's website (www.cmiers.com) prior to the meeting.*

Please note and observe the following conference call etiquette to ensure a smooth and productive meeting:

- In order to cut down on background noise, participants in the meeting should put their phones on mute when they are not participating.
- At the start of the meeting, the Chairman will announce the names of the members of the Board present on the call, as well as anyone else who will be participating.
- Please request to be recognized by the Chairman if you would like to speak.
- Those participating on the call should identify themselves whenever they speak, and should ensure that the other participants on the call can hear them clearly.

The agenda is as follows:

I. Election of Vice Chair.

Please be advised that the Administration & Operations Committee may vote to convene in closed session of the following item (II.), as provided in Section 19.85 (1)(c), for considering employment, promotion, compensation or performance evaluation data of any public employee over which the governmental body has jurisdiction or exercises responsibility and in Section 19.85 (1)(f), when considering financial, medical, social or personal histories or disciplinary data of specific persons, preliminary consideration of specific personnel problems or the investigation of charges against specific persons except where par. (b) applies which, if discussed in public, would be likely to have a substantial adverse effect upon the reputation of any person referred to in such histories or data, or involved in such problems or investigations. The Administration & Operations Committee may then vote to reconvene in open session following the closed session.

II. Baker Tilly Financial Audit.

Please be advised that the Administration & Operations (A&O) Committee may vote to convene in closed session on the following item (III.), as provided in Section 19.85(1)(i), Wisconsin State Statutes, for considering all matters related to acts by businesses under s. 560.15 which, if discussed in public could adversely affect the business, its employees or former employees. The Committee may then vote to reconvene in open session following the closed session.

III. Experis Internal Audits.

Please be advised that the Administration and Operations Committee may vote to convene in closed session on the following item (IV.), as provided in Section 19.85 (1) (e), Wisconsin State Statutes, for deliberating or negotiating the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session. The Committee may then vote to reconvene in open session following the closed session.

IV. Approval of Contract Extension Amendment with DS Consulting Group, LLC.

V. Approval of Draft 2021 ERS City Budget Request.

VI. IT Projects Portfolio.

VII. Organizational/Personnel Update.

Sincerely,

A handwritten signature in black ink, appearing to read "Bernard J. Allen". The signature is fluid and cursive, with the first name "Bernard" being more prominent.

Bernard J. Allen
Executive Director

BJA:jmw



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April 14, 2020

Members of the Administration & Operations Committee
Annuity and Pension Board
789 North Water Street, Suite 300
Milwaukee WI 53202

Dear Committee Members:

Re: 2021 Draft City Budget Request

The ERS is required to submit the 2021 budget request to the City by May 12, 2020. We have completed estimating these needs for 2021 and have drafted details for your consideration.

This budget request was developed by reviewing the 2019 actual experience and the 2020 adopted budget and adjusting for anticipated changes in activity. Salaries were estimated using current and potential rates of pay.

Major approximate changes we anticipate in the O&M Budget in 2021 compared to 2020 can be summarized as follows:

- Increase of \$249,799 for Salaries
- Increase of \$316,553 for Fringe Benefits
- Increase of \$21,000 for Facility Rent & Property Services
- Increase of \$1,000 for Non-vehicle Equipment Rental
- Decrease of \$732,000 for Professional Services
- Increase of \$122,000 for Information Technology Services
- Increase of \$20,100 for Other Operating Services
- Increase of \$863,000 for Equipment

Enclosed for your input and approval is a draft of the 2021 budget request for the Employees' Retirement System. We have also enclosed, for your information, a schedule showing the amounts we recommend as requested by the City for non-Trust activity.

