

# Potential Impact of Market Downturn on ERS Employer Contributions

April 16, 2025

### Milwaukee Employees' Retirement System - March 25, 2025

**Fund as of February 28, 2025**

**\*Fund value of \$6.12b.**

**\*Fund return of 0.4% in Feb., net of fees, outperformed by approximately 8bp.**

**\*Primary Relative Perf. Drivers:**  
Public Equity Style Bias 19bp  
Primarily Int'l & Value

**Fixed Income**  
Loomis Sayles -6bp  
Cash -6bp

**\*Fund has underperformed the benchmark in the 1-year period, while outperforming in the YTD and longer time periods shown.**

**Mar. Update (as of 3/24/25)**  
**\*Fund return -0.3% MTD**  
**\*Fund return 1.9% YTD**  
**\*Fund value \$6.11b**

**\*5 out of 15 active mandates outperforming YTD.**

**\*Public Equity and Fixed Income asset classes outperforming their respective benchmarks YTD, net of fees.**

**\*Investment Change: \$116.9m**  
**\*Contributions: 217.5m**  
**\*Benefits & Expenses: 85.2m**

**Monthly Withdrawals:**  
Brandes \$11m  
DFA Int'l 6m

**Total Fund - 10-Year Rolling Returns**  
11/28/1997 to 2/28/2025

ERS Total Fund (net)

**Growth of \$100 - Total Fund & ERS Benchmark**  
11/28/1997 to 2/28/2025

ERS Total Fund (net) ERS Benchmark

**Return Data**

Source Data: Monthly Return

	1 Month	YTD	1 Year	5 Year	10 Year	15 Year	20 Year
Total Fund (net)	0.4	2.2	8.2	8.5	7.3	8.4	6.9
ERS Benchmark	0.4	1.9	11.5	8.3	7.1	8.2	6.8

**Total Fund - 10-Year Rolling Excess Returns**  
11/28/1997 to 2/28/2025

ERS Total Fund (net) - Annualized

**Total Fund - 20-Year Risk & Return Data**

	Return	Std Dev	Tracking Error	Info Ratio (arith)	Sharpe Ratio	Alpha	Beta
Total Fund (net)	6.9	10.2	2.5	0.0	0.5	-0.4	1.1
ERS Benchmark	6.8	9.1	--	--	0.6	0.0	1.0

**ERS Allocation as of February 28, 2025**

ERS allocation weights may not total 100% due to rounding

**Asset Allocation vs Policy as of February 28, 2025**

Asset Class	Allocation
Real Assets	-1.9
Public Equity	-0.6
Private Equity	0.6
Fixed Income	1.1
Absolute Return	0.8

## Performance Update

**Note: estimate excludes Private Equity, some Real Estate, & April Absolute Return performance**

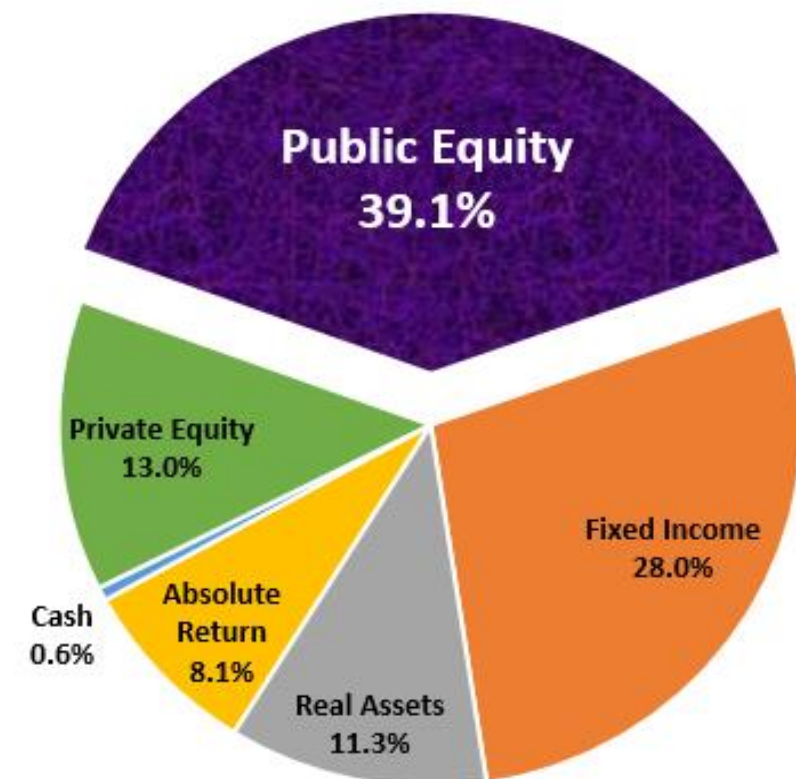
Estimated ERS Total Fund Market Value is \$5.86 billion as of April 9, 2025

