
2024 Budget Presentation

Employes' Retirement System

October 4, 2023

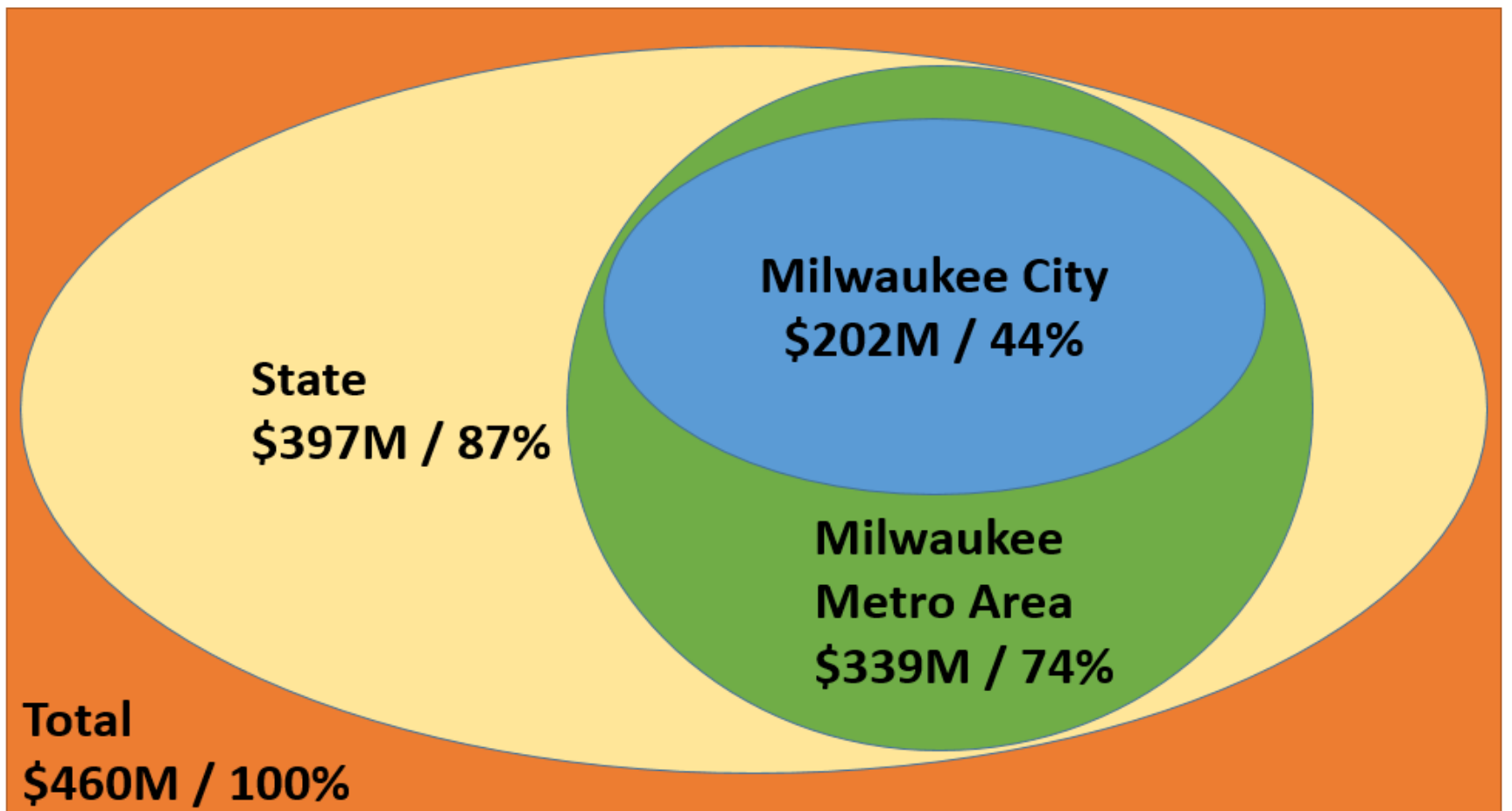
ERS Staff Demographics

Demographic	Female	Male	Total
African American	36%	2%	38%
Asian	2%	9%	11%
Hispanic	4%	2%	6%
White	13%	32%	45%
Total	55%	45%	100%

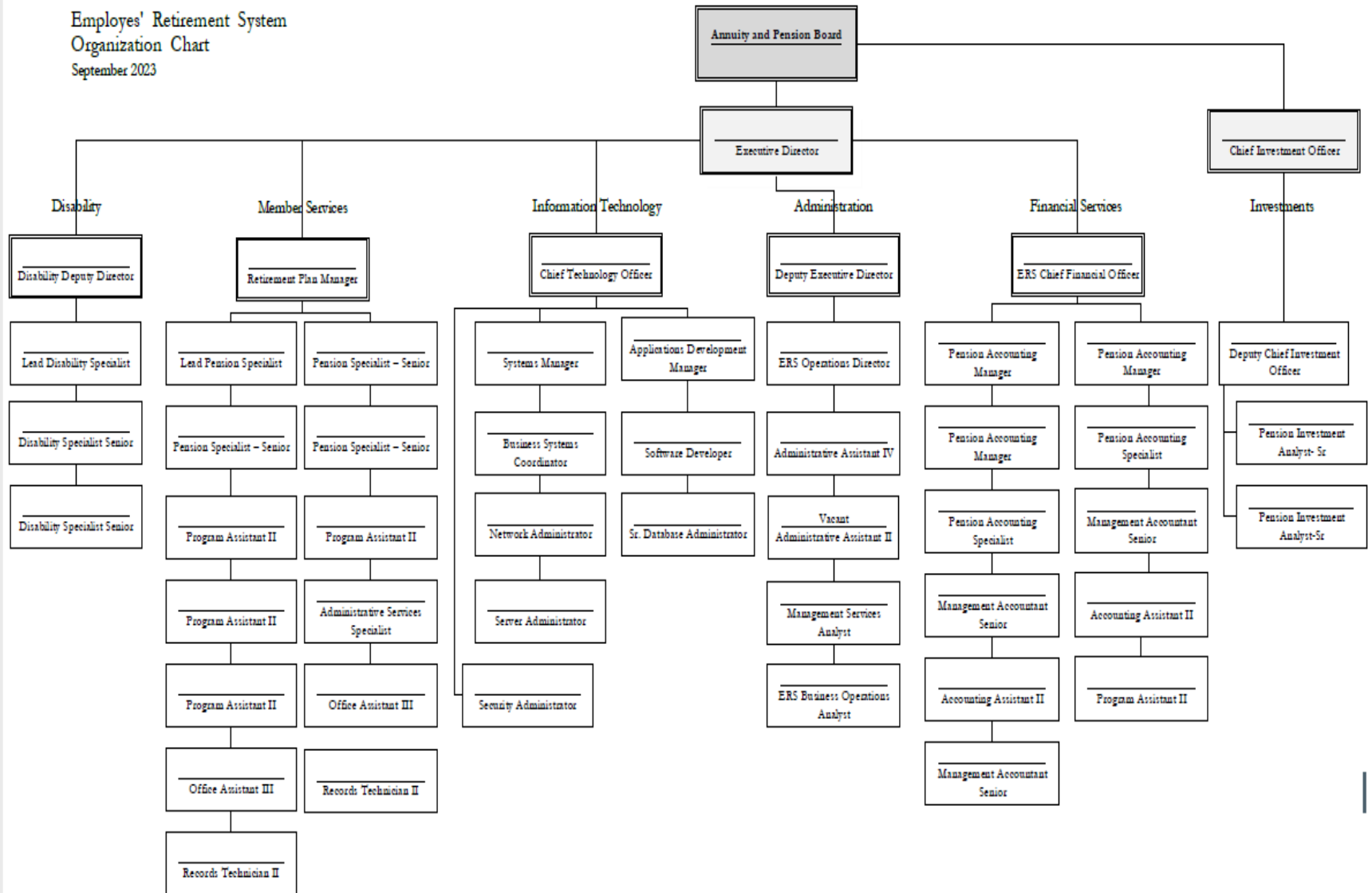
Census.gov - Milwaukee Statistics

Gender	
Male	48.5%
Female	51.5%
Race and Hispanic Origin	
White alone, percent	39.9%
Black or African American alone, percent	39.4%
American Indian and Alaska Native alone, percent	0.6%
Asian alone, percent	4.5%
Native Hawaiian and Other Pacific Islander alone, percent	0.0%
Two or More Races, percent	7.6%
Hispanic or Latino, percent	19.9%
White alone, not Hispanic or Latino, percent	33.0%

Pension Payments by Annuitant Geographic Area (projected 2023)



Employees' Retirement System
 Organization Chart
 September 2023



ERS Summary Information

ERS Member Population (1/1/2023)	General	Police	Fire	Total
Active Members	7,476	1,591	699	9,766
Pensionable Payroll Size	\$ 388.67	\$ 146.53	\$ 62.37	\$ 597.58

Retirees (1/1/2023)	All Groups
Count	13,583
Total Annual Benefits	\$ 451.05

Employer Contribution Rates	General	Police	Fire
Actuarially Determined (2023)*	19.08%	44.70%	45.19%
Stable Policy (2023)**	18.47%	46.49%	45.84%

*2024 Actuarially Determined Employer Contribution rates are under development

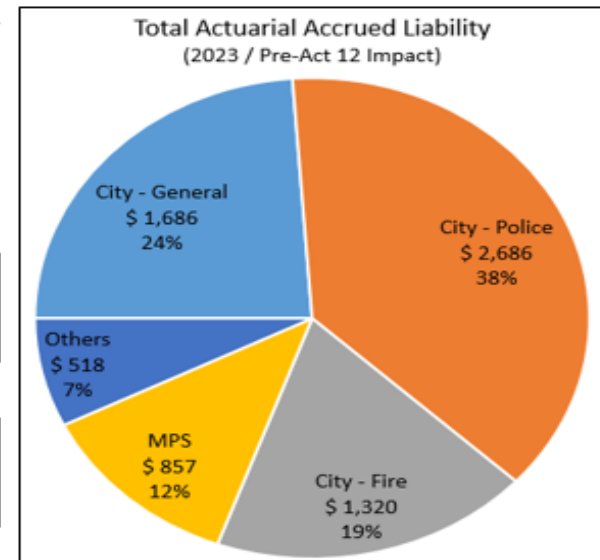
**Pursuant to WI 2023 Act 12, the Stable Policy is repealed eff. 1/1/2024

Total Actuarial Accrued Liability	
Pre-Act 12	\$ 7,053.87
Post-Act 12	\$ 7,616.35

Unfunded Actuarial Accrued Liability	Pre-Act 12	Post-Act 12
Based on Actuarial Value of Assets	\$ 1,306.26	\$ 1,868.74
Based on Market Value of Assets	\$ 1,626.76	\$ 2,189.25

