



May 9, 2017

James Owczarski, City Clerk
Milwaukee Common Council
City Hall, Room 205
200 East Wells Street
Milwaukee, WI 53202

RE: Communications from the Employees' Retirement System relative to an amendment to the 2017 Positions Ordinance.

Dear Mr. Owczarski:

The Annuity & Pension Board at its April 24, 2017 meeting recommended to the Common Council an amendment to the 2017 Positions ordinance to enable insourcing three currently contracted IT positions as full time city positions. The new positions are needed to reduce the 2018 support budget by approximately \$500,000 per year for a total 3 years savings of \$1.5Million (Please see attached IT Insource Plan). Currently, the ERS has contracted these positions at a higher rate for 3 year renewals. The contracts will not be renewed pending an approval to create the requested FTE positions in 2017.

The 2017 Positions Ordinance would need to be amended as follows:

Under: EMPLOYES' RETIREMENT SYSTEM
ADD: ERS Server Administrator (2LX)
 SR. Database Administrator (2LX)
 Sr. Java Developer (2LX)

Thank you for your consideration of this request. If you should have questions or require additional information, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Bernard J. Allen".

Bernard J. Allen
ERS Executive Director

Cc: Melody Johnson, Interim Deputy Director
Mark Nicolini, City Budget & Management Director
Andrea Knickerbocker, DER
Molly King, City Budget Analyst



2017 ERS Information Technology Reorganizational Plan

January 5th, 2017

Approvals:

Name	Role	Signature	Date
Jerry Allen	Executive Director		
Melody Johnson	Deputy Director/CFO		
Kelly Reid	Chief Technology Officer		
Mark Nicolini	ERS Budget Director		
Andrea Knickerbocker	DER		

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1/4/17	1.0	Document Creation	Kelly Reid
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Reviewers

Date	Version	Name	Position/Department
1/5/17	1.0	Melody Johnson	Deputy Director/CFO
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1 Overview

1.1 Background and Statement of Business Need to Reorganize ERS-IT:

The ERS has been outsourcing its technical IT operations for a number of years. When the ERS was implementing MERITS and decreasing its dependency upon city IT resources through the use of various contracts there was a reliance on outside vendors to support the complexity of MERITs and its subsystems without a staffing plan to fund the operations post implementation. This dependency has resulted in higher costs to administer the IT systems.

The ERS has a fiduciary obligation to ensure adequately staffed IT support for a secure and robust network infrastructure. The IT department has to protect and support the complexity of the Pension Administration system and ERS network backbone. As custodians of retiree data, the need to have a highly qualified staff for IT operations is critical to ensuring the stringent demands of accuracy in benefit distribution, security and payroll obligations.

Over the past 6 years there has been significant progress made with reducing IT operating costs by 50%, contract consolidation, filling critical in house positions and several additional improvements and efficiencies measured by the Project Management Office. We are at the end stage of creating the framework for continued support and excellence in advancing the ERS' technological infrastructure and service to its members.

(This proposal can be funded in 2017 with the money from unfilled vacancies and contract terminations)

1.2 Objectives:

- Eliminate expensive contract positions for IT technical staff
- Reduce IT support costs by 40%
- Create stability in IT department by investing in long term IT employees
- Reduce turn around rate and training costs by 50%
- Reclassify Current ERS IT positions with identical City IT positions and paygrades

2 Reorganization Plan

2.1 In Scope:

- IT assessment of current staffing needs to support the ERS network backbone and infrastructure
- Creation of three in house IT positions (1 for 1 contract elimination)
- Reduction of operating costs by eliminating the need for expensive contracts to support the IT infrastructure
- Align ERS-IT position titles and paygrades to equivalent city ITMD position titles and paygrades

2.2 Out of Scope:

- Changes to application model (outsourced code development and support).
- Changes to HP support

2.3 Constraints:

- Current IT contracts expire in 2017. There is a risk that the process of creating and approving new positions will not be completed before contract end date.

2.4 Preliminary Risk Assessment:

- There is currently a critical staffing shortage for the technical operations at ERS.
- The IT market is at a record high, and it is hard to attract and retain good IT professionals and contractors willing to work on site for short term agreements.
- With current contracts expiring this year, there is flight risk with current contractors.
- The ERS has been renewing IT contracts on a 3 year basis, and with annual increases there is pay sprawl and dissention with full time employees doing the same work.
- IRS regulations prevent long term use of contractors that potentially could be misconstrued as employees

2.5 Critical Success Factors/Definition of Completion:

- In source four IT contract positions into full time positions
- A Net Savings of approximately \$1million dollars over a 3 year period for IT support
- Eliminate expensive contracts for infrastructure support.
- Three (3) new positions created
- 4 Reclasses completed