Period	ERS Fund*	Benchmark
Through February 28, 2025	2.2%	1.9%
March (Estimate)	-1.1%	-1.0%
April MTD (Estimate)	-2.6%	-2.5%
YTD Through April 9, 2025 (Estimate)	-1.5%	-1.5%

\*Returns Net of Fees

# Fund Asset Allocation

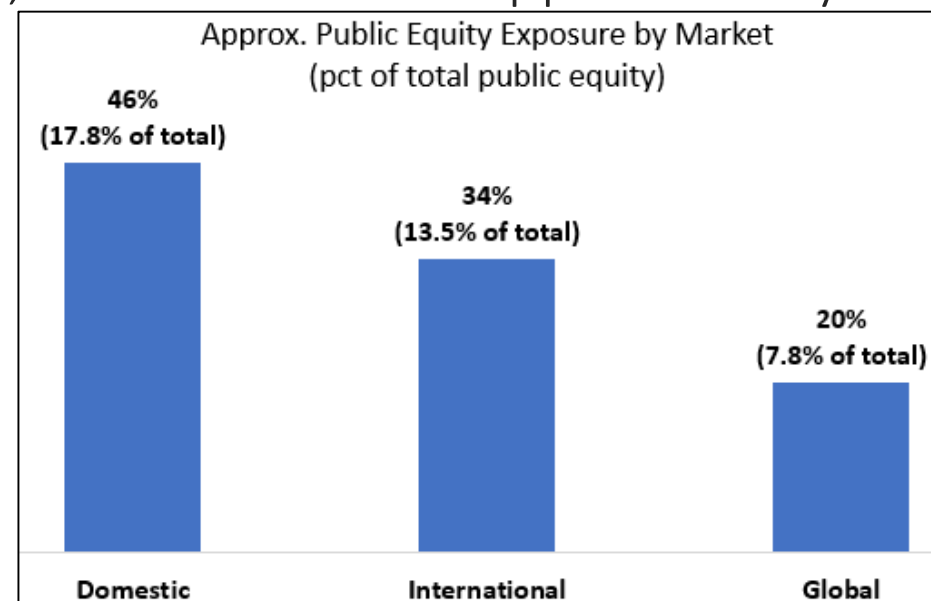
ERS Fund Asset Allocations  
(December 31, 2024)



Diversification has helped soften the impact of the market downturn

As of December 31, 2024, the ERS's asset allocation put about 39.1% of its assets in Public Equity (directly impacted by the stock market turmoil)

As of December 31, 2024, this translates to approximately \$2.29B of assets



# Act 12 Is A Game Changer for Pension Funding Requirements

With the passage of Act 12, the 5-year stable contribution policy has ended; instead the Act mandates that employer contributions be estimated on an annual basis, adding volatility to the budgeting process.

Furthermore, among other assumptions, the Act also set the return assumption rate to be no more than that of the WRS (currently 6.8% p.a.).

For 2024, the ERS fund return was 6.85%. This return will be used for calculating contributions due for Plan Year 2026 (due 12/31/2027 per MCC Chap. 36).