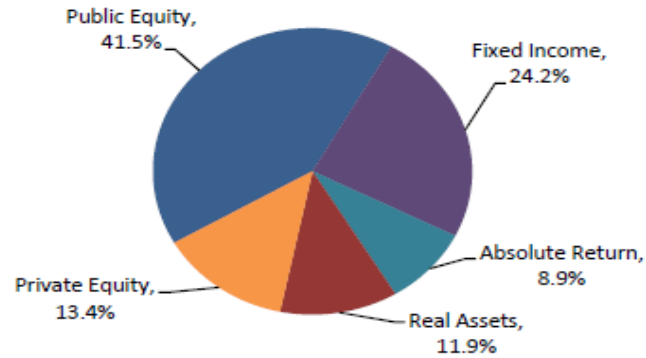
Funded Ratio	Pre-Act 12	Post-Act 12
Based on Actuarial Value of Assets	81.5%	75.5%
Based on Market Value of Assets	76.9%	71.3%

(all amounts in \$\$ millions)

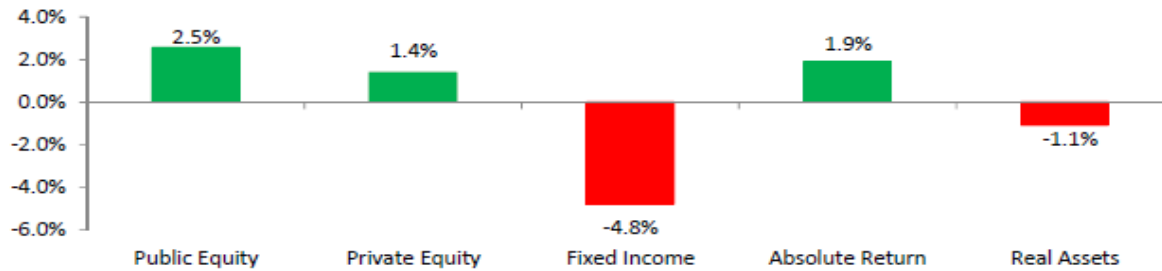


Asset Allocation as of June 30, 2023

Actual Asset Allocation*



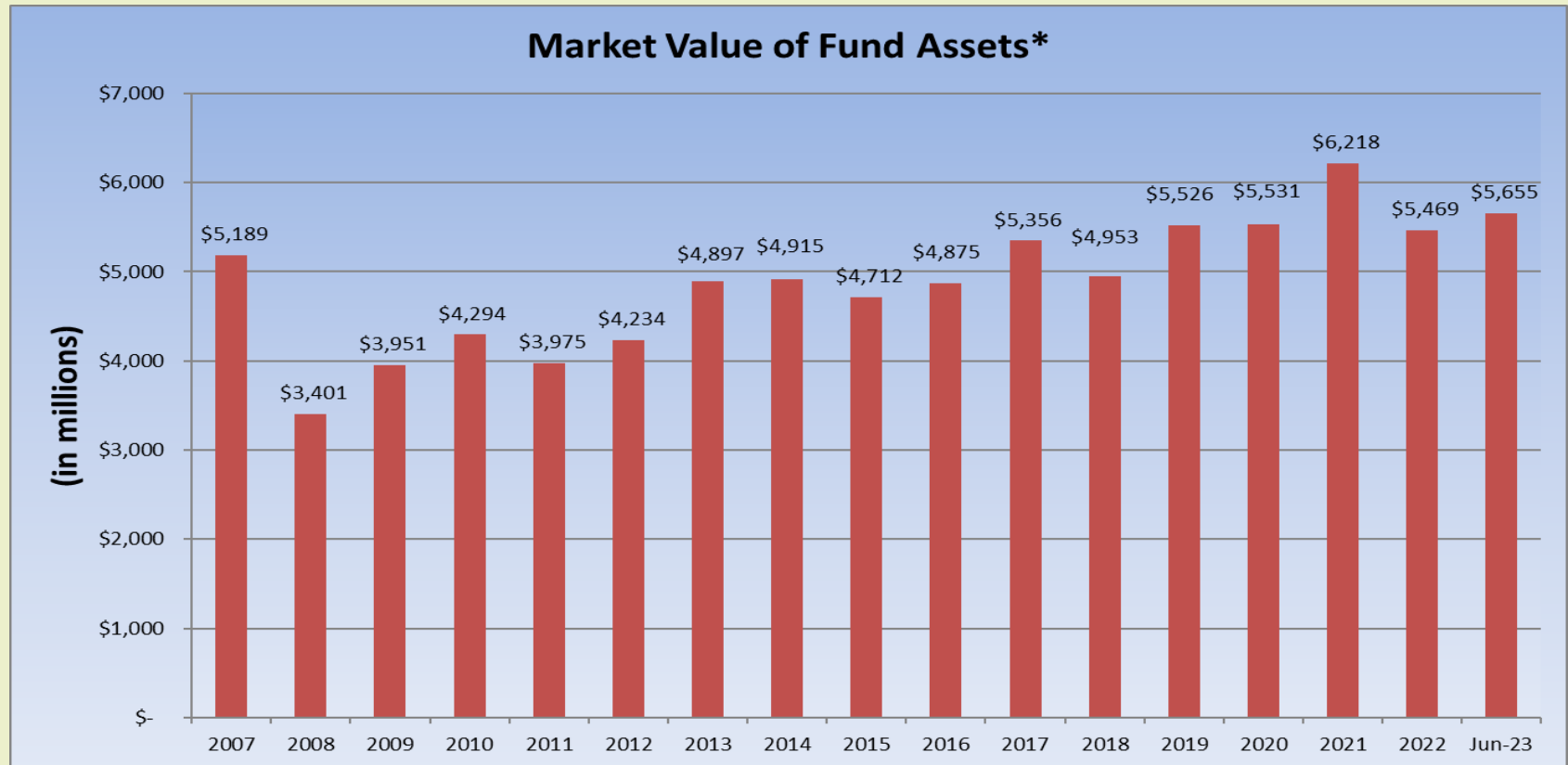
Actual Asset Allocation vs. Recently Approved Policy Target



*May not sum to 100% due to rounding; Private Equity and some Real Estate values are reported on a 1-quarter lag.

Fund Value of Assets: 2007 – June 30, 2023

(Year Ended Dates Reflect 12/31 Fund Values)



Most recent Actuarial valuation projects benefit payments to total \$5.4 billion in next 10 years.

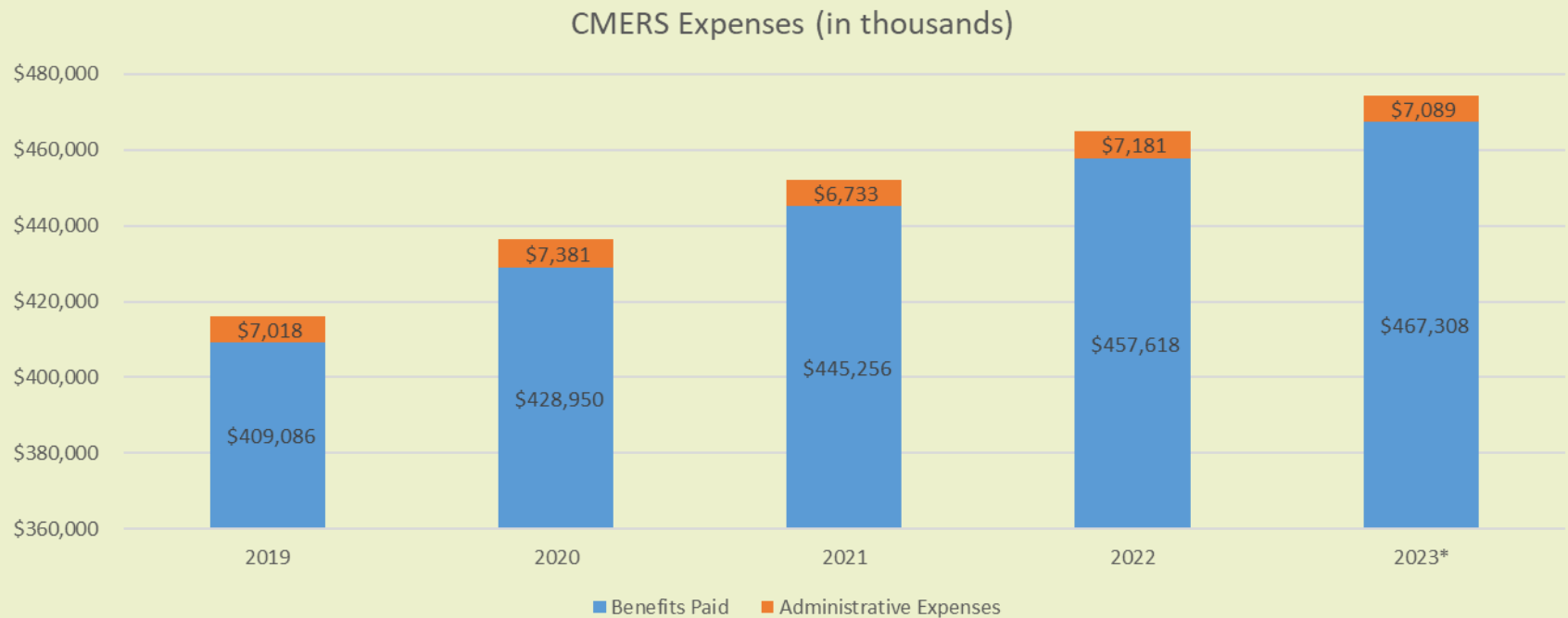
Benefit Payments	\$5.4 billion
Expenses	\$272 million
Contributions	\$1.5 billion
Investment Gain	\$4.6 billion

15 1/2 Year Estimates (1/1/2008 - 6/30/2023)

Benefit Payments, Expenses, Contributions, and Investment Gain amounts are calculated using estimates of cash flows into and out of the Fund. These amounts are not audited and may not tie to CMERS Financial Statements.

*Private Equity and some Real Estate values are reported on a 1-quarter lag.