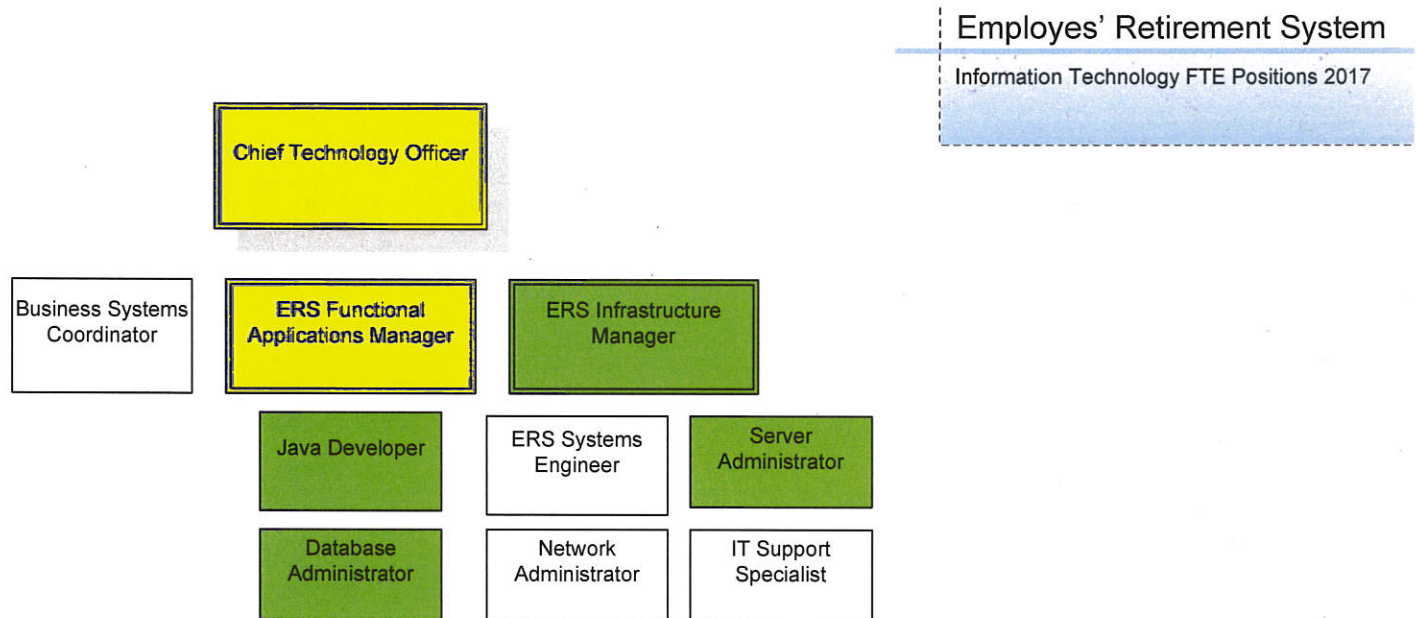
3 IT Insourcing Plan

Position	Vendor	2016 Annual Cost	Proposed Insourced Cost 2017 (*burden rate of 50%)	Pay Range	City Position Title	Y1 Savings	Y2 Savings	Y3 Savings	ROI over a 3 year period (2019)
Database Administrator	SSR	210,000	\$110,000	1HX	Database Administrator	\$100,000	\$108,400	\$117,136	\$325,536
Java Developer	Symphony	175,000	90,000	2LX	Systems Analyst Project Leader	85,000	\$92,000	\$99,280	\$276,280
Server Administrator	SSR	\$160,000	\$110,000	2LX	Systems Analyst Project Leader	\$56,400	\$63,056	\$69,978	\$189,434
Sr. Infrastructure Expert (no annual increases annual renewals at flat rate)	SSR	\$250,000	\$0	N/A	Eliminate current contract and shift duties to Enterprise Information Manager	\$250,000	\$250,000	\$250,000	\$750,000
						Y1 \$491,400	Y2 \$513,456	Y3 \$536,394	TOTAL NET SAVINGS (3Year) \$1,541,250

Reclassification for existing IT positions.

ERS IT Position	City ITMD Position	Action	Financial Impact
ERS Chief Technology Officer	ERS Chief Information Officer	Move from 1MX to 1NX	0
ERS Systems Administrator	Enterprise Information Mgr	Move from 2IX to 1IX	0
ERS Functional Applications Manager	Enterprise Resource Planning Mgr	Move from 1HX to 1IX	0
Business Systems Coordinator	Systems Analyst Project Leader	Move from 2IX to 2LX	0

4 IT Organizational Chart



- Positions in GREEN are the requested new insourced positions for 2017
- Positions in YELLOW are for alignment of positions and paygrade with equivalent ITMD positions

5 Hard Benefits

- **Total net savings to ERS of \$1,541,250 over a three year period**
- Reduced administrative time in administering multiple contracts and contract sprawl
- Resolves the problem of current IT staff being at the top of their range and creates room for growth and opportunity
- Provides a path to stability by investing in long term employees and not losing that business knowledge to contractors who leave
- Reclassification of current IT positions would align with city ITMD positions
- Allows IT staff to be in the same pay grades

6 Soft Benefits

- Eliminates pay discrepancies between contractors and current employees doing the same work and allows ERS to pay market rates for services
- Reduces the administrative overhead of constantly training new contractors that will not stay long term
- Current IT positions will not be at top of the range creating room for growth for current staff and
- There are no net increases for requested reclasses.

- Creates consistency with existing city position titles and pay structure