This year's (2025) return will be used for the valuation done as of 1/1/2026 for Plan Year 2027 with contributions due 12/31/2028.

**77.701 Adoption by municipal ordinance.** (1) A 1st class city may adopt an ordinance, by a two-thirds majority vote of all members elect of the common council, to impose a sales and use tax under this subchapter at the rate of 2.0 percent of the sales price or purchase price. An ordinance adopted under this section shall be effective on January 1, April 1, July 1, or October 1, and the taxes shall be imposed only in their entirety as provided in this subchapter. A certified copy of the ordinance shall be delivered to the secretary of revenue at least 120 days prior to its effective date. No 1st class city may impose a tax under this section unless the city makes an election to join the Wisconsin Retirement System for all new employees, pursuant to s. 40.21 (7) (a), and the city contributes the amount calculated under s. 62.625 to its retirement system's unfunded actuarial accrued liability in 2025 and in each year thereafter until the first year in which the retirement system is determined by the retirement system's actuary to be fully funded. In addition, if the 1st class city has enacted an ordinance regarding the city's retirement system that requires an actuary to periodically reset the actuarial contribution rate, the 1st class city may not impose a tax under this section unless the city repeals the ordinance and subsequently follows standard actuarial practices to determine contribution rates. After the retirement system is first fully funded, or until

# Sales Tax Proceeds

Per Act 12, the City was authorized to levy a 2.0% sales tax that is to be used under the following conditions:

- Up to 90% of first year's tax revenue towards pension costs (the unfunded liability as of 1/1/2024, plus increases in normal cost from 2022)
- At least 10% towards hiring of Fire and Police
- Balance towards maintaining an increased level of Fire and Police staffing

2024 had approximately \$200M attributable to sales tax revenue, which has put the cap for pension expenditure at about \$180M for all years while this tax is in effect

(2) (a) Annually, the city shall use no more than 90 percent of the amount of revenue generated under this section in the first full calendar year in which the tax is imposed to offset the actual costs of the required payment under sub. (1) and to offset the increase in participating city agency employer contribution costs from 2022 to the current year for the retirement system established under chapter 396, laws of 1937. For purposes of this paragraph, "city agency" means any board, commission, division, department, office, or agency of the city government, including its sewerage district created under s. 200.23, school board, auditorium board, fire and police departments, annuity and pension board, board of vocational and adult education, Wisconsin Center District, housing authority, Veolia Milwaukee with respect to employees who are participants in the retirement system of Milwaukee on the effective date of this paragraph .... [LRB inserts date], and public school teachers' annuity and retirement fund, by which an employee of the city or city agency is paid.

(b) The city shall use an amount equal to the revenue derived from 10 percent of the amount of revenue generated under this section in the first full calendar year in which the tax is imposed to maintain a level of law enforcement and fire protective and emergency medical service that is equivalent to that provided in the 1st class city on April 1, 2023.

(c) In any year in which the amount of the taxes collected under this section exceeds the amount of the taxes collected in the first full calendar year and the amounts necessary to make the payments under pars. (a) and (b), the city shall use the excess revenue to implement the requirements under s. 62.90 (5) (b) and the ongoing costs of the increased number of law enforcement officers and daily staffing level of the members of the paid fire department.



# Current Projections for Employer Contributions

As of February 2025, assuming that investment returns meet the 6.8% for each year, the Actuary has projected employer contributions due from the City (and other employers)