Benefit Payments Increased by 14% From 2018 to 2023



*2023 Benefits Paid and Administrative expenses are projected through the end of 2023 using data available through June 30th



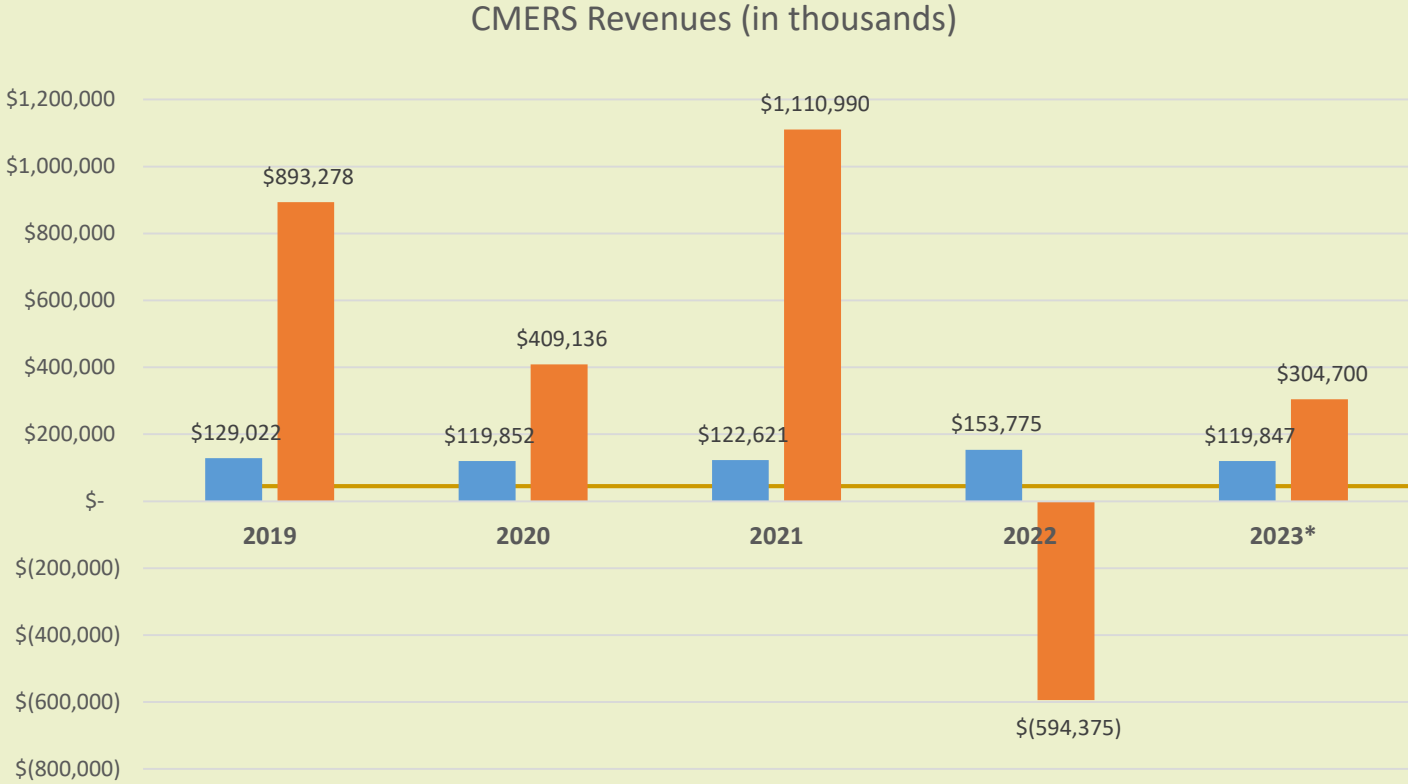
SECTION V: SYSTEM LIABILITIES

TABLE 14
Expected Benefit Payments

<u>Year End</u>	<u>Current Inactives</u>	<u>Current Actives</u>	<u>Total</u>
2023	\$455,178,000	\$16,578,000	\$471,756,000
2024	457,236,000	27,413,000	484,649,000
2025	458,525,000	37,995,000	496,520,000
2026	459,729,000	49,183,000	508,912,000
2027	460,070,000	61,830,000	521,900,000
2028	460,035,000	76,021,000	536,056,000
2029	459,734,000	90,384,000	550,118,000
2030	458,207,000	104,212,000	562,419,000
2031	456,279,000	118,405,000	574,684,000
2032	453,292,000	133,468,000	586,760,000
2033	449,983,000	149,992,000	599,975,000
2034	445,140,000	166,656,000	611,796,000
2035	439,746,000	181,972,000	621,718,000
2036	433,506,000	197,063,000	630,569,000
2037	426,884,000	211,877,000	638,761,000
2038	418,746,000	226,082,000	644,828,000
2039	409,974,000	240,845,000	650,819,000
2040	400,362,000	255,282,000	655,644,000
2041	389,730,000	269,033,000	658,763,000
2042	378,442,000	283,793,000	662,235,000

Note: Cash flows are the expected future non-discounted payments to current members. These numbers exclude refund payouts to current non-vested inactive members and assume all actuarial assumptions are met in the future, including the retirement assumption.

Investment Income is 77% of Revenue from 2018 - 2023



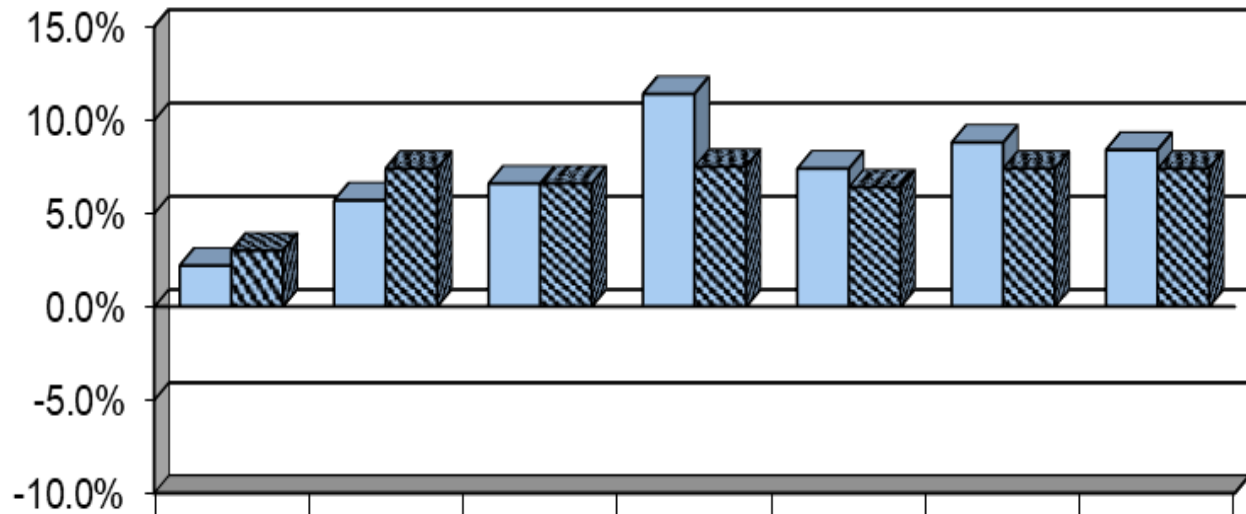
*2023 Net investment income and contributions are estimated through June 30th

■ Contributions ■ Net Investment Income



CMERS Investment Performance History Periods Ending June 30, 2023

June 30, 2023

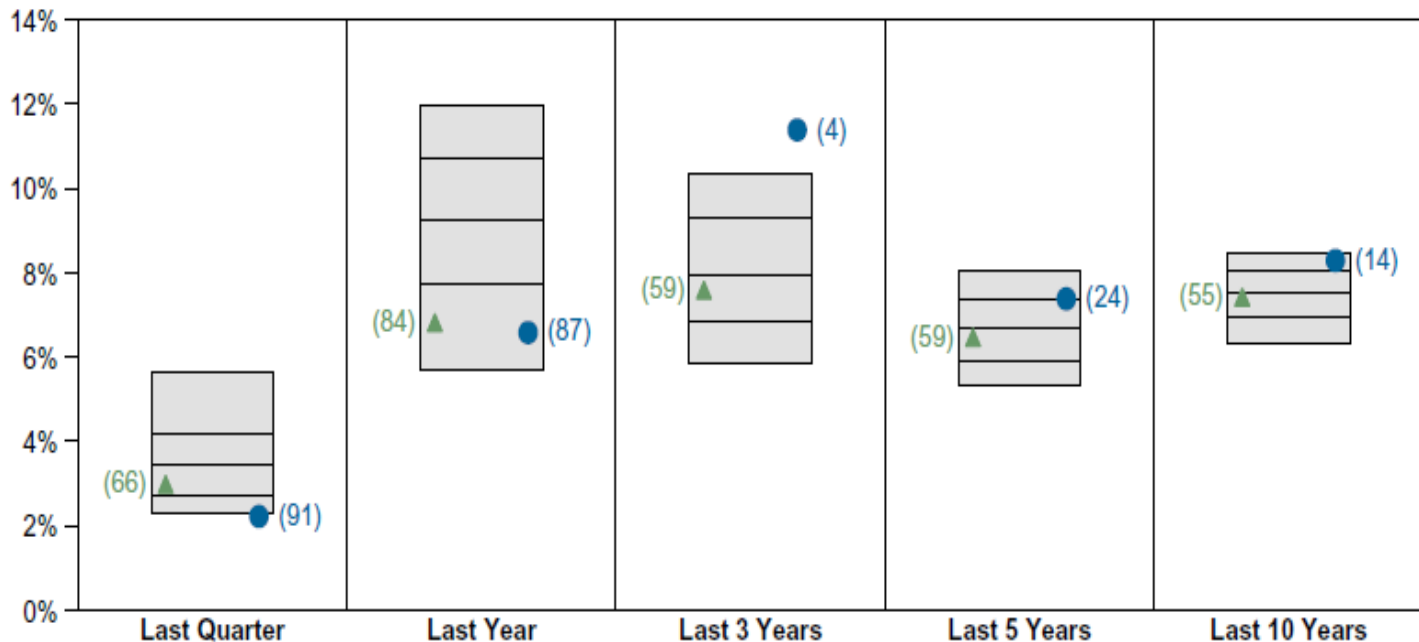


	3 Mo.	YTD	1 Year	3 Years	5 Years	7 Years	10 Years
■ Total Fund Gross	2.2%	5.7%	6.6%	11.4%	7.4%	8.8%	8.4%
▨ Total Fund Benchmark	3.0%	7.4%	6.6%	7.5%	6.4%	7.4%	7.4%

