

Reply to Common Council File No. 050744
From DOA-Budget and Management Division

October 10, 2005


Ref: 05013

Common Council File 050744 contains a charter ordinance which abolishes the Policemen's Annuity and Benefit Fund (PABF) board of trustees and shifts responsibility for management and administration of the fund to the Annuity and Pension Board of the City of Milwaukee.

The PABF Board has concerns about continued operations as the fund members continue to age and decline in number. The board president has experienced difficulty in recruiting members willing and able to serve on the board. The five board members voted unanimously to shift responsibility for the Fund to the Pension Board. The Pension Board has expressed a "sense of the board" in favor of assuming these responsibilities. The Pension Board will exercise oversight with day-to-day administration and investment management actions conducted by Employees Retirement System staff. The PABF's part time staff will continue to serve as the main point of contact with annuitants. She will have ERS staff backup in her absence. ERS will conduct an annual information meeting and written communication for PABF members to review investment results, membership activity, and portfolio status.

PABF membership will vote on the transfer of governance in late October. A favorable vote is expected as the Board has unanimously endorsed the transfer, both by vote at its August 9th meeting and in written statements included with the voting packet sent to members. At least two-thirds of membership must vote. Of those voting, two-thirds must approve of the transfer. Proxies for the Secretary of the Board to vote in an annuitant's stead are included in the voter packet.

While possible savings may include lower investment management and consulting fees, lower audit fees, and, in the future, lower payroll disbursement fees, these arrangements have not been finalized and are not classified as "savings" at this time. The 2006 Proposed Budget includes just under \$100,000 for PABF administration, an amount sufficient to cover costs as if PABF continued as an independent entity.



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