Estimated Employer Contributions for Plan Years 2024-2028 as of January 1 Allocated by Employer Assuming 6.80% Return During Calendar Year 2024 and Thereafter					
	2024	2025	2026	2027	2028
1) City of Milwaukee					
a) General	48,609,007	48,996,945	49,470,638	50,160,682	54,997,134
i) Act 12 Eligible Costs	40,490,893	41,196,557	41,175,358	41,435,020	45,866,696
ii) Remaining Costs	8,118,114	7,800,388	8,295,280	8,725,662	9,130,438
b) Policemen	86,009,793	86,595,077	89,707,240	92,761,990	102,704,367
i) Act 12 Eligible Costs	62,058,018	62,432,135	65,533,832	68,425,068	78,101,882
ii) Remaining Costs	23,951,775	24,162,942	24,173,408	24,336,922	24,602,485
c) Firemen	40,444,032	42,404,793	42,140,091	43,902,008	48,796,124
i) Act 12 Eligible Costs	28,921,289	30,793,520	30,553,983	32,316,955	37,190,455
ii) Remaining Costs	11,522,743	11,611,273	11,586,108	11,585,053	11,605,669
d) Total City	175,062,832	177,996,815	181,317,969	186,824,680	206,497,625
i) Act 12 Eligible Costs	131,470,200	134,422,212	137,263,173	142,177,043	161,159,033
ii) Remaining Costs	43,592,632	43,574,603	44,054,796	44,647,637	45,338,592

Chart above only shows the City's Costs

"Act 12 Eligible Costs" are employer contributions which can be offset by sales tax proceeds

# Sensitivity of City Pension Contributions to Market Volatility

With only one year (2025) being modeled at -3.20% (10% below the assumed rate of return of 6.8%) and all future years meeting the assumed return of 6.8%, an actuarial model estimates the City's employer contributions to grow from a "baseline" of about \$186M to about \$200M for Plan Year 2027

Subsequent years are **estimated** to see **substantially higher ADEC increases continuing for more than a decade as the modeled losses** of about \$550M from 2025 are recognized (model shows the 2028 ADEC growing from a "baseline" of \$206M to \$240M, peaking in 2031 at about \$275M)

The Sales Taxes implemented as part of Act 12 will help offset some of these increases, but there is a cap of about \$180M on those proceeds being used for pension purposes

## 2024 City of Milwaukee Employees' Retirement System Model

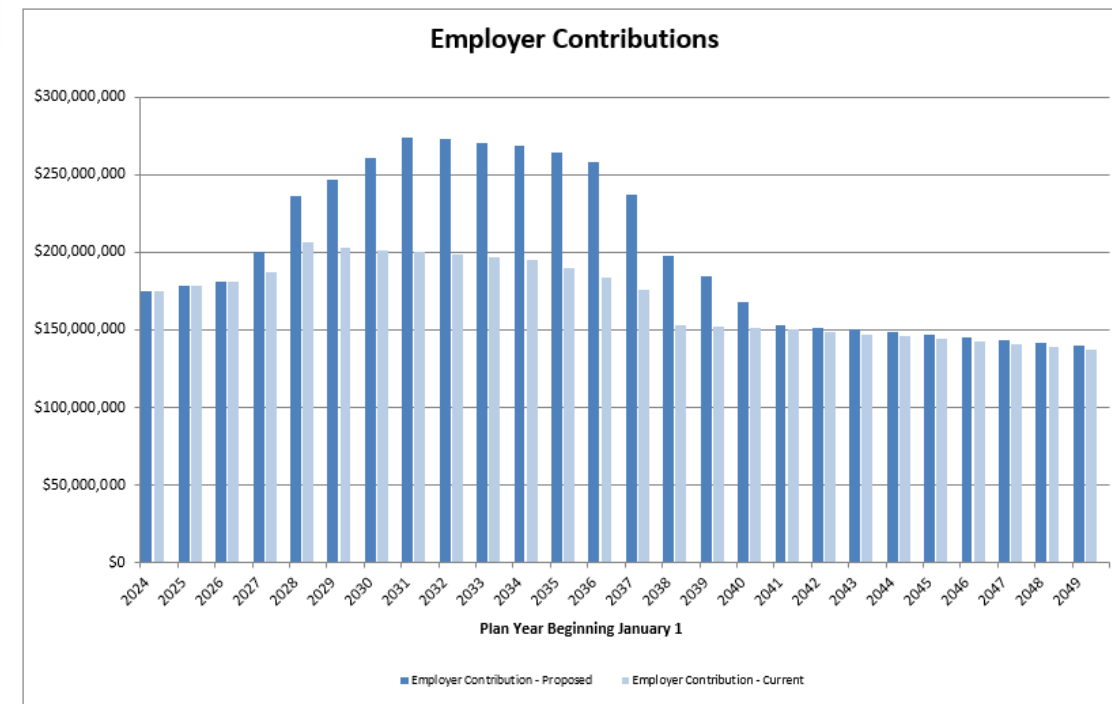
Fund: All Funds

Group: Total (City)