■ Total Fund Gross ▨ Total Fund Benchmark

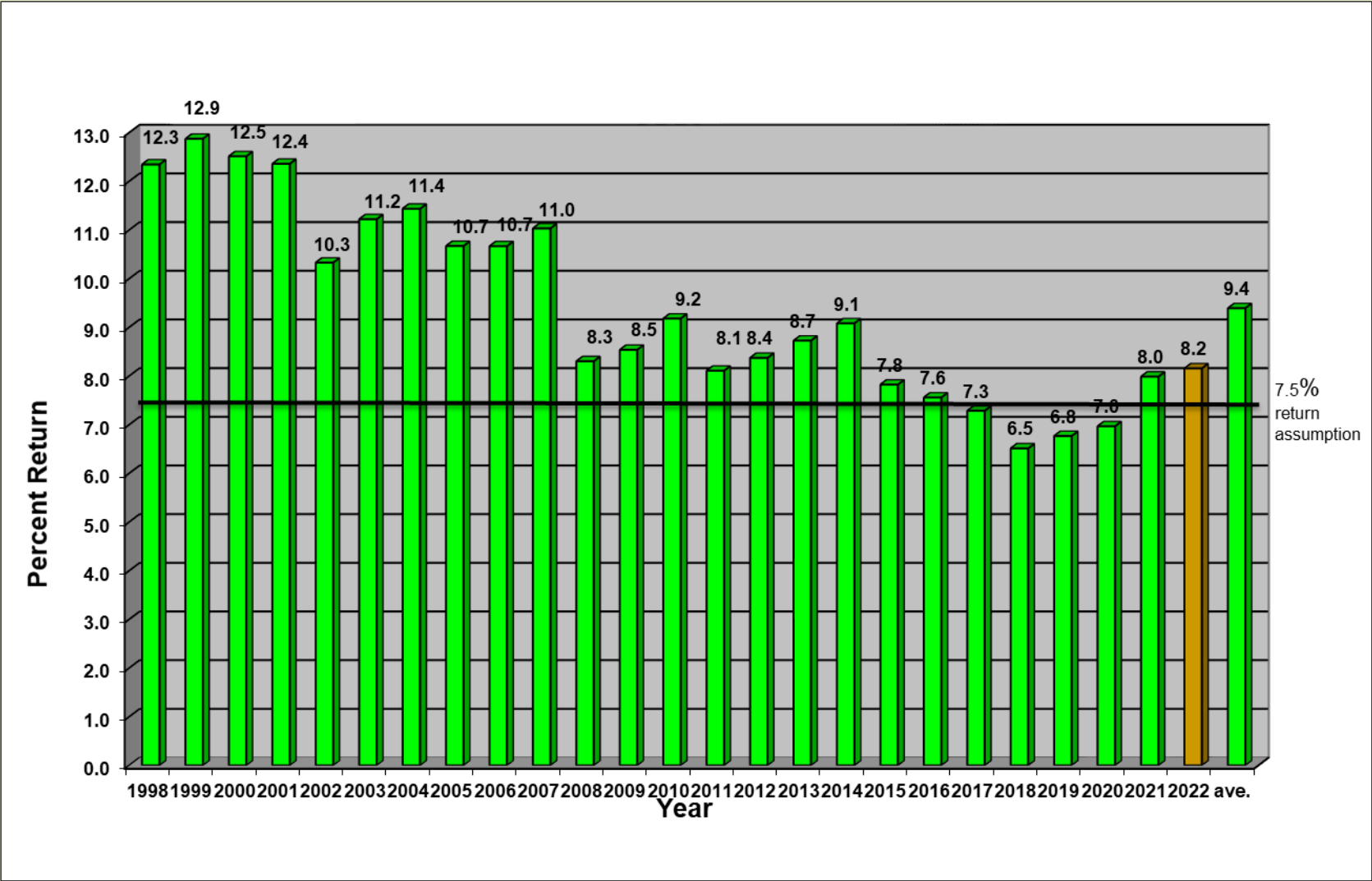
Investment Performance for Periods Ending June 30, 2023

Performance vs Callan Public Fund Sponsor Database (Gross)

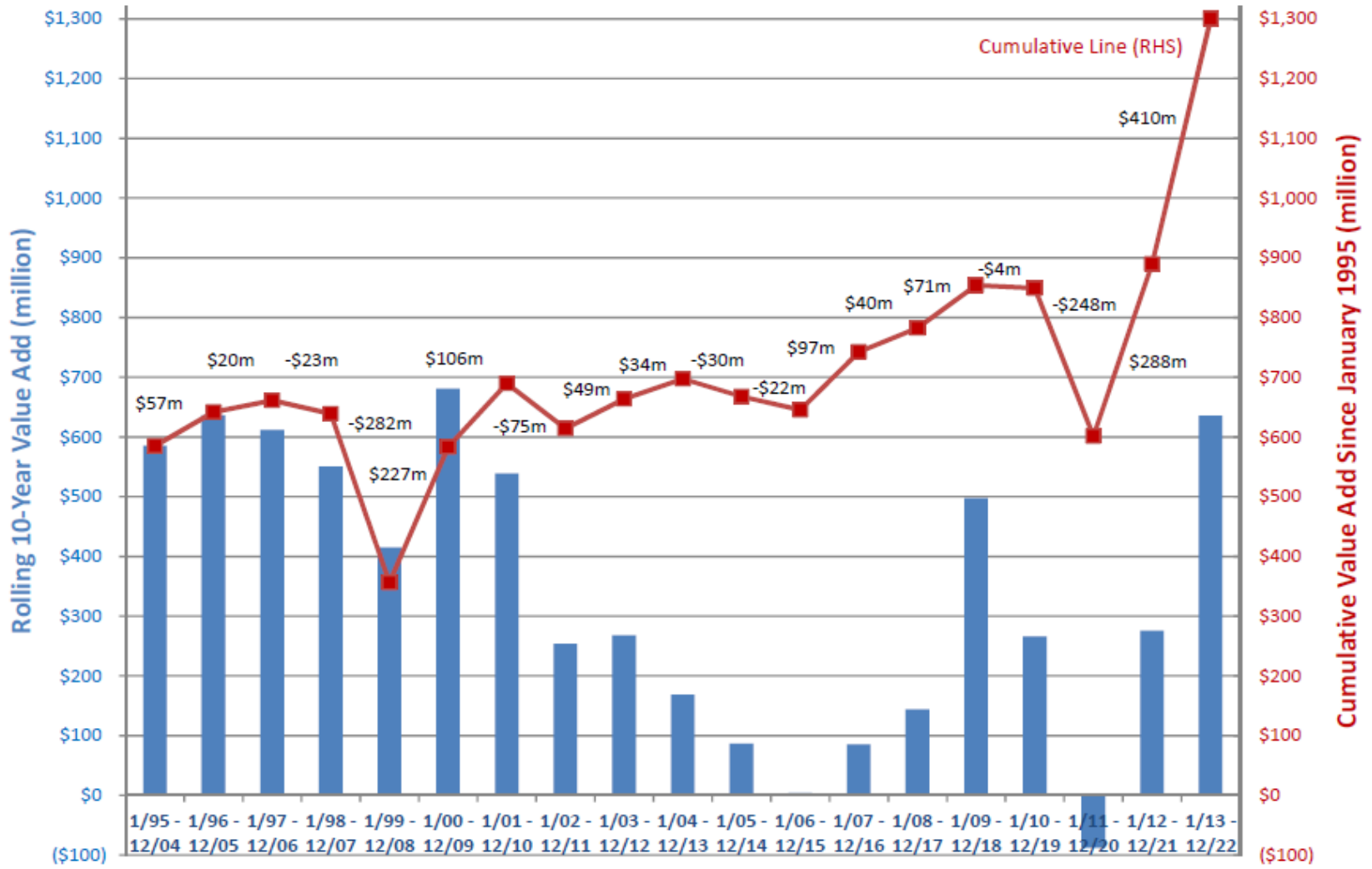


10th Percentile	5.62	11.98	10.35	8.04	8.47
25th Percentile	4.16	10.71	9.31	7.35	8.05
Median	3.46	9.27	7.96	6.71	7.54
75th Percentile	2.73	7.76	6.85	5.88	6.93
90th Percentile	2.28	5.70	5.84	5.35	6.34
Total Fund ●	2.22	6.58	11.38	7.38	8.29
Total Fund Index ▲	2.98	6.82	7.59	6.46	7.42

ERS 20 Year Rolling Ave. Investment Returns 1978-2022

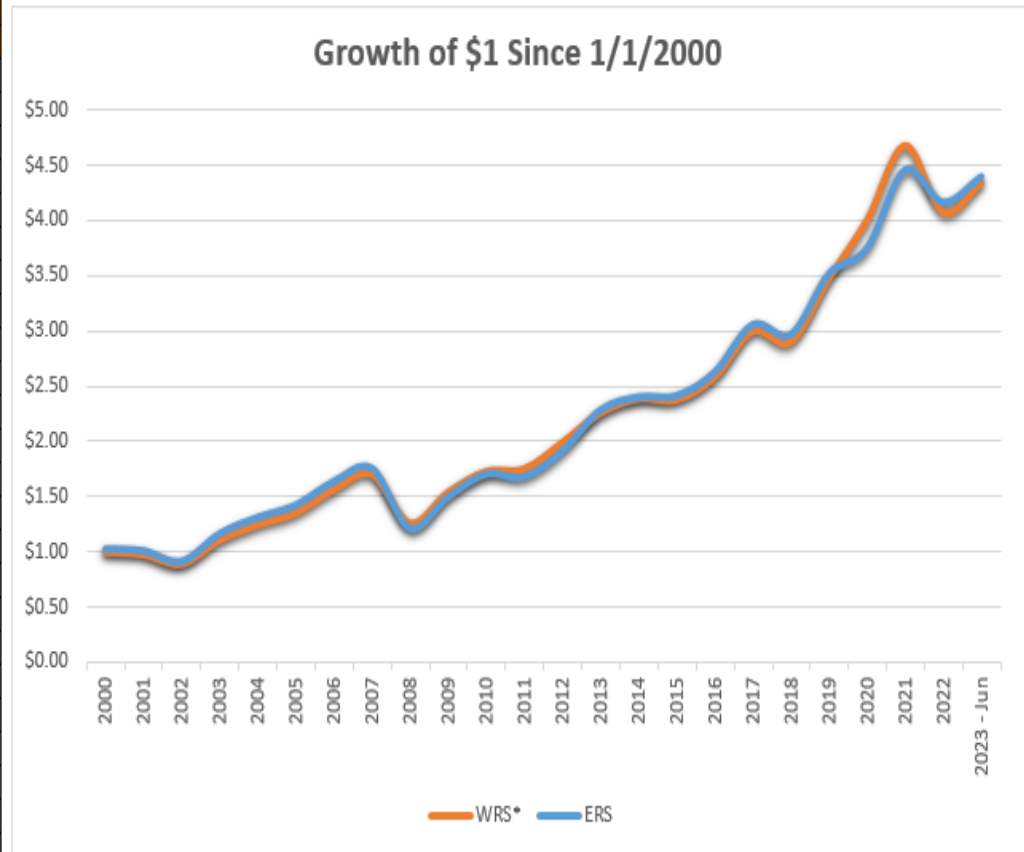


Historical Value Add - 1995 - 2022 CMERS Total Fund (everything except Real Assets)