Sincerely,

Daniel Gopalan, CPA
ERS Chief Financial Officer

Employees' Retirement System - City of Milwaukee
Summary of 2021 Draft Budget Request as compared to 2020 Adopted Budget and 2019 Actual Expenditures

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| 2019 Actuals | | 2020 Adopted Request | 2021 Draft Request | Variance with Current Authority | Primary Details Resulting in Variance to the 2020 Adopted Budget |
|-------------------------------|-------------------------------------|-----------------------------|-----------------------------|---------------------------------|--|
| \$ 3,017,923 | Total Salaries | \$ 3,360,769 | \$ 3,610,568 | \$ 249,799 | Added 1 new position; 2020 Adopted Budget did not include Residency Incentive passed in 2019 (3% salary increase), which is now accounted for in the 2021 Draft Request. |
| 1,175,100 | Fringe Benefits (Budget Rate) | 1,344,308 | 1,660,861 | 316,553 | This line item is dependent on the Salaries Expense. Estimated Gross Fringe Benefit Rate increased per the City Budget Office. |
| Operating Expenditures | | | | | |
| 148,401 | General Office Expense | 226,000 | 226,000 | - | |
| 1,639 | Other Operating Supplies | 5,000 | 5,000 | - | |
| 560,964 | Facility Rent & Property Services | 655,000 | 676,000 | 21,000 | Annual increases per lease agreements and 4th floor conference room is now included as part of this line item. |
| 23,883 | Non-vehicle Equipment Rental | 25,000 | 26,000 | 1,000 | Increased to reflect increase of copier usage and maintenance fees |
| 9,823,935 | Professional Services | 12,379,000 | 11,647,000 | (732,000) | Projected decreases for 1) performance fees based upon 3-yr rolling returns and 2) investment management fees related to non-core real estate funds. |
| 1,141,405 | Information Technology Services | 1,584,000 | 1,706,000 | 122,000 | Increase is attributable IT infrastructure maintenance and software renewal cycle. |
| 674,099 | Other Operating Services | 1,200,000 | 1,220,100 | 20,100 | This increase is due to the premiums of Cyber liability coverage that went into effect in 2019. |
| \$12,374,327 | Total Operating Expenditures | \$ 16,074,000 | \$ 15,506,100 | \$ (567,900) | |
| Equipment Purchases | | | | | |
| 19,728 | Equipment | 144,000 | 1,007,000 | 863,000 | IT infrastructure upgrades - Hosting replacement, security enhancements, and SAN upgrades. |
| \$ 19,728 | Total Equipment Purchases | \$ 144,000 | \$ 1,007,000 | \$ 863,000 | |
| \$16,587,077 | Total Regular O&M | \$ 20,923,077 | \$ 21,784,529 | \$ 861,452 | |
| <u>\$16,587,077</u> | Total All ERS | <u>\$ 20,923,077</u> | <u>\$ 21,784,529</u> | <u>\$ 861,452</u> | |

Employees' Retirement System - City of Milwaukee
2021 Non-Trust Recommendations for City Budget

Page 1 of 1

| 2019 Actual | | | 2020 Adopted Budget | 2021 Budget Request | Recommendation Over (Under) Current Authority |
|---------------------------------------|------------|---|---------------------|---------------------|---|
| Non Trust Line Items Estimated by ERS | | | | | |
| \$ | 142,054.01 | PABF Payroll | \$ 111,000.00 | \$ 83,250.00 | \$ (27,750.00) |
| | 10,000 | PABF Lump-Sum Supplement Contribution | 10,000 | 10,000 | - |
| | 78,000,000 | Employers' Retirement Fund - Employer's Pension Contribution* | 73,000,000 | - | (73,000,000) * |
| | 3,053,880 | Group Life Insurance Premium | 4,500,000 | 4,500,000 | - |
| | 52,225 | Retirees' Benefit Adjustment Fund | 42,000 | 40,000 | (2,000) |
| \$ | 81,258,159 | Total Non ERS Estimates | \$ 77,663,000 | \$ 4,633,250 | \$ (73,029,750) |

