

Reply to Common Council File No. 101378
From DOA Budget and Management Division

April 5, 2011

Ref: 11004

Common Council File 101378 contains a substitute resolution approving guidelines for the investment of the City's funds in the Employers' Reserve Fund.


Section 36-08 of the City Charter establishes an Employers' Reserve Fund account within the Employes' Retirement System (ERS). The Reserve is intended to assist the City in managing the impacts of required employer and employee contributions on the tax levy.

In December of 2010 a charter ordinance took effect which provided the Common Council with the option of establishing guidelines for the investment of its funds in the Employers' Reserve. Prior to this action, the Charter provided that funds in the Employers' Reserve be credited based on the investment returns in the Fund as a whole. Consequently, the Reserve had been subject to considerable volatility and the risk of principal loss due to the nature of the retirement fund's asset allocation. The Reserve's purpose is to manage the impact of actual or potential adverse investment experience on City contributions. Therefore, it's counterintuitive to invest those funds in the same manner as the retirement fund as a whole.

This proposed resolution provides the guiding principles that serve as direction for the investment guidelines for the Employers' Reserve Fund. The resolution approves principal preservation and liquidity of assets as the two primary objectives for the Employers' Reserve Fund investment guidelines.

The resolution also provides the Finance & Personnel Committee with the authority to select an investment manager, based on the recommendation of the ERS staff. This is consistent with the Charter Ordinance that governs the Reserve. It is anticipated that the ERS will provide a recommendation to the Committee via a communication file in the near future.

**RECOMMENDATION: ADOPT COMMON COUNCIL FILE NUMBER
101378.**



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Budget and Management Director

MN:dmr
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