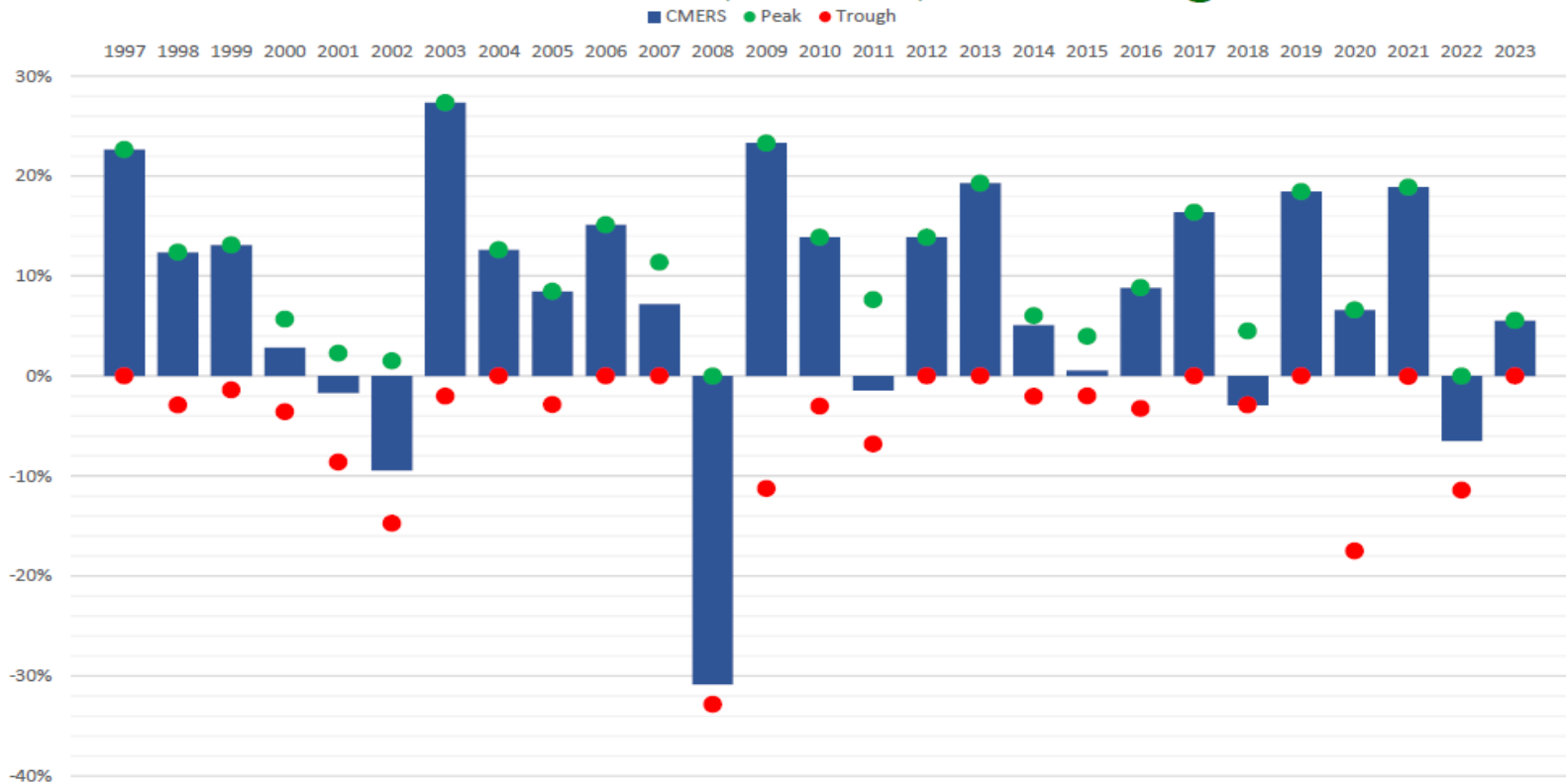
Growth of \$1 Since 2000

Year	Rates of Return			Growth of \$1		
	ERS	WRS*	Higher	ERS	WRS*	Higher
2000	2.84%	-0.80%	ERS	\$ 1.03	\$ 0.99	ERS
2001	-1.68%	-2.30%	ERS	\$ 1.01	\$ 0.97	ERS
2002	-9.44%	-8.80%	WRS	\$ 0.92	\$ 0.88	ERS
2003	27.34%	24.20%	ERS	\$ 1.17	\$ 1.10	ERS
2004	12.61%	12.80%	WRS	\$ 1.31	\$ 1.24	ERS
2005	8.46%	8.60%	WRS	\$ 1.42	\$ 1.34	ERS
2006	15.13%	15.80%	WRS	\$ 1.64	\$ 1.56	ERS
2007	7.21%	8.80%	WRS	\$ 1.76	\$ 1.69	ERS
2008	-30.84%	-26.20%	WRS	\$ 1.22	\$ 1.25	WRS
2009	23.30%	22.40%	ERS	\$ 1.50	\$ 1.53	WRS
2010	13.86%	12.30%	ERS	\$ 1.71	\$ 1.72	WRS
2011	-1.43%	1.40%	WRS	\$ 1.68	\$ 1.74	WRS
2012	13.88%	13.70%	ERS	\$ 1.92	\$ 1.98	WRS
2013	19.29%	13.60%	ERS	\$ 2.29	\$ 2.25	ERS
2014	5.09%	5.70%	WRS	\$ 2.40	\$ 2.38	ERS
2015	0.54%	-0.40%	ERS	\$ 2.41	\$ 2.37	ERS
2016	8.83%	8.60%	ERS	\$ 2.63	\$ 2.57	ERS
2017	16.38%	16.20%	ERS	\$ 3.06	\$ 2.99	ERS
2018	-2.91%	-3.30%	ERS	\$ 2.97	\$ 2.89	ERS
2019	18.44%	19.90%	WRS	\$ 3.52	\$ 3.47	ERS
2020	6.62%	15.20%	WRS	\$ 3.75	\$ 3.99	WRS
2021	18.90%	16.89%	ERS	\$ 4.46	\$ 4.67	WRS
2022	-6.60%	-12.92%	ERS	\$ 4.16	\$ 4.07	ERS
2023 - Jun	5.56%	6.50%	WRS	\$ 4.40	\$ 4.33	ERS



* WRS core fund rates of return used for this comparison
 Values are net of fee
 2023 returns are preliminary / unaudited values

Annual Returns, Peaks, and Troughs

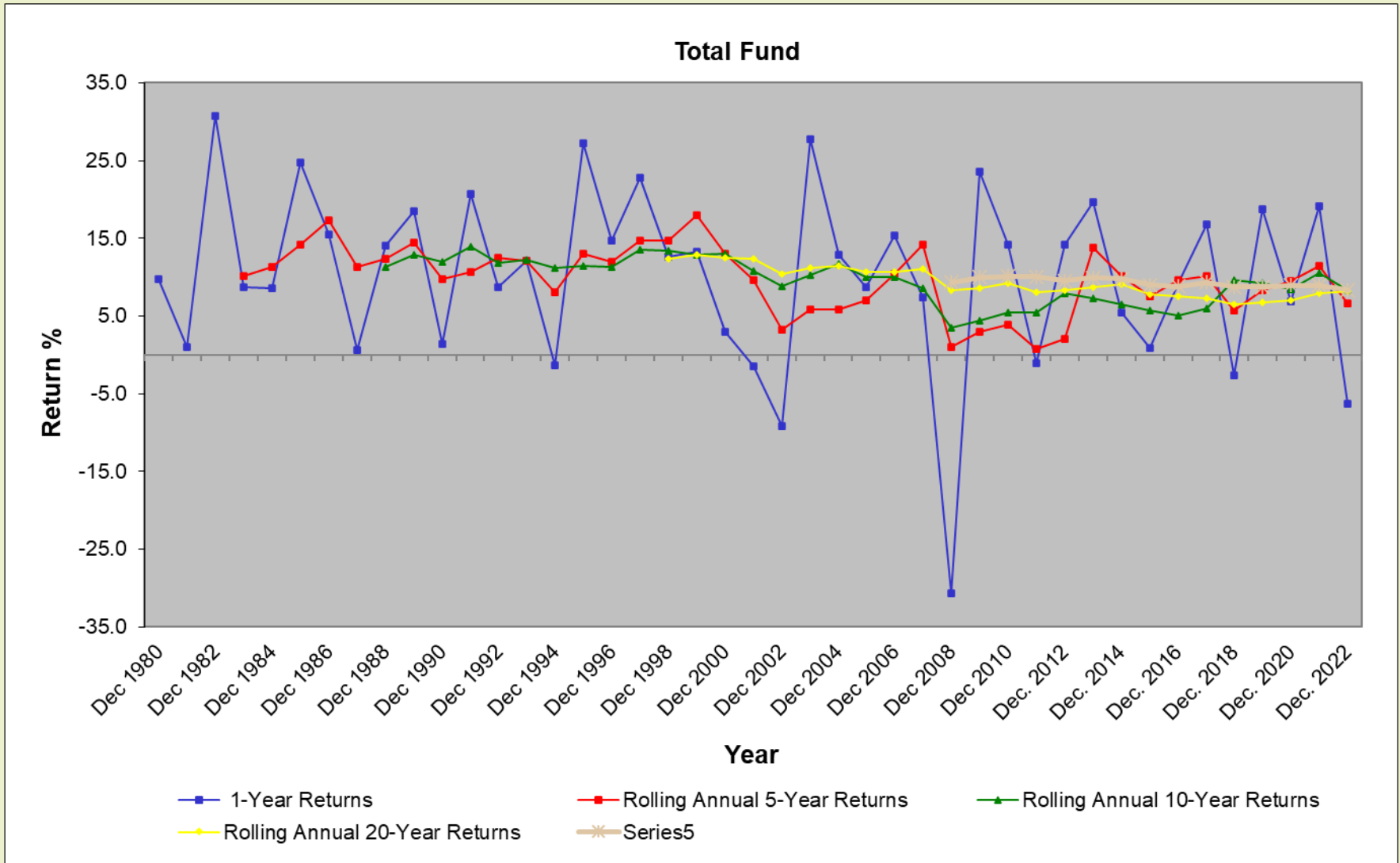


	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD 2023
CMERS	22.7%	12.4%	13.1%	2.8%	-1.7%	-9.4%	27.3%	12.6%	8.5%	15.1%	7.2%	-30.8%	23.3%	13.9%	-1.4%	13.9%	19.3%	5.1%	0.5%	8.8%	16.4%	-2.9%	18.4%	6.6%	18.9%	-6.5%	5.6%
Peak	22.7%	12.4%	13.1%	5.7%	2.3%	1.5%	27.3%	12.6%	8.5%	15.1%	11.4%	0.0%	23.3%	13.9%	7.6%	13.9%	19.3%	6.0%	4.0%	8.8%	16.4%	4.5%	18.4%	6.6%	18.9%	0.0%	5.6%
Trough	0.0%	-2.9%	-1.4%	-3.6%	-8.6%	-14.7%	-2.0%	0.0%	-2.9%	0.0%	0.0%	-32.9%	-11.3%	-3.0%	-6.8%	0.0%	0.0%	-2.1%	-2.0%	-3.3%	0.0%	-2.9%	0.0%	-17.5%	0.0%	-11.4%	0.0%

