

2022



Legislative Reference Bureau

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EMPLOYEES' RETIREMENT SYSTEM



2022 Proposed Plan and Executive Budget Review

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Budget Hearing: 1:30 pm on Wednesday, October 6, 2021



\$21,387,904

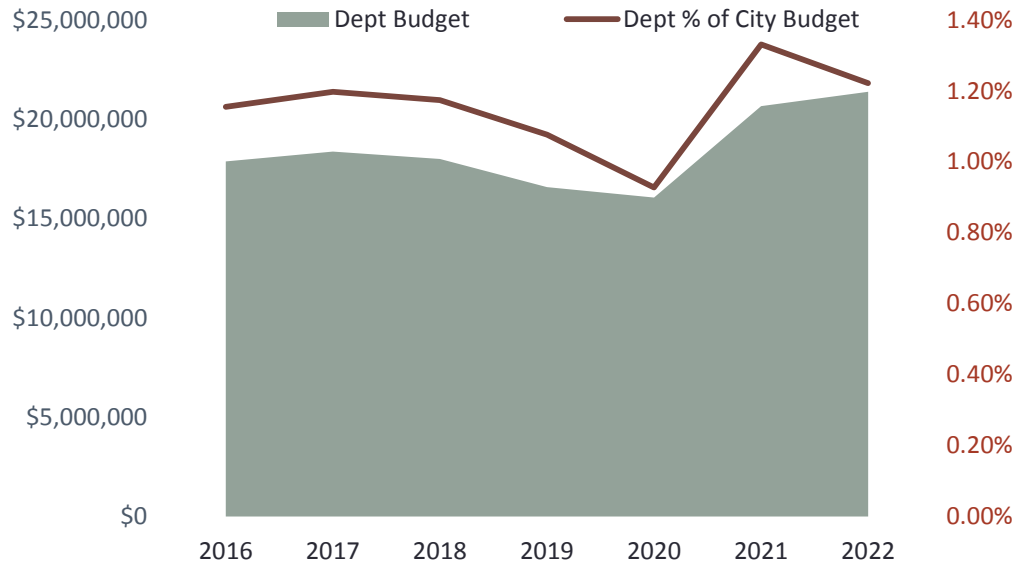
Proposed 2022 Budget

\$723,079

Change in Proposed Budget

3.5%

% Change in Proposed Budget



Departmental Budget Impact

The ERS Budget is funded almost entirely through Pension Trust Fund assets, as approved by the Pension and Annuity Board, and, therefore, does not have a noticeable impact on the tax levy or general budget.

Departmental Budget Appropriation Category



Salaries/Wages Fringe Benefits Operations Equipment Special Funds

\$	\$3,583,222	\$1,648,282	\$15,558,400	\$598,000	\$0
%	17%	8%	73%	3%	0%
Δ	0.4%	0.4%	6.7%	-31.7%	0.0%

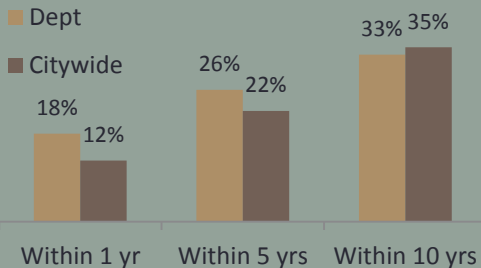
\$3.58 million

Budget for salaries included in the 2022 Proposed Budget, a decrease of \$15,000 from 2021.

\$598,000

Proposed equipment expenditure for 2022, a 33% decrease from 2021.

