



City of Milwaukee
Employees' Retirement System

Bernard J. Allen
Executive Director

David M. Silber, CFA, CAIA
Chief Investment Officer

Melody Johnson
Deputy Director

October 30, 2017

Mr. Jim Owczarski
Milwaukee City Clerk
200 E. Wells Street
Milwaukee, WI 53202

Dear Mr. Owczarski:

The Annuity and Pension Board adopted a resolution at its meeting held October 23, 2017, recommending amendment of MCC-36-15-15 to provide for changes to the Employees' Retirement System (ERS) funding policy substantially as outlined in the attached substitute 1 to file # 170935 as proposed by the System's independent actuary, Conduent, Inc.

The actuary will be available as early as November 22, 2017 to explain the financial impact of the proposed changes to the funding policy to the Finance & Personnel Committee at the pleasure of the Chair.

Sincerely,

A handwritten signature in black ink that reads "Bernard J. Allen". The signature is written in a cursive style with a large, prominent "A".

Bernard J. Allen

Secretary

Cc: Chris Lee
Ted Medhin



36-15. Administration.

15. ANNUAL VALUATIONS. a. On the basis of such tables as the board shall adopt, the actuary shall make an annual valuation of the assets and liabilities of the funds of the retirement system. This annual valuation shall comply with Actuarial Standards of Practice and shall contain a certification from the board's actuary to that effect. For the purposes of the annual valuation, the actuary shall employ the ~~[[projected unit credit]]~~ >>Individual Entry-Age Normal<< actuarial cost method.

b. Beginning with the valuation that determines employer contributions due and payable January 31, 2011, the actuary shall employ a 5-year asset smoothing period ~~[[and an asset valuation corridor that allows for a variation between the market value and actuarial value of assets of 20%]]~~. The actuary shall calculate amortization of unfunded liability based on a level percentage of payroll amortization. The actuary shall apply a closed >>layered<< amortization method ~~[[to a 24-year amortization period, until the amortization period is reduced to the expected future working lifetime of the active population, calculated separately for police, fire and general city members]]~~ >>with amortization payments for each base increasing by 2.00% per year. The outstanding balance of the unfunded actuarial accrued liability (UAAL) as of January 1, 2018, will be amortized over a fixed 25-year period. At each subsequent valuation date, any changes to the UAAL arising from actuarial gains or losses will be amortized over a fixed 15-year period and any changes to the UAAL arising from changes in assumptions or methods will be amortized over a fixed 25-year period<<. Beginning with the valuation that determines employer contributions due and payable January 31, 2011, the board shall provide a copy of the final annual valuation, as certified by the board, to the mayor and the common council no later than August 15. No changes shall be made to this paragraph without an affirmative vote of the board of at least 6 of its members, and written certification from the board's actuary that such changes comply with Actuarial Standards of Practice.