*Net of Fees



Rolling Fund Returns 1979 - 2022





Act 12 Provisions Significantly Impact CMERS

- CMERS is soft-closed effective January 1, 2024
- Stable Employer Contribution is repealed
- 30-year amortization of unfunded actuarial accrued liability
- Investment return assumption no higher than WRS



2023 Wisconsin Act 12 Analysis prepared for the City of Milwaukee Employees' Retirement System
Presented July 24, 2023 by Cavanaugh Macdonald Consulting, LLC



Comparative Summary of Assets and Liabilities for Combined Fund Before and After Act 12



	January 1, 2023		% Change
	Before Act 12	After Act 12	
Assets and Liabilities			
a. Asset Values (includes contributions receivable)			
(i) Actuarial Value of Assets (AVA)	\$5,747,610,000	\$5,747,610,000	0.0%
(ii) Market Value of Assets (MVA)	\$5,427,104,000	\$5,427,104,000	0.0%
b. Actuarial Accrued Liability (AAL)	\$7,053,868,000	\$7,616,350,000	8.0%
c. Funded Status			
(i) Unfunded AAL (Based on AVA)	\$1,306,258,000	\$1,868,740,000	43.1%
(ii) Funded Ratio (Based on AVA)	81.5%	75.5%	(6.0%)
(iii) Unfunded AAL (Based on MVA)	\$1,626,764,000	\$2,189,246,000	34.6%
(iv) Funded Ratio (Based on MVA)	76.9%	71.3%	(5.6%)

- Act 12 has no impact of January 1, 2023 assets.
- The only impact of Act 12 on January 1, 2023 actuarial accrued liability is the reduction in discount rate to 6.80%.
- This increased UAAL and decreased funded ratio.
- The soft plan closure does not occur until January 1, 2024 and as a result does not impact the actuarial accrued liability.



Projected Employer Contributions based on Act 12 and Proposed Recommendations



Projected Contributions for Calendar Year based on Proposed Recommendations
\$ Thousands

	2023	2024	2025	2026	2027
1) City of Milwaukee					
a) General	\$35,067	\$48,492	\$46,977	\$48,892	\$50,690
b) Police	68,121	85,955	85,932	91,481	96,526
c) Fire	28,592	40,443	40,294	42,805	45,169
d) Total City	\$131,780	\$174,890	\$173,203	\$183,178	\$192,385
2) Non-City Employers					
a) Water Dept	\$3,594	4,494	\$4,382	\$4,573	\$4,753
b) School Board	26,204	27,349	26,409	27,356	28,272
c) Milwaukee Technical College	0	259	237	237	234
d) Sewerage Commission	4,249	5,560	5,378	5,601	5,817
e) Veolia	134	1,408	1,352	1,417	1,473
f) Wisconsin Center District	1,259	980	952	971	1,006
g) Housing Authority	1,282	1,934	1,880	1,971	2,059
h) Total Non-City	\$36,722	\$41,984	\$40,590	\$42,126	\$43,614
3) Total System: 1d + 2h	\$168,502	\$216,874	\$213,793	\$225,304	\$235,999

Amounts shown are as of January 1 of each year. Interest at 6.80% per year (7.50% for 2023) is added for contributions made after January 1.

A breakdown of the projected dollar contributions by agency based on our recommendations is shown above:

- The 2023 amounts were presented at the June 2023 Board meeting
- The amounts for 2024 and beyond reflect the impact of Act 12, including our recommendations; these are the actual amounts to be contributed as of January 1, 2024 if our recommendations are adopted.
- The 2025 through 2027 amounts are projected; these amounts will be updated in subsequent actuarial valuations.



Mr. Jerry Allen
 August 22, 2023
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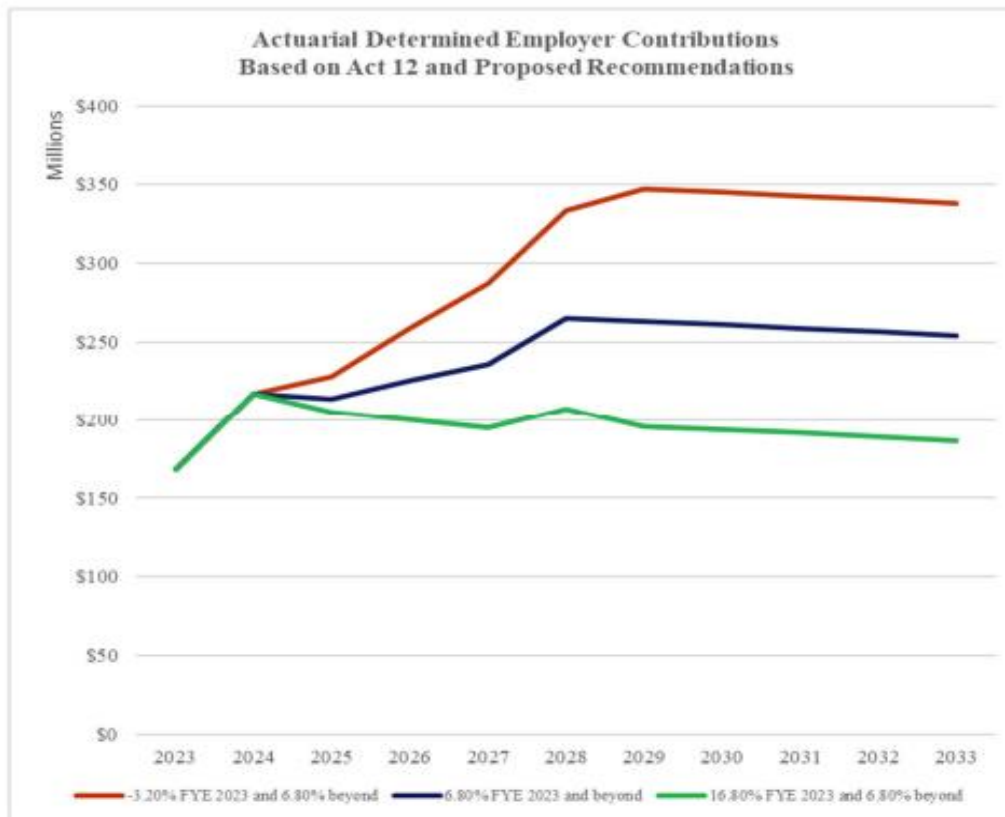
Exhibit 4										
Projected Employer Contributions to CMERS Combined Fund Eligible To Be Paid from Act 12 Tax Proceeds*										
Based on Provisions of Act 12										
\$ Thousands										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
1) City of Milwaukee										
a) General	\$ 40,421	\$ 38,399	\$ 39,874	\$ 41,279	\$ 46,951	\$ 45,443	\$ 44,040	\$ 43,059	\$ 42,558	\$ 42,051
b) Police	62,029	62,016	67,520	72,374	84,459	84,069	83,831	83,465	82,787	81,571
c) Fire	28,921	28,798	31,308	33,650	39,504	39,348	39,154	38,966	38,729	38,366
d) Total City	\$131,371	\$129,213	\$138,702	\$147,303	\$170,914	\$168,860	\$167,025	\$165,490	\$164,074	\$161,988
2) Non-City Employers										
a) Water Dept	\$ 711	\$ 572	\$ 444	\$ 322	\$ 220	\$ 134	\$ 44	\$ 0	\$ 0	\$ 0
b) School Board	4,257	2,908	1,837	870	0	0	0	0	0	0
c) Milwaukee Technical College	12	11	11	10	9	9	8	7	7	6
d) Sewerage Commission	803	644	515	415	339	252	179	105	41	0
e) Veolia	76	55	30	13	1	0	0	0	0	0
f) Wisconsin Center District	217	168	109	77	51	29	8	0	0	0
g) Housing Authority	263	192	137	88	33	0	0	0	0	0
h) Total Non-City	\$ 6,339	\$ 4,550	\$ 3,083	\$ 1,795	\$ 653	\$ 424	\$ 239	\$ 112	\$ 48	\$ 6
3) Total System: 1d + 2h	\$137,710	\$133,763	\$141,785	\$149,098	\$171,567	\$169,284	\$167,264	\$165,602	\$164,122	\$161,994

*Amounts shown are as of January 1.

As noted under items one and two above, UAAL payments for non-City agencies are not included.



