

**FISCAL REVIEW SECTION – LEGISLATIVE REFERENCE BUREAU  
2006 Proposed Budget Summary: Provision for Employees' Retirement Fund**

<b>ER Fund Expenditures</b>	<b>2004 Actual</b>	<b>2005 Budget</b>	<b>Change</b>	<b>2006 Proposed</b>	<b>Change</b>
Firemen's Pension Fund	\$718,021	\$628,200	-13%	\$582,000	-7%
Policemen's Pension Fund	\$1,570,096	\$1,471,015	-6%	\$395,472	-73%
Employees' Retirement Fund	\$41,611,343	\$44,497,783	7%	\$43,973,398	-1%
Employer's Reserve Fund*	\$5,450,000	\$0	-100%	\$0	-
Social Security Tax	\$16,541,822	\$16,810,000	2%	\$17,350,000	1%
Town of Lake (Pension & Fire)	\$189,101	\$20,250	-89%	\$8,700	-57%
Deferred Compensation	\$900,978	\$1,261,029	40%	\$1,403,719	11%
<b>Total</b>	<b>\$66,981,361</b>	<b>\$64,688,277</b>	<b>-3%</b>	<b>\$63,713,289</b>	<b>-2%</b>
<b>ER Fund Revenues</b>					
Fringe Benefits-Pensions	\$774,542	\$832,074	7%	\$1,033,127	24%
Charges to Pension Fund	\$19,615,535	\$22,337,100	14%	\$20,719,400	-7%
Charges to Deferred Comp.	\$900,978	\$1,261,029	40%	\$1,403,719	11%
Property Tax Levy	\$42,386,238	\$40,091,374	-5%	\$40,387,713	1%
Miscellaneous-ERS	\$149,141	\$166,700	12%	\$169,830	2%
<b>Total</b>	<b>\$63,826,424</b>	<b>\$64,688,277</b>	<b>1%</b>	<b>\$63,713,789</b>	<b>-2%</b>

\*2003 Budget included \$3 million for Employer's Reserve Fund. The actual expenditures were recorded in 2004 (File#031039).

The Provision for the Employees' Retirement Fund provides the means by which the city tracks and monitors retirement-related expenditures and resources.

This budget summary includes all pertinent expenses, including the administrative expenses of the Employees' Retirement System (ERS) related to all of the city's retirement benefit programs.

Provisions for the Employees' Retirement Fund includes all costs associated with the retirement benefits of active and retired city employees. These include Social Security, retirement, and disability benefits, as well as administrative costs.

**Historical Information**

1. On April 11, 2000, the Common Council approved the implementation of the global pension settlement. The settlement took effect on January 19, 2001. Under the terms of the settlement all ERS administrative costs, management contracts and investment fees are paid from Fund assets.
2. In 2001, the Employer's Reserve Fund was established to reserve voluntary contributions from the city and city agencies for the purpose of offsetting future pension obligations. The funding of the Employer's Reserve Fund is to offset the possibility of a huge sum of funding being needed in any one year to sustain the pension fund.

## 2006 Proposed Budget

1. The 2006 proposed budget provides \$63.7 million for retirement-related expenses including the system's administration cost. This is a 2% decrease in expenditures from the 2005 budget.
2. The 2006 Proposed Budget includes a, levy funded, lump sum supplemental contribution of \$350,000 to the Firemen's Annuity Benefit Fund.
3. The 2006 Proposed Budget includes \$21,550 in funding for duty disability payments for non-consenters of the Global Pension Settlement.
4. The 2006 Proposed Budget includes approximately \$21 million for the administration of the ERS. Of the \$21 million, the ERS Pension Trust provides \$20.7 million.
5. The 2006 Proposed Budget does not include funding for the Employer's Reserve Fund. The Funding was established to reduce future tax levy liabilities if the Pension Trust's rate of return falls below the actuarial estimate. The balance in the Employer's Reserve Fund as of December 31, 2004 was \$18,586,000, all of which belongs to the City of Milwaukee.

The 2004 Budget provided \$50,000 for a special purpose account to perform an actuarial study of the future reserve fund needs. The study found that minimal risks exist to the overall fund until approximately 2017.

6. The 2006 proposed budget provides \$17,350,000, an increase of \$540,500 from the level of funding provided for Social Security Payments in the 2005 budget.

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