* Pending Actuarial Valuation

IT Projects and Ticket Statistics

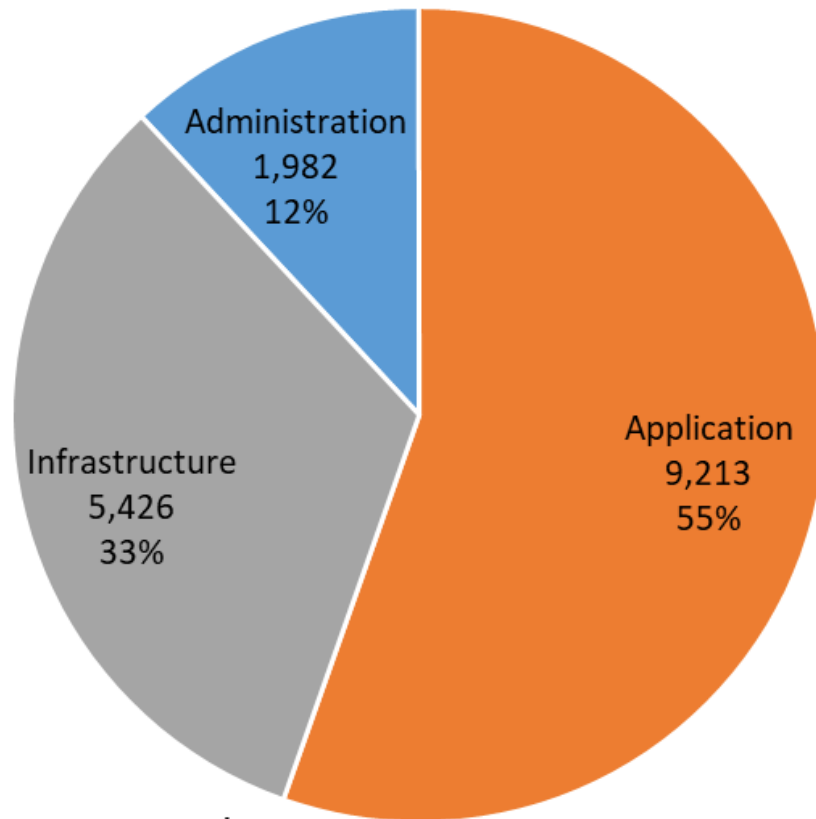
- Major Projects/Initiatives:

- Altiris/Symantec IT Management Suite Upgrade (In Progress)
- Vulnerability Audit (In Progress)
- Social Engineering Audit (In Progress)
- Business Continuity Audit (In Progress)
- IT General Controls Audit (In Progress)
- E-mail System Upgrade (Completed)
- Network Infrastructure Upgrade (Completed)
- Storage Area Network Upgrade (Completed)
- SSRS (SQL Server Reporting Services) Reports Migration (In Progress)
- MSS - Multi Factor Authentication (Completed)
- MSS - Allow retirees to view and print 1099R's (Completed)
- MERITS Certificate Renewals (Completed)
- SQL LiteSpeed upgrade (Completed)

- Application Statistics

| Category | High Priority | Low Priority | Total |
|--|---------------|--------------|-------|
| Current Inventory | 9 | 0 | 9 |
| PIR's | 2 | 0 | 2 |
| CCR's | 7 | 0 | 7 |
| Pending/Hold | 0 | 0 | 0 |
| Deployed(Awaiting Next stage) /Ready for Production | 0 | 0 | 0 |
| Net Current Inventory | 9 | 0 | 9 |

