

December 11, 2013

Ald. Michael J Murphy,  
Chairman, Finance And Personnel Committee

Dear Ald. Murphy,

I've enclosed with this letter the remarks I intended to make to the Finance And Personnel Committee meeting today, prior to its consideration of file number 131162, a charter ordinance relating to the administration of the employees retirement system.

I believe these changes to the charter ordinance will in the long run harm the city, its taxpayers and the administration of the Employees Retirement System of the City of Milwaukee. I was informed by the clerk prior to the meeting that only persons representing organizations would be allowed to speak at the meeting at the direction of the committee. I object. While it may be more convenient and efficient to exclude speakers at a hearing, I believe it implies an intent to approve this ordinance regardless of reasoned opposition to it. This would be consistent with the manner and timing by which this ordinance has been introduced and rushed through committee.

I have filed these remarks with your committee's staff assistant Chris Lee. Please give them some consideration.

Respectfully yours,



Russell Kesery, ERS beneficiary  
1983 N. Summit Ave. unit 21  
Milwaukee Wisconsin 53202

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CITY OF MILWAUKEE

Remarks to be presented to the Finance And Personnel Committee on December 11, 2013 regarding Common Council file number 1 31162, by Russell Kesery beneficiary of the ERS.

The Charter Ordinance creating the eight member Employees Retirement System Annuity and Pension Board of four city representatives and four employee representatives has balanced the city's interests with those of the members and beneficiaries of the Employees Retirement System. Both the city and the members and beneficiaries have benefited by this balance.

The pension board has set the contributions to the fund based on its fiduciary responsibilities and the city has benefited by having a properly funded retirement system which has relieved the current taxpayers and city officials and the members and beneficiaries from the problems created by funding deficits that so many states and cities face.

The city has control over the liabilities it creates through employment including the wages and deferred benefits earned by its employees. The time to control those costs is not when the payment is made to the pension system but rather when the decisions regarding hiring and wages are made.

The monies in the fund do not belong to the city but rather are held in trust for the members and beneficiaries and represent deferred wages rather than current debts to members. The city's interest in the management of those monies is well represented under the current charter ordinance.

Any changes you make will result in future councils and mayors having to deal with unfunded liabilities created by any of their predecessors who didn't meet their responsibility to provide for all of the wages, including pensions, that they agreed to pay.

The changes you make will affect this fund long after you have left city government. There is no way to predict or control who will be elected to city government. A sound structure for the pension board, such as the one we have inherited is the only way to prevent the conflicts of interest that would result from an unbalanced board.

As an example I would point to two instances during the administration of Mayor John Norquist. He and some other members of city government attempted to use the employees retirement system for their own ends. Although these takings were defeated for reasons in addition to the makeup of the board they nonetheless offer an example of the inherent conflicts of interest between managing a city in the present and providing for the future.

In one instance the mayor proposed to withdraw money by selling bonds to the fund and taking the money for the purpose of making loans for housing and development in the city. That this highly imprudent taking of pension monies fail to succeed is our good fortune because the history of these plans is that the money is rarely repaid in full and sometimes lost in large measure.

The city did not fare as well in the second taking although it was ultimately overturned. The mayor and others decided to ignore the obligation of the city to pay the costs of the administration of the Employees Retirement System. Mayor Norquist persisted in his failure to pay even in the face of repeated judgments by courts at every level ordering the city to pay its obligated costs. When the city ran out of appeals to delay or avoid its payment, it decided to negotiate increased pension benefits in order to avoid the payment of the accumulated administrative costs. These increased benefits have resulted in increased cost to the city and its taxpayers.

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The fact that you can make this change to the charter ordinance doesn't mean you ought to make this change. The change would in fact be an imprudent legacy to the future allowing short-term gains to create long-term problems for the city and its residents.

I ask you, what relief can the city gain by this change of control. It contracts with its employees to pay wages, including pensions. These wages must be paid. The costs are created when the employee works. No change in the control of the Pension Board can make these costs go away. They can only delay the payment of present costs to the future. In many places in the United States we are seeing the problems faced by both governments and their employees and retirees when pension systems become mere creditors of their governments rather than funded trust funds. Please do not change this Charter Ordinance and create a greater likelihood that this will be the future in the City of Milwaukee.

Russell Kesery  
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