

2019



Legislative Reference Bureau

[www.milwaukee.gov/lrb](http://www.milwaukee.gov/lrb)



# EMPLOYEES' RETIREMENT SYSTEM



---

## 2019 Proposed Plan and Executive Budget Review

Prepared by: Dana Zelazny, Legislative Fiscal Analyst  
Budget Hearing: 1:30 p.m. on Wednesday, October 10, 2018  
Last Updated: October 5, 2018

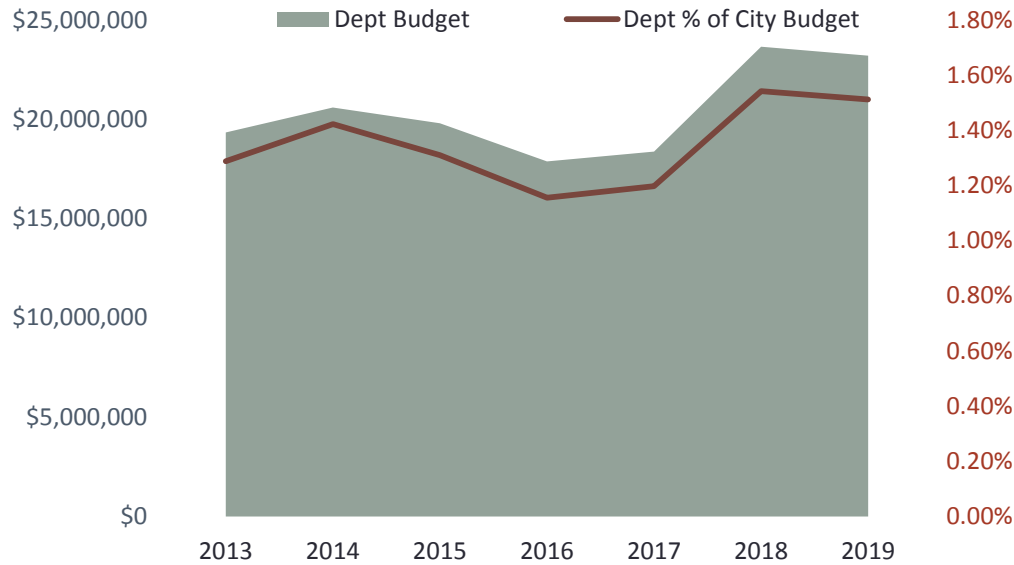
Version 1.0



**\$23,205,973**  
Proposed 2019 Budget

**-\$450,907**  
Change in Proposed Budget

**-1.9%**  
% 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

	Salaries/Wages	Fringe Benefits	Operations	Equipment	Special Funds
\$	\$3,310,326	\$1,489,647	\$18,093,000	\$313,000	\$0
%	14%	6%	78%	1%	0%
Δ	1.6%	-0.6%	-1.0%	-50.2%	0.0%

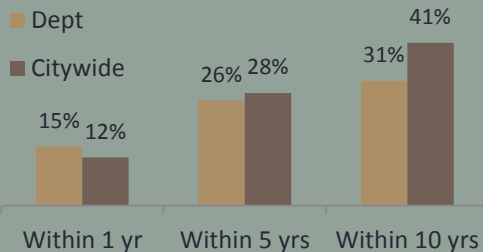
8

Size of Annuity and Pension Board following WI Supreme Court decision eliminating 3 mayoral-appointee positions. An election to fill 3 at-large active-employee positions will be held in December.

\$313,000

Equipment budget to replace parts of data storage area network. Decrease of 50% from 2018.

**Retirement Eligible**



-2

Change in Positions

-3.2%

% Change in Positions

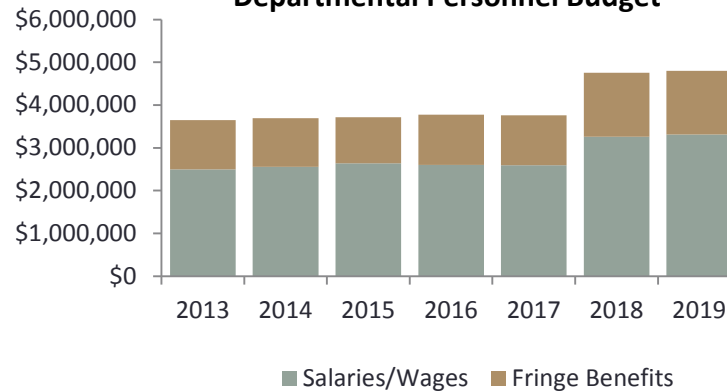
4

Current Vacancies

5

Voluntary Separations

**Departmental Personnel Budget**



**Staffing Vacancies**

Interviews are in progress for the following vacancies:

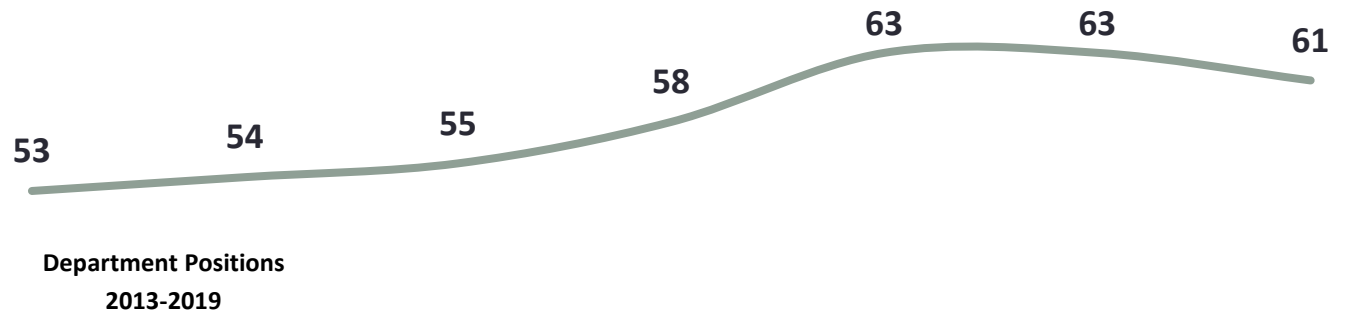
- Administrative Assistant II (vacant 02/18)
- Records Technician II (vacant 12/17)
- Pension Accounting Manager (reclassified)

The department is seeking authority to fill a Network Administrator position vacated 9/2018.