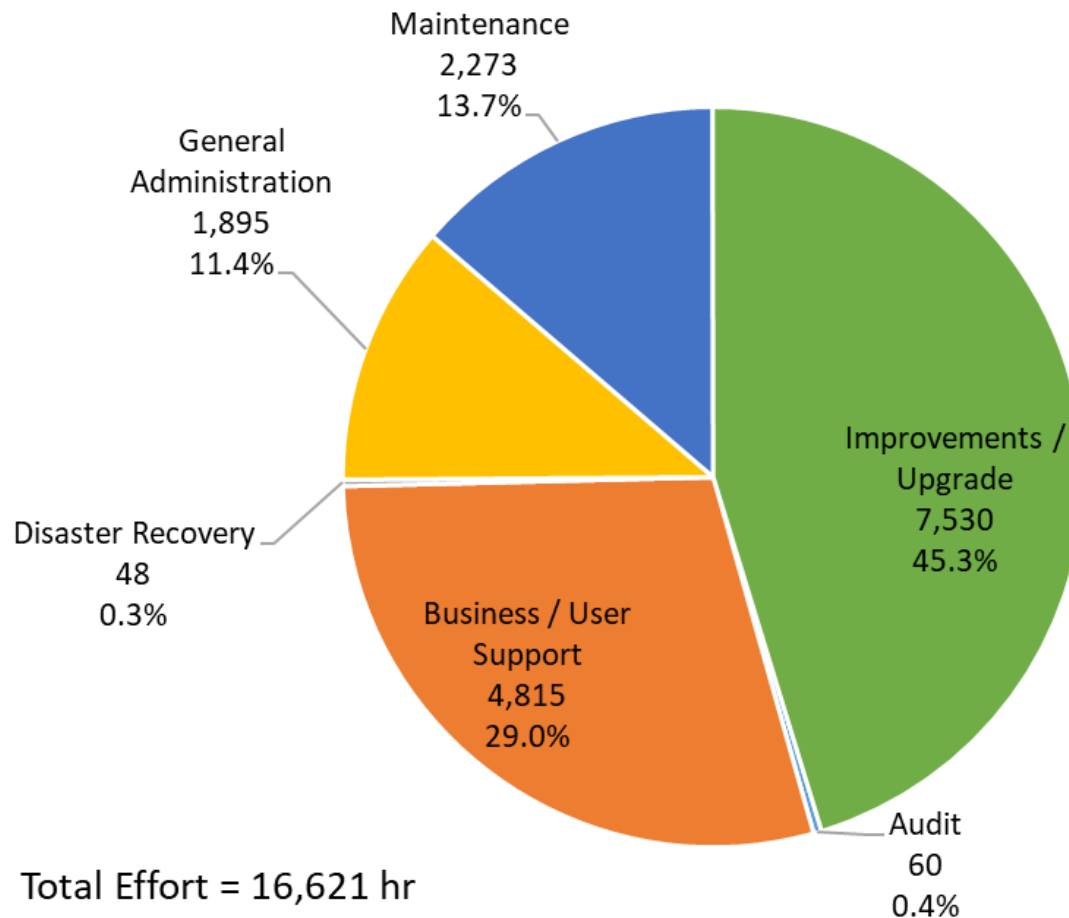
2019 – IT Team Effort (by Area of Focus)



Total Effort = 16,621 hr

| Category / Area | Effort (hr) |
|-------------------------|---------------|
| Administration | 1,982 |
| Audit | 39 |
| DR | 48 |
| General Administration | 1,895 |
| Application | 9,213 |
| Business / User Support | 1,811 |
| Maintenance | 545 |
| Upgrade | 6,857 |
| Infrastructure | 5,426 |
| Audit | 21 |
| Business / User Support | 3,004 |
| Maintenance | 1,728 |
| Upgrade | 674 |
| Total | 16,621 |

2019 – IT Team Effort (by Category)



Descriptions:

Improvements / Upgrades: Includes application and infrastructure upgrades such as optimization, updates to the application, projects such as the FileNet upgrade, upgrades of the VMware Hosts, desktop rotations, upgrades of network equipment and software, etc.

Maintenance: Includes application and infrastructure maintenance activities such as bug fixes, windows operating system patching, DNS and IP review and cleanup, disk space management, etc.