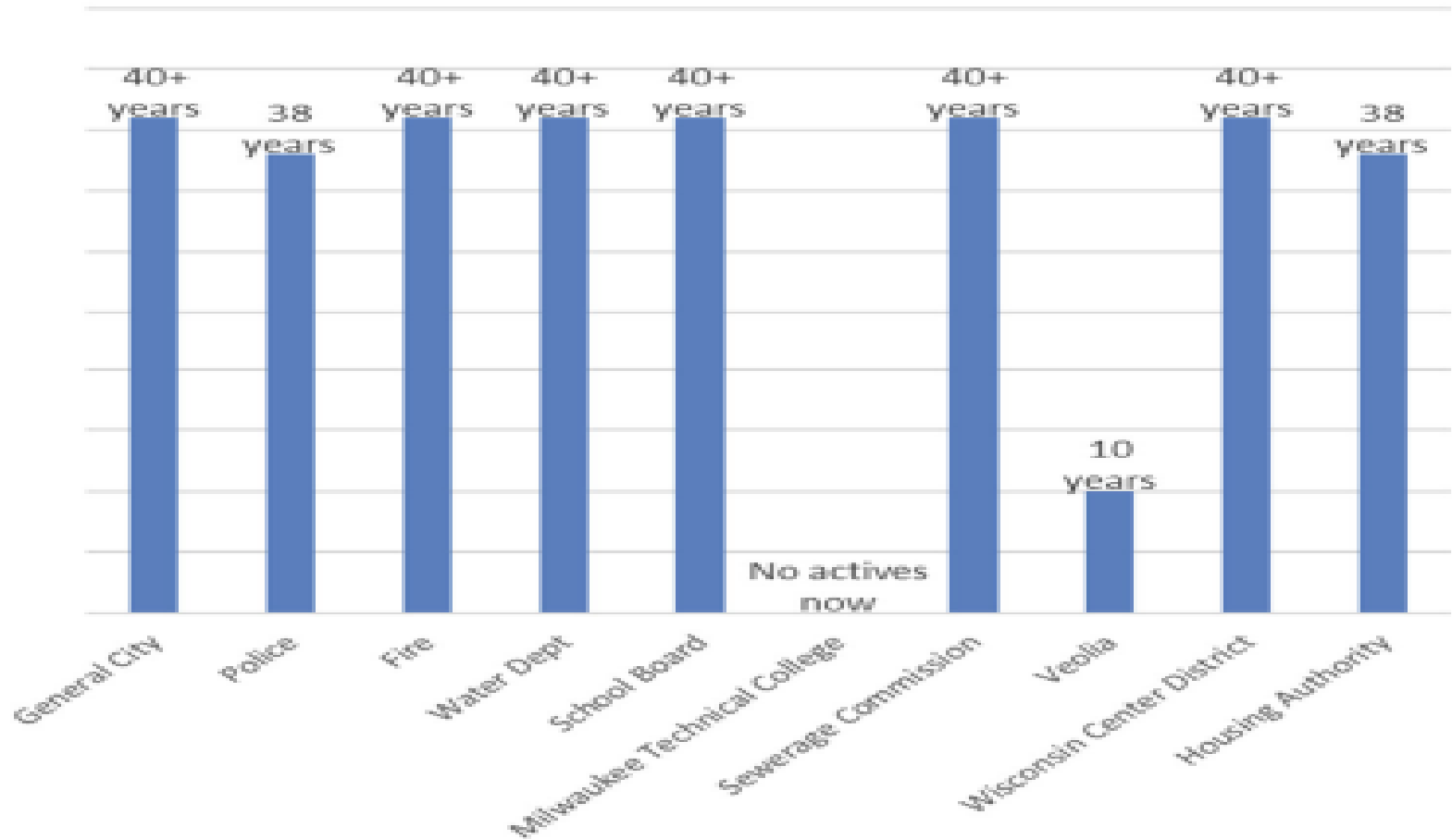
Projected Combined Fund ADEC: Based on FYE 2023 returns of 6.80%, -3.20% and 16.80%



- The graphs to the left contains projections of employer contributions under alternate investment returns in FYE 2023 and 6.80% thereafter.
- Under the five-year asset smoothing, the impact of returns that differ from the 6.80% return assumption is phased in over five years.
- This means that the full impact of the 2022 return will not be fully reflected until the January 1, 2027 actuarial valuation, and the employer contributions are projected to increase if 6.80% is achieved.
- Note that the steady decrease after 2029 is due to the closure of the plan resulting in decreasing benefit accruals



Projected Years Until Last Active Employee in CMERS



APPENDIX

CMERS Participants Headcount (Active, Deferred, and Retired) (as of August 24, 2023)

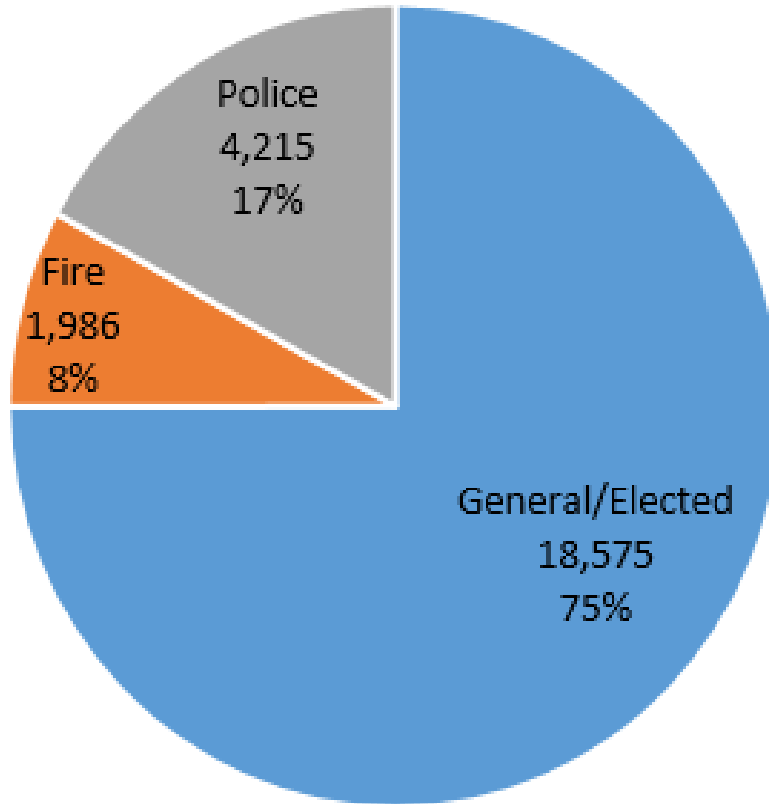
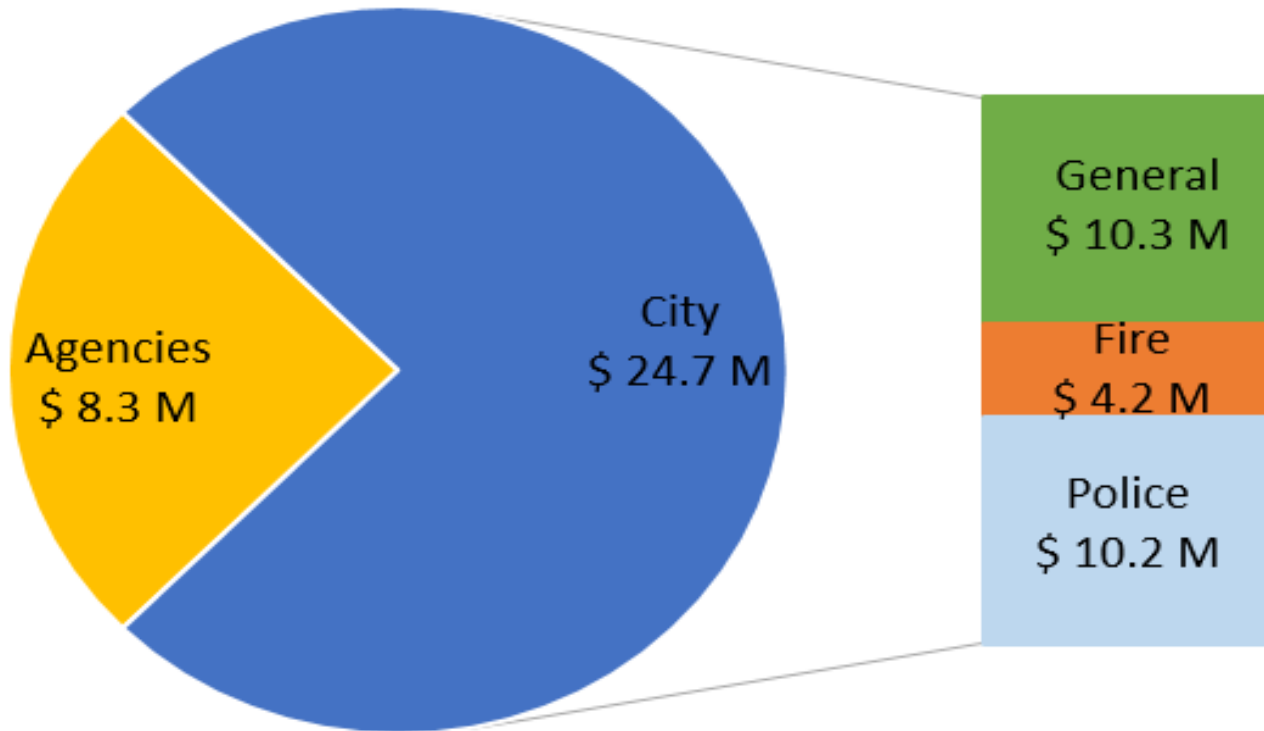


Chart does not include survivors/beneficiaries in payment

Total Annual Member Contributions

(in millions)
(projected for 2023)



Projected Total Member Contributions \approx \$33 M

Annual Member Contributions (projected for 2023)

Employer / Group	Reported through PP17-2023*				Straightline Projection for FY2023			
	Pensionable Wages	Employer Paid Member Contributions	Employee Paid Member Contributions	Total Member Contributions	Pensionable Wages	Employer Paid Member Contributions	Employee Paid Member Contributions	Total Member Contributions
City-FD	36,113,291	0	2,527,922	2,527,922	60,374,128	0	4,226,175	4,226,175
City-GC	129,817,943	0	6,136,195	6,136,195	217,557,022	0	10,278,981	10,278,981
City-PD	86,365,161	0	6,045,157	6,045,157	145,204,146	0	10,163,766	10,163,766
City-Total	252,296,395	0	14,709,274	14,709,274	423,135,297	0	24,668,921	24,668,921
Agencies	104,482,703	21,547	4,862,329	4,883,876	176,854,639	36,097	8,215,277	8,251,374
Grand Total	\$ 356,779,098	\$ 21,547	\$ 19,571,603	\$ 19,593,151	\$ 599,989,936	\$ 36,097	\$ 32,884,198	\$ 32,920,295

*for some employers data has been reported through PP16-2023

ERS Governance

- The Annuity & Pension Board (Board), the governing body of ERS, is a separate city agency and an independent corporate entity under state law, an IRS qualified plan fiduciary and is required by state law to fulfill its fiduciary duty of loyalty to ERS members and beneficiaries by acting solely in their interests to the exclusion of all other considerations.
- The Board can lawfully act in furtherance of social policy objectives only to the extent they do not conflict with its fiduciary duty of loyalty to members and beneficiaries and if such actions are merely incidental to its principle obligation to administer the retirement system.
- ERS is prohibited by state and federal law from using pension trust funds to deliver services, sponsor programs or provide resources to city residents.

ERS Governance Con't.