Retirement Eligible



-1

Change in Positions

-1.7%

% Change in Positions

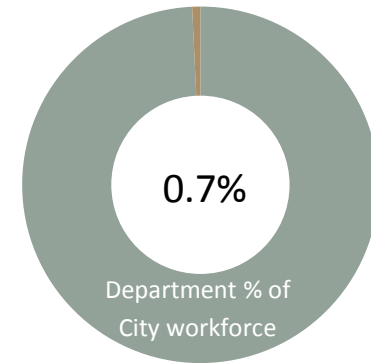
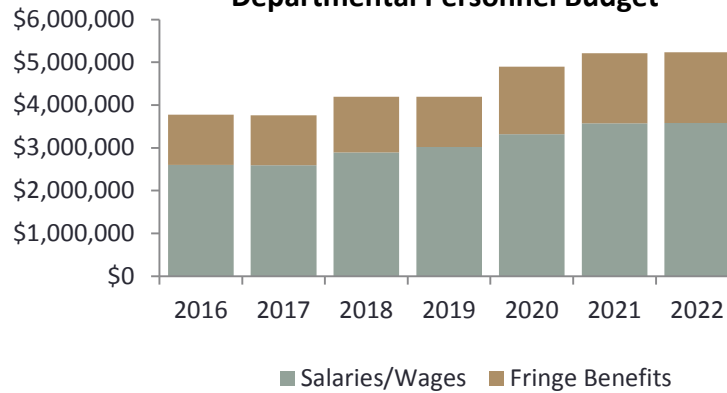
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Current Vacancies

3

Voluntary Separations

Departmental Personnel Budget

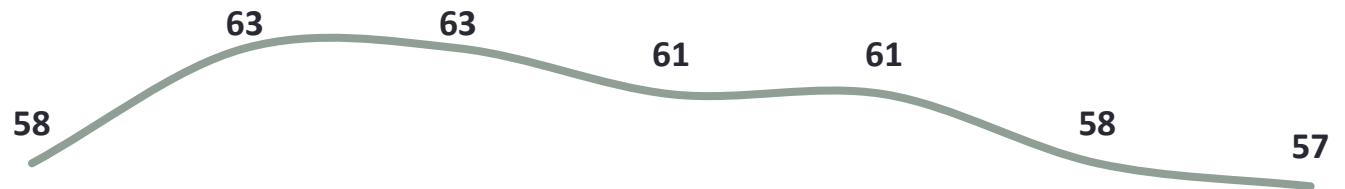


Staffing Vacancies

- A Network Administrator (Position has been vacant since 9 /18). Candidate offers have been consistently declined. The position has been reclassified in the Proposed Budget.

Staffing Update

- The Proposed Budget eliminates one College Intern position.



**Department Positions
2016-2022**

\$42,261,722

Current balance of the Pension Reserve Fund. The Proposed Budget calls for an additional \$10 million.

\$100 million

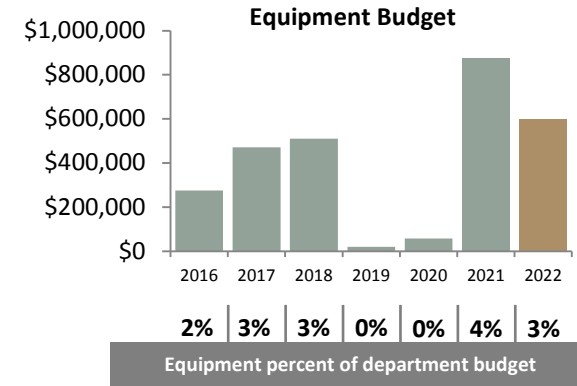
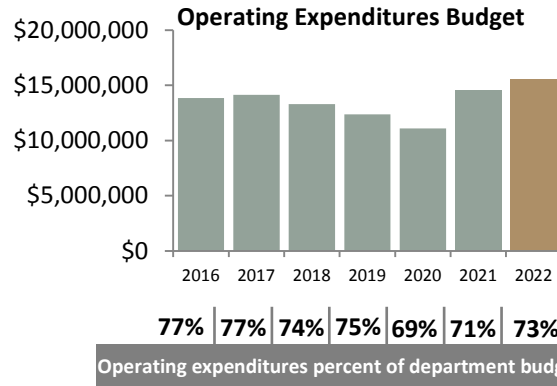
Projected actuarially determined employer contributions to the fund starting in 2023.

29,198

Total number of members and beneficiaries of the Employees' Retirement System as of January 1, 2021. 64% are retirees or inactive members.

7.5%

Assumed rate of return of pension fund assets from 2019 onward, down from 8%.



Revenue

Revenues received by ERS:

- The department receives \$21.4 million in revenues for Charges for Services.