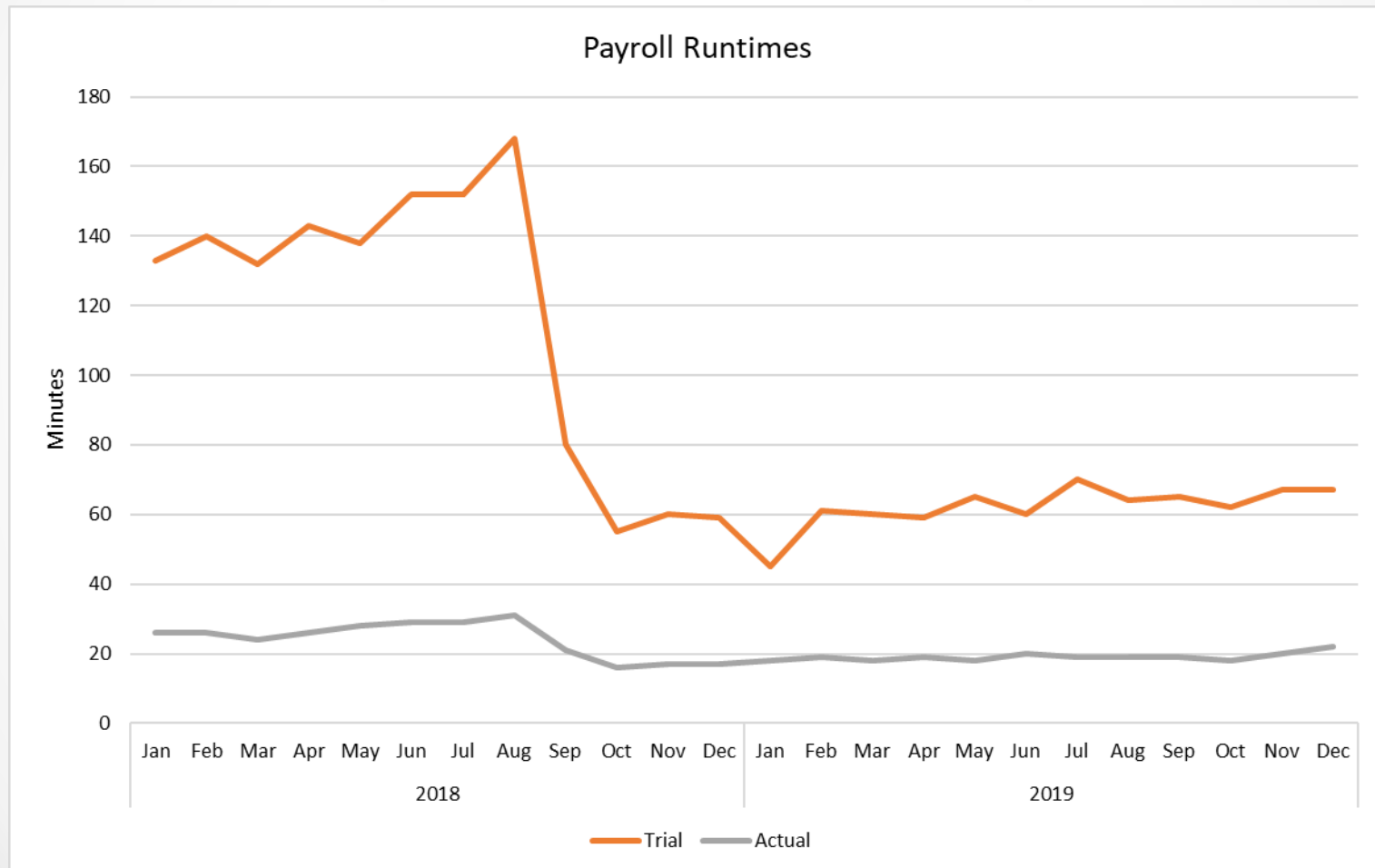
User Support: Includes assisting users with issues and questions related to the application as well as other hardware/software issues, and working with agencies related to contribution reporting

Disaster Recovery: Includes working with our backup and recovery environments, maintenance and upgrade of the equipment at the remote office, and the execution of disaster recovery and business continuity tests