Graph: Employer Contribution

Reset Baseline ☒ Show baseline

Investment Return			
Single Rate of: 6.80%			
Rates from below:			
FY	Return	FY	Return
2024	6.80%	2038	6.80%
2025	-3.20%	2039	6.80%
2026	6.80%	2040	6.80%
2027	6.80%	2041	6.80%
2028	6.80%	2042	6.80%
2029	6.80%	2043	6.80%
2030	6.80%	2044	6.80%
2031	6.80%	2045	6.80%
2032	6.80%	2046	6.80%
2033	6.80%	2047	6.80%
2034	6.80%	2048	6.80%
2035	6.80%	2049	6.80%
2036	6.80%	2050	6.80%
2037	6.80%	Thereafter	6.80%



25 Graph years shown (max 30)

Only City costs / contributions are shown



# WRS Contributions

Since Act 12 closed the ERS to new hires as of 1/1/2024, all new hires (and rehires) are enrolled in the State of Wisconsin's Retirement System (WRS)

Each month, the employees and the City contribute to the WRS at rates mandated by State law (these rates are subject to change each year)

For 2024 and 2025, the employee and employer contribution rates were:

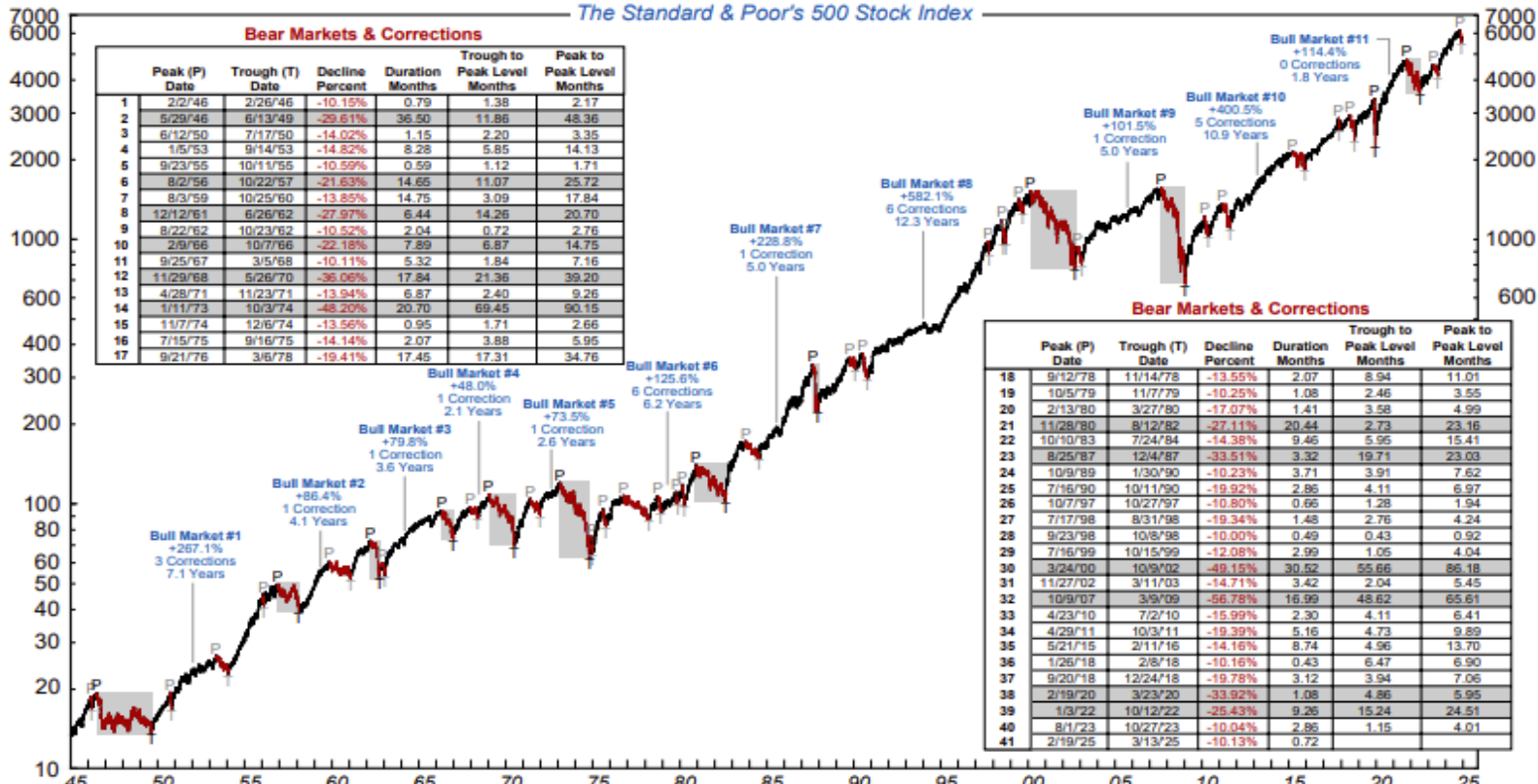
WRS Contribution Rates			
Year	Group	Employee Rate	Employer Rate
2024	General	6.90%	6.90%
	Fire	6.90%	19.12%
	Police	6.90%	19.12%
2025	General	6.95%	6.95%
	Fire	6.95%	19.01%
	Police	6.95%	19.01%