Special Purpose Accounts

(Not funded by the Pension Trust Fund)

- 2021 Group Life Insurance Premium: \$4.56 million, unchanged from 2021.
- Retirees' Benefit Adjustment Fund: \$32,000, down from \$41,000 in 2021 (Covers certain former City employees who retired prior to 1984.)

Grants

This department receives no grant funding.

Capital Projects

This department has no capital projects funded in the 2021 Proposed Budget.

83.76%

Ratio of Fund Asset Market Value compared to Accrued Pension Liability as of January 1, 2021.

80.66%

Ratio of Fund Asset Actuarial Value compared to Accrued Pension Liability as of January 1, 2021.

10.4%

Fund's annualized 5-year return as of July 31, 2021.

12.1%

Fund's net of fee return through July 21, 2021.

Actual Accrued Liability

- This is the amount the City will owe in future pension obligations, in today's dollars. The City's actuarial accrued liability is \$6.74 billion as of January 1, 2021.
- Reducing the discount rate from 8.0% to 7.5% had a significant impact on the accrued actuarial liability.
- The Pension Trust Fund's market value of \$5.6 billion as of January 1, 2020, is 83.7% of the actuarial accrued liability.
- The Pension Trust Fund's actuarial value of \$5.4 billion as of January 1, 2021, is 80.66% of the actuarial accrued liability.

\$1,213,000 Increase in Professional Services Costs in 2022 Proposed Budget

The increase in professional service costs can be attributed to the ERS portfolio's performance and investment returns over 2021. ERS investment managers receive an asset-based fee and in some cases performance fees tied to the performance of the fund. In 2021, ERS assets reached almost \$6 billion in 2021, a historically high level.

Annuity and Pension Board Members' Term Expirations

Aycha Sawa, Comptroller	NA
Matthew Bell, Elected	Dec. 31, 2021
James Campbell, Elected	Dec. 31, 2022
Deborah Ford, Appointed	Jun. 30, 2022
Tom Klusman, Elected	Dec. 31, 2021
Rudolph Konrad, Appointed	Jun. 30, 2022
Ald. Nik Kovac, Appointed	Jun. 30, 2022
Molly Christianson, Elected	Dec. 31, 2024

The Pension Board shrank from 11 to 8 members as a result of a July 2018 Wisconsin Supreme Court decision. The Mayor and Common Council adopted changes to chapter 36 of the Code of Ordinances in 2013 that added three appointed members to the board, and restricted police officers and firefighters to voting for a single member, who must also belong to their respective unions, and all other City employees to electing a single member. The Police and Fire unions filed a lawsuit against these changes. The State Supreme Court ruled against the City and reduced the Board size back to 8 members.

ERS Fund Investment Return Blended Benchmark Comparison Indices

- Morgan Stanley Capital International ACWI IMI (All Country World Investable Market Index) Stock Index
- Bloomberg Barclays U.S. Aggregate Bond Index
- NFI-ODCE (NCREIF Open End Diversified Core Equity) Real Estate Property Index
- 90 Day T-Bill + 3%
- Russell 3000 + 2%
- S&P Global Infrastructure Index
- FTSE EPRA/NAREIT Developed Index
- S&P Global Natural Resources Index
- Barclays U.S. TIPS Index
- Bloomberg Commodity Total Return Index

Customer Service During COVID-19

- Due to the COVID pandemic, ERS has switched to conducting community presentations and pre-retirement seminars using video conferencing. After receiving positive feedback, ERS plans to continue some online sessions after the pandemic ends.
- ERS also is conducting retirement sessions remotely through phone and video conferencing.
- ERS returned to in person individual counselling sessions in June, 2021, and is closely monitoring the level of community spread of COVID -19 and its variants in order to protect the health and safety of its clients and staff.
- ERS has focused on providing enhanced online services and business process automation, and will be completing several technology upgrade projects were begun in 2021 in 2022.

Annualized Excess Return above the Blended Benchmark Index, Gross of Fees (over the past five years)

2020	Actual:	0.0%
2021	Projected:	0.5%
2022	Planned:	0.5%