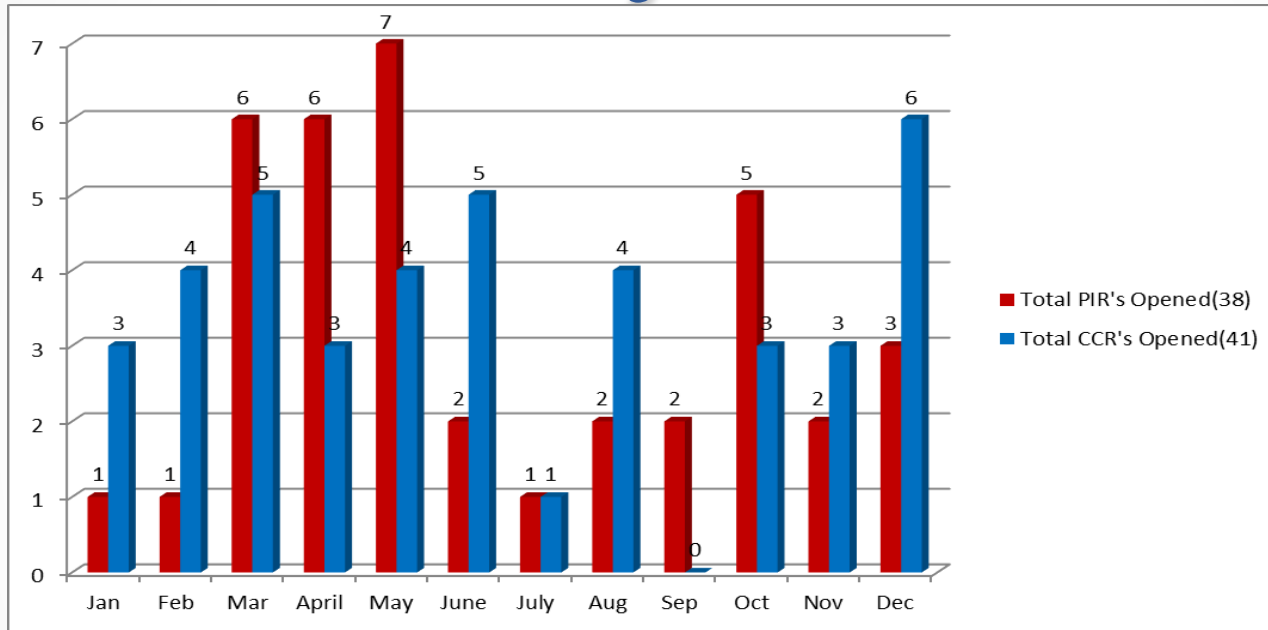
Audit: Includes activities performed in conjunction with our internal and external auditors

Administrative: Includes administrative tasks performed by IT staff such as process updates, updates to the website, development of support plans / SPIs, updates and review of security awareness policies, updates and review of standard operating guidelines, reporting, etc.

Payroll Runtimes (2018 / 2019)