**Staffing Update**

Auxiliary position authority for a Management Account – Senior and the ERS Chief Financial Officer were eliminated.

Five IT positions, including 3 that were in-sourced in 2017, were re-classified in 2018 to better reflect each position's duties.



**\$24 million**

Projected balance of the Pension Reserve Fund following a \$13.4 million deposit included in the 2019 Budget.

**\$70 million**

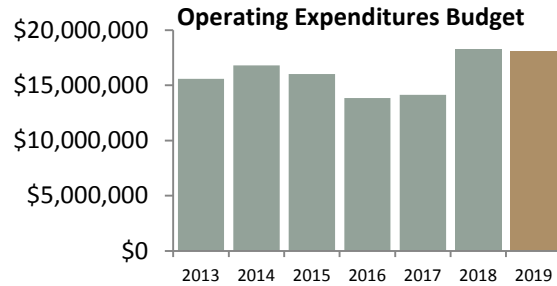
Total effective contribution to the Pension Trust Fund. This includes a \$56.6 million contribution and a \$13.4 million credit from an overpayment in 2018.

**27,176**

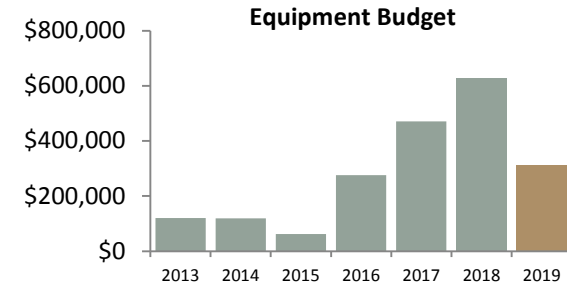
Total number of members and beneficiaries of the Employees' Retirement System as of January 1, 2018. 60% are inactive or retired.

**\$14.5 million**

Budgeted investment management fees paid to investment professionals.



81% | 82% | 81% | 77% | 77% | 77% | 78%  
Operating expenditures percent of department budget



1% | 1% | 0% | 2% | 3% | 3% | 1%  
Equipment percent of department budget

**Revenue**

Revenues received by ERS include:

- \$22.9 million charged to the Pension Trust Fund to offset the ERS budget.
- \$1.2 million charged to Sewer Maintenance and Parking Enterprise Funds.

**Special Purpose Accounts**

(Not funded by the Pension Trust Fund.)

- 2018 Group Life Insurance Premium \$3 million
  - No change from 2018 Budget.
- Retirees' Benefit Adjustment Fund \$60,000
  - No change from 2018 Budget.
  - Covers certain former City employees who retired prior to 1984.

**Grants**

This department receives no grant funding.

**Capital Requests**

This department has no capital requests.

92.7%

Ratio of Fund Asset Market Value compared to Accrued Pension Liability as of January 1, 2018. (down from 92.9% previous year)

89.9%

Ratio of Fund Asset Actuarial Value compared to Accrued Pension Liability as of January 1, 2018. (down from 96.1% previous year)

16.4%

Fund's 2017 rate of return (net of fees).

1.6%

Fund's 2018 rate of return (net of fees) to date.

**Actuarial 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 \$5.82 billion as of January 1, 2018.
- The Pension Trust Fund's market value of \$5.4 billion as of January 1, 2018, is 92.7% of the actuarial accrued liability.
- The Pension Trust Fund's actuarial value of \$5.2 billion as of January 1, 2018, is 89.9% of the actuarial accrued liability.

**Customer Service**

ERS services over 27,000 members.

2017 Changes and Activities:

- 1,103 Enrollments.
- 536 Deaths.
- 724 Retirements.
- 501 Withdrawals
- 728 Separations.
- 1,445 Major Counseling
- 3,764 Minor Counseling
- 1,030 Group Counseling

**Stable Contribution Policy**

An experience study was carried out in 2017 to help establish a new blended contribution rate based on the proportionately weighted rates for general City, police and fire employees for 2018-2022. The City's 2018 contribution was based on a preliminary 2018 rate. The final 2018 rate, while higher than the 2013-2017 rate, was somewhat less than the preliminary 2018 rate. This resulted in a \$13.4 million overpayment to the fund in 2018.

	General City	Police	Fire
2013-2017 Blended rate	8.48%	22.63%	24.83%
2018-2022 Blended rate	7.47%	25.23%	26.85%
Estimated Active Members	3,289	1,854	701
Estimated 2019 Covered Compensation	\$182.8 million	\$162.3 million	\$60.7 million
Dollar Amount Payable 1/1/19	\$13.7 million	\$40.9 million	\$16.3 million
Actuarial Accrued Liability (1/1/18)	\$1.48 billion	\$2.14 billion	\$1.08 billion

\*Fund also includes Water Department, MPS School Board, Milwaukee Technical College, Sewerage Commission, Veolia, Wisconsin Center District, Housing Authority and Redevelopment Authority.