- ERS established by Wisconsin Laws of 1936 as revised by 1947 session laws as an independent legal and financial entity to provide pension benefits and Annuity & Pension Board established as plan administrator and MCC-36 adopted pursuant to state statute
- Annuity & Pension Board governance of ERS confirmed by 2018 state supreme court decision and reaffirmed under Act 12 with modifications for state mandated funding requirements and state financial audit
- Common law of Trusts (3rd Restatement of Trusts) provides for independent administration of a trust by the trustee(s) from the settlor (plan sponsor)
- IRS tax qualified retirement plan trust must be administered pursuant to provisions of plan document (MCC-36)

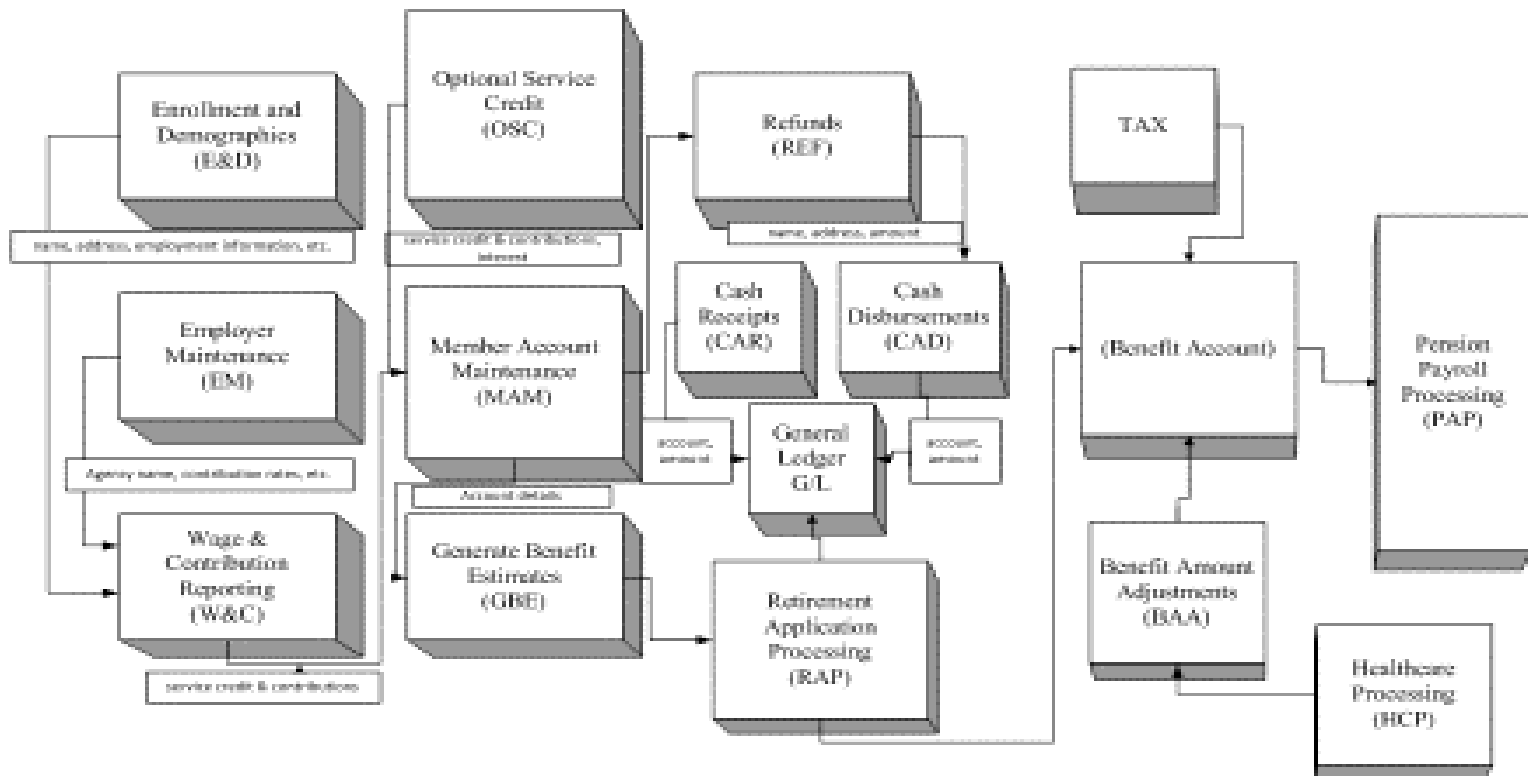
Why Does ERS Have a separate IT Platform and Staff

- Dating to January 1, 2000 the City settled multiple pension lawsuits pursuant to a Global Pension Settlement (GPS) that enabled the City to transfer the cost of ERS administration to the pension trust which was previously bourn by the City, including investment management fees (approx. \$88 million for 2021 resulting in return of approx. \$1 billion) and general administration expense.
- The GPS expressly provides that the pension system will bear the cost of developing and maintaining an IT system which ultimately cost approx. \$25 million establish and more annually to operate and maintain per CA opinion dated June 16, 2006:

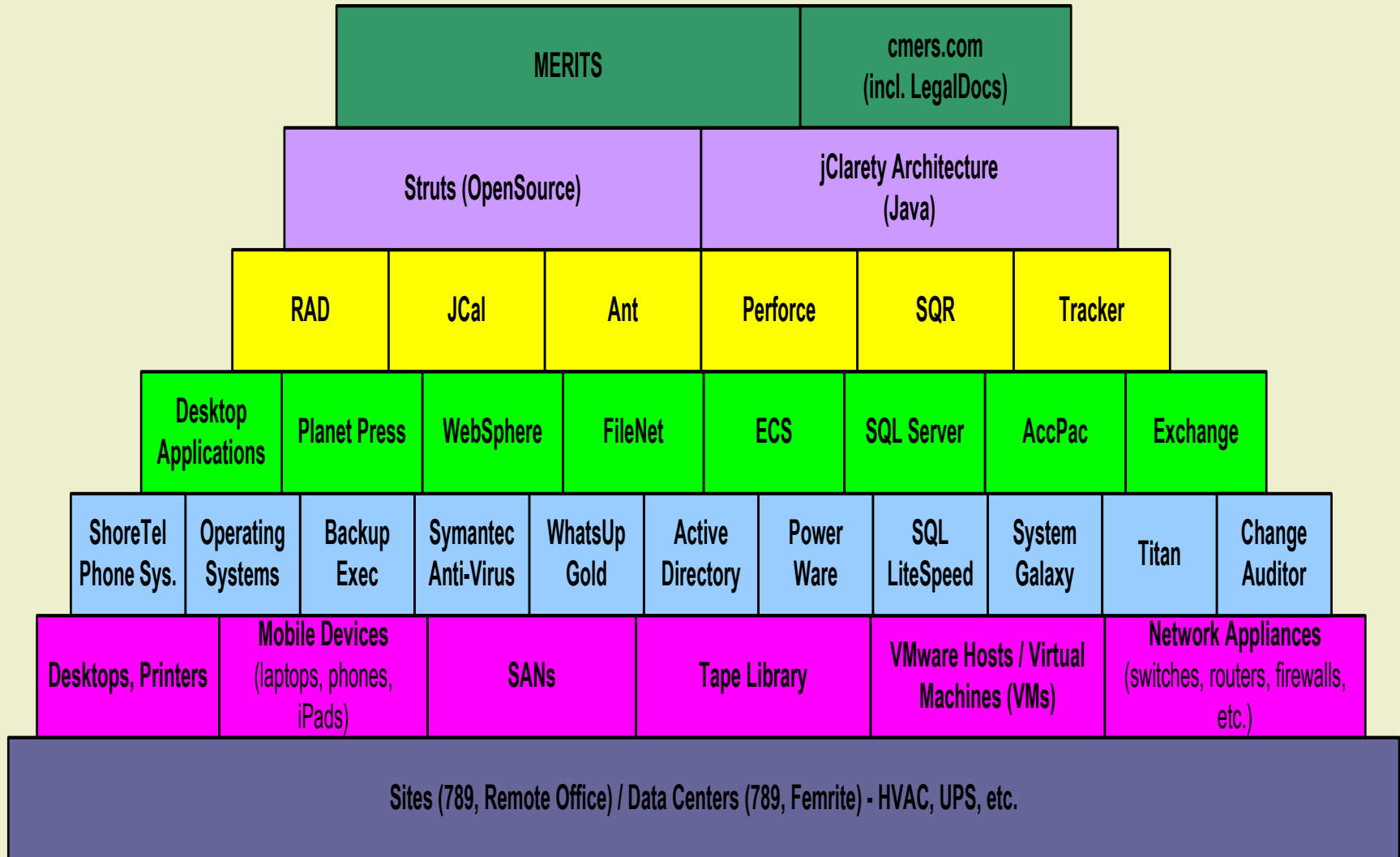
As a result of the Global Pension Settlement, effective January 1, 2000, responsibility for the payment of all expenses in connection with the administration of the ERS, *including computerization related expenses*, was transferred from the City to the combined fund of the ERS. Section 36-08-9-a. The ERS, in our opinion, is therefore responsible for any computerization related expenses associated with the determination and distribution of benefits, including any software program changes necessitated by new pension benefits.

- 36-09-8-a - “Annually, the board shall estimate the amount of money which shall be deemed necessary to provide for the expense of operation of the retirement system. On or before the second Tuesday in May of each year the board shall file with the mayor a detailed statement of all estimated expenses which are to be incurred during the ensuing calendar year. Such statement shall be reviewed and approved as are all other budgetary requests under ch. 18. (emphasis added)”

ERS IT Functional Areas



ERS Software Platform



City Charter and State Law Requirements

- Employer contributions are due and payable in full by December 31 of the year following the current year as **determined** by the independent actuary (MCC 36-08).
- Employer contributions must be certified by the Annuity and Pension Board and calculations must adhere to Actuarial Standards of Practice (MCC 36-08 and 36-15), except as otherwise required by state law (e.g. 2023 Act12).
- ERS vested benefits are a contractual obligation of the City under state law and can not be diminished or impaired w/o consent of the Member (WI Laws Chapter 441, Laws of 1947; MCC 36-13).
- Global Pension Settlement provisions are locked in place by court order.
- Pension funding requirements can only be changed by a two-thirds vote of the Common Council, approval by the Mayor and the Annuity & Pension Board (MCC 36-15) and certification by the actuary as conforming to professional standards, except as required by state law (e.g. 2023 Act 12).
- Changes to funding policy pursuant to MCC-36-08 and 36-15 that cause “tangible harm” to members and beneficiaries may violate their contractual pension rights - Professional Police Association v. Lightbourn, 2001 WI 59, 243 Wis. 2d 512, 627.N.W.2d 807

Securing Payment of Employer Contributions

- MCC 36-08-6-f and g provide authority to levy taxes to fund ERS on real and personal property annually in addition to all other taxes. For agencies not authorized to levy taxes, the amounts are to be included in their budgets.
- In the event that the employer(s) do not contribute the required amount, the Annuity & Pension Board is obligated by state law as a fiduciary to exhaust all avenues to collect such funds, and as authorized under MCC 36-15-1 (“proper operation of the retirement system”) Also, Board Rule VII A.

Further Limitations to Benefits Alteration

Under MCC 36-14 (“Home Rule”), the City is authorized to “amend or alter the provisions of [MCC 36] in the manner prescribed by s. 66.0101, Wis. Stats., provided that no such amendment or alteration shall modify the annuities, benefits, or other rights of persons who are Members of the system prior to the effective date of such amendment or alteration.” Reaffirmed by 2023 Act 12.