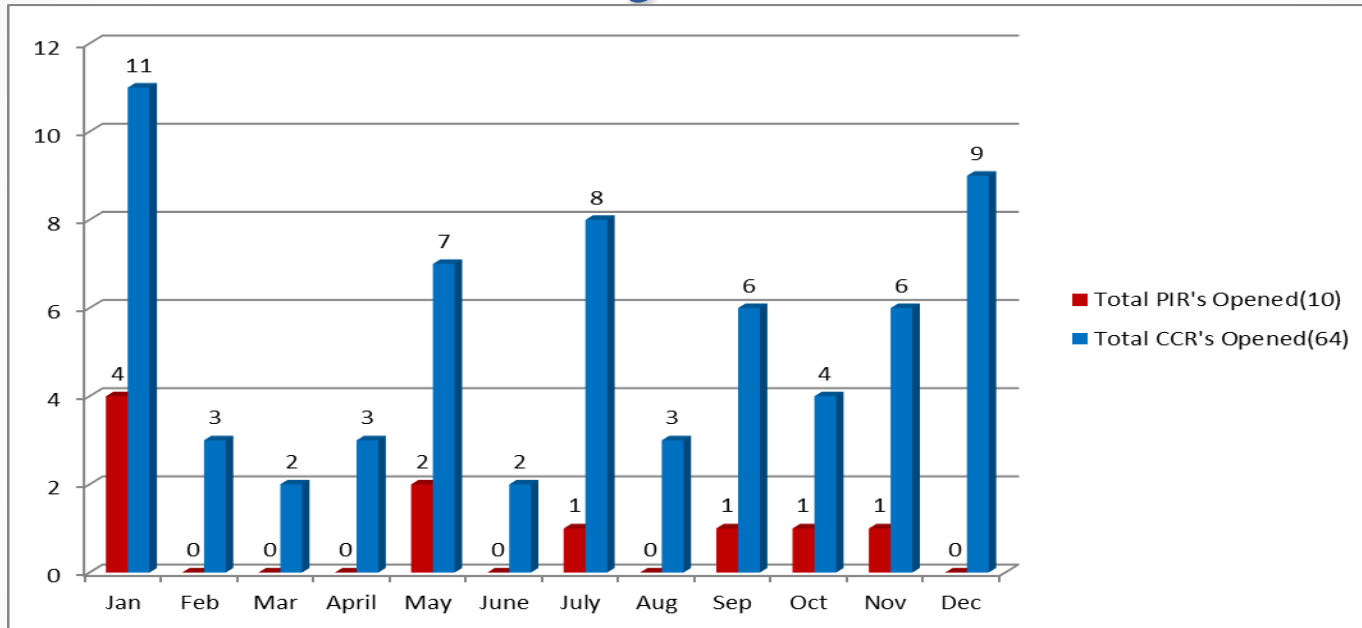
Application Tickets Activity in 2019



A total of 79 tickets were opened for enhancements/fixes;
Overall, staff has closed more tickets this year than were opened.

- Closed - 80
- Canceled - 1

Infrastructure Tickets Activity in 2019



A total of 74 tickets were opened for Infrastructure related tasks
57 were for upgrades, disaster recovery, and improvements
17 were for maintenance activities

- Closed - 90
- Canceled - 4

Batch Jobs

- A total of 6,039 application batch jobs were run in 2019:
 - 6,020 completed successfully
 - 19 failed and were successfully remediated (no critical jobs failed)
- Examples of batch jobs:
 - Payroll
 - Reports for users
 - Monthly COLA job
 - Wage and contribution reports
 - Eligibility reports for retirement
 - Open enrollment
 - Interest posting
 - Health care policy updates
 - Tax updates and 1099 reporting
 - Member statements
 - Actuarial extracts
 - Work queue reports
 - Disability reports
 - Ad hoc reports

Portfolio as of April 1, 2020

| Project Health | % Complete | Priority | Complexity (S / M / L) | Project Name | Project Mgr | Description | Strategic Goal | Status | External Vendor Required: Y/N | Actual Start Date | Target Completion Date | Estimates (Hours) | Actuals (Hours) | Hours Variance = Estimates - Actuals | Hardware/Software & External Labor Budget (\$) | Actual Spent-to-Date on Hardware /Software & External Labor (\$) | Estimate to Completion (ETC) (of Hardware/ Software & External Labor Costs) |
|----------------|------------|----------|------------------------|-----------------------------------|-------------|---|----------------|--------|-------------------------------|-------------------|------------------------|-------------------|-----------------|--------------------------------------|--|--|---|
| G | 95% | 1 | M | MSS Multi Factor Authentication @ | Manchu | Increasing security on MSS | G4 | IP | N | 2/3/20 | 4/3/2020 | 280 | 284 | (4) | \$0 | \$0 | \$0 |
| G | 70% | 2 | M | MERITS Certificate Renewals @ | John | Review and extend MERITS certificates | G1 | IP | N | 2/26/20 | 4/30/20 | 70 | 44 | 26 | \$0 | \$0 | \$0 |
| G | 75% | 3 | S | Vulnerability Audit @ | Raynal | Routine audit of IT Security Systems | G2 | IP | Y | 11/20/19 | 6/30/20 | 160 | 128 | 32 | \$48,000 | \$36,000 | \$0 |
| G | 0% | 4 | M | IP Address Review and Cleanup @ | Zampino | Periodic cleanup of IP addresses | G1 | NS | N | 4/1/20 | 8/31/20 | 100 | 0 | 100 | \$0 | \$0 | \$0 |
| G | 0% | 5 | M | DNS Review and Cleanup @ | Zampino | Periodic cleanup of DNS entries | G1 | NS | N | 4/1/20 | 8/31/20 | 100 | 0 | 100 | \$0 | \$0 | \$0 |
| G | 0% | 6 | M | Firewall Review and Cleanup @ | Zampino | Periodic cleanup of Firewall | G1 | NS | N | 4/1/20 | 8/31/20 | 100 | 0 | 100 | \$0 | \$0 | \$0 |
| G | 0% | 7 | M | AD Review and Cleanup @ | Zampino | Periodic cleanup of AD forest | G1 | NS | N | 4/1/20 | 8/31/20 | 300 | 0 | 300 | \$0 | \$0 | \$0 |
| G | 32% | 8 | L | SSRS Report Migration | Manchu | Replacing our discontinued reporting software with SSRS | G1 | IP | Y | 3/6/19 | 4/26/21 | 11,884 | 3,724 | 8,161 | \$483,417 | \$202,620 | \$280,797 |
| G | 99% | 9 | S | Social Engineering Audit @ | Siddiqui | Routine audit of Phishing Preparedness | G2 | IP | Y | 11/20/19 | 4/30/20 | 60 | 5 | 55 | \$18,000 | \$17,820 | \$0 |
| G | 99% | 10 | S | IT General Controls Audit @ | Siddiqui | Routine audit of IT General Controls | G2 | IP | Y | 12/2/19 | 4/30/20 | 80 | 13 | 68 | \$24,000 | \$23,760 | \$0 |
| G | 99% | 11 | S | Business Continuity Audit @ | Siddiqui | Routine audit of Business Continuity | G2 | IP | Y | 11/20/19 | 4/30/20 | 80 | 6 | 74 | \$24,000 | \$24,000 | \$0 |

