

2006 Budget Presentation

Employes' Retirement System



2004/2005 Accomplishments

- Continued implementation of a pension management information system (MERITS) which will include some member self service features.
- Continued to improve member communications.
- Continued monitoring of investment portfolio.
- Improvements to make ERS best of class.

Improved Member Communications

- Continued production of monthly newsletter for retirees and an active newsletter to accompany year end statements.
- Expanded the number of retirement planning seminars including outreach to other member agencies.
- Developed additional brochures on member benefits and calculations.
- Updated web-based pension estimator available at www.eddcs.com to include new option factors. (54,000 estimates done on-line during the past 3 years)
- Continued surveys for new retirees, comment cards, etc.
- Updated letters and forms.

Portfolio Monitoring

- 1/1/2005 valuation reflects funded status of 116.7% on an actuarial basis, and 125.4% on a market value basis.
- As of 10/17/05 estimated value of fund is \$4.41 billion even from 1/1/2005 value of \$4.41 billion with market gains in excess of \$.145 billion. Since ERS is a mature fund we pay out more in benefits than we receive from the sponsoring agencies which accounts for the difference.
- Daily, monthly and quarterly monitoring of investment returns.
- Due diligence trips to current and new managers.
- Investment managers attend at least one investment committee meeting a year to discuss performance, staffing changes, economic outlook etc.
- Hired new midcap manager, Ernest Partners, to replace Brown Capital Management.
- Explored adding Private Equity as an asset class with the Board.

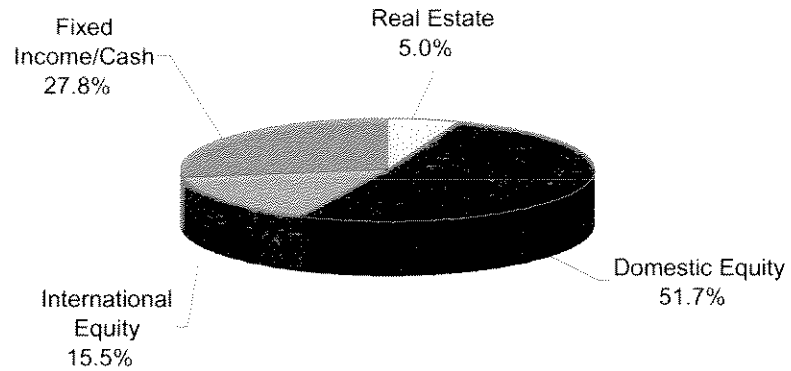
ERS Returns

PERIOD ENDING June 30, 2005

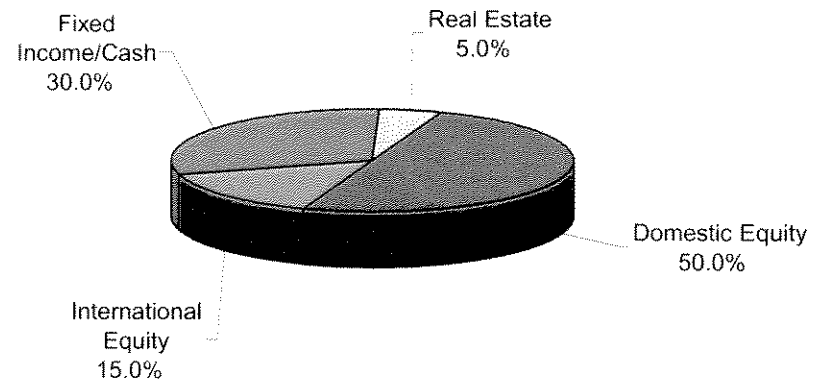
	Year to Date	1 Year	3 Years	5 Years	Since 1/1/79
Returns:					
Fund Return Gross of Fees	1.3%	10.0%	11.2%	5.7%	10.9%
Fund Return Net of Fees	1.2%	9.8%	10.9%	5.5%	10.3%
Median Public Fund over \$1 Billion	1.6%	10.8%	10.5%	3.6%	n/a
Benchmark Index	1.1%	9.1%	9.2%	2.3%	9.4%

ERS Portfolio 6/30/2005

Actual Allocations



Policy Allocations



Steps towards becoming Best of Class

- Annuity and Pension Board explored the possibility of adding an internal audit function to the system. They completed a risk analysis and concluded that the system was best served by using an independent firm. KPMG has been hired to conduct the first review of MERITS including roles and responsibilities, system security and data conversion.
- Hired Independent Fiduciary Services to conduct a fiduciary audit of the system. The audit will include a review of investment policies and procedures, board governance issues, member services, organization structure, etc. Report due in December. Road map for initiatives for next 2 to 5 years.
- Elimination of backlog on Involuntary Separation members.

2005/06 Proposed Activities

- Complete asset/liability study and update asset allocation to insure optimal reward for risk assumed.
- Role out MERITS.
- Conduct additional internal audits of high risk processes in ERS.
- Finalize fiduciary audit of the pension system and develop long term implementation plan.
- Develop internal procedures for operating the electronic document management system.
- Finish work on the data remediation efforts for single data repository with sufficient detail to operate MERITS.
- Review ERS organization structure post MERITS and long term space needs.