In 2024, the WRS employer contributions were approximately \$1.9M

# Bulls, Bears & Corrections

## Frequency, Magnitude and Duration

The Standard & Poor's 500 Stock Index



Bull Markets					
Trough Date	Peak Date	Duration Years	Increase Percent	Compound Annual Rate	Number of Corrections
1 6/13/49	8/2/56	7.1	267.1%	19.98%	3
2 10/22/57	12/12/61	4.1	86.4%	16.23%	1
3 6/26/62	2/9/66	3.6	79.8%	17.56%	1
4 10/7/68	11/29/68	2.1	48.0%	20.06%	1
5 5/26/70	1/11/73	2.6	73.5%	23.31%	1
6 10/3/74	11/28/80	6.2	125.6%	14.13%	6
7 8/12/82	8/25/87	5.0	228.8%	26.67%	1
8 12/4/87	3/24/00	12.3	582.1%	16.89%	6
9 10/9/02	10/9/07	5.0	101.5%	15.04%	1
10 3/9/09	2/19/20	10.9	400.5%	15.85%	5
11 3/23/20	1/3/22	1.8	114.4%	53.40%	0
Average		5.5	191.6%	21.74%	

### Bear Markets & Corrections - Summary

	Peak to Trough Percentage Decline	Trough to Peak Level Months	Peak to Peak Level Months
Average - All Periods	-19.7%	7.3	9.6
Average - Correction	-13.7%	3.9	7.7
Average - Bear Market	-34.3%	15.5	23.5

### Frequency of Declines

	Number	Average Frequency
Bear Markets and Corrections	41	Once every 2.0 years
Corrections	29	Once every 2.8 years
Bear Markets	12	Once every 6.7 years

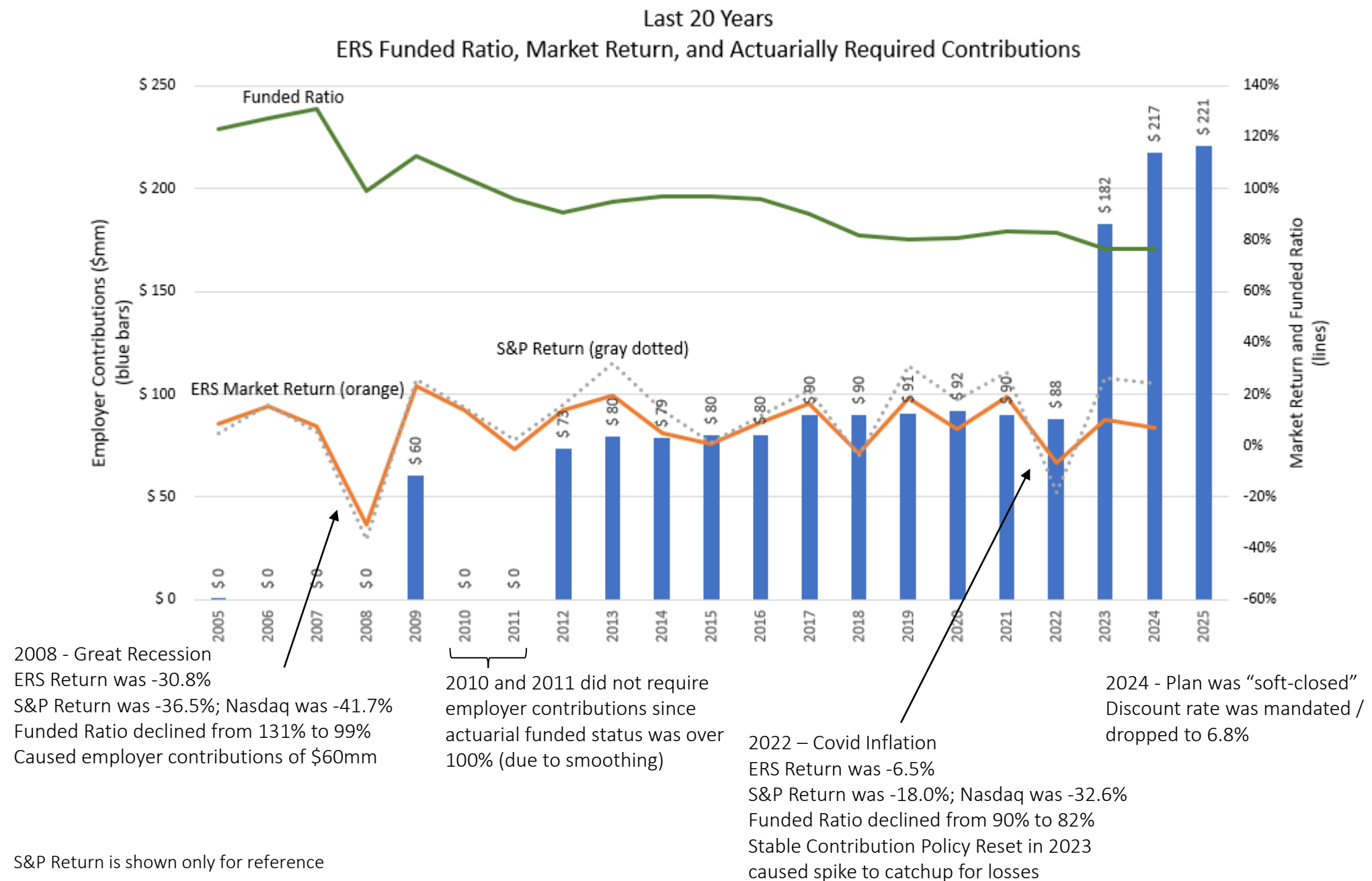
The compound annual rate for the Standard & Poor's 500 Stock Index 1945 through March 2025 (80.25 Years) was 7.83%.

Definitions: Corrections - Minimum 10% decline but less than 20%, Bear Markets - Minimum 20% decline. • Shaded areas represent Bear Markets.

Sources: Standard & Poor's Corporation; Copyright © 2025 Crandall, Pierce & Company • All rights reserved.