Green = On Target - No Significant Issues
Yellow = On Watch List – Issues Being Addressed
Red = Project cannot move forward as planned without management attention or approval.

NS = Not Started OH = On Hold
IP = In Process C = Completed @ = Activity (no charter)

| Completed Projects & Tasks in Last 12 Months | Finished | Hours / \$ Spent |
|--|-----------|-------------------------|
| Scanning Application Analysis (Manchu) | 3/28/2019 | 150 hours / \$24,756 |
| General Controls Audit @ (Siddiqui) | 3/29/2019 | 100.25 hours / \$17,800 |
| Struts 2 Upgrade -areas besides MAM (Manchu) | 4/26/2019 | 9,011 hours / \$393,226 |
| Desktop Imaging Upgrade (Zampino) | 5/29/2019 | 120.75 hours / \$12,075 |
| Veeam Upgrade @ (Zampino) | 6/12/2019 | 10.5 hours / \$1,050 |
| Titan Upgrade for CMERS.com (Zaffiro) | 8/30/2019 | 18 hours / \$6,070 |

| Special Note: SSRS Report Migration costs are part of the HP maintenance contract. | | |
|--|------------|--------------------------|
| | Finished | Hours / \$ Spent |
| Upgrade Backup Exec and Agents @ (Zampino) | 9/25/2019 | 3.5 hours / \$350 |
| Server Upgrade to Windows 2016 (Zampino) | 10/2/2019 | 343 hours / \$77,875 |
| Upgrading Change Auditor to 7.0.3 (Zampino) | 10/31/2019 | 8.5 hours / \$850 |
| Installing IBM DataCap/Upgrading FileNet (Manchu) | 11/7/2019 | 1318.5 hours / \$209,806 |
| Business Continuity Test @ (Siddiqui) | 11/27/2019 | 20.25 hours / \$2,025 |
| Storage Area Network Upgrade @ (Raynal) | 2/12/2020 | 24.5 hours / \$2,450 |
| Network Infrastructure Firmware Upgrade @ (Powell) | 3/27/2020 | 140 hours / \$14,000 |

Organizational/Personnel Update

Administration and Operations Committee

Wednesday, April 22, 2020

- Katrina Bailey has accepted the Administrative Assistant II position.
- Gust Petropoulos has accepted the ERS Disability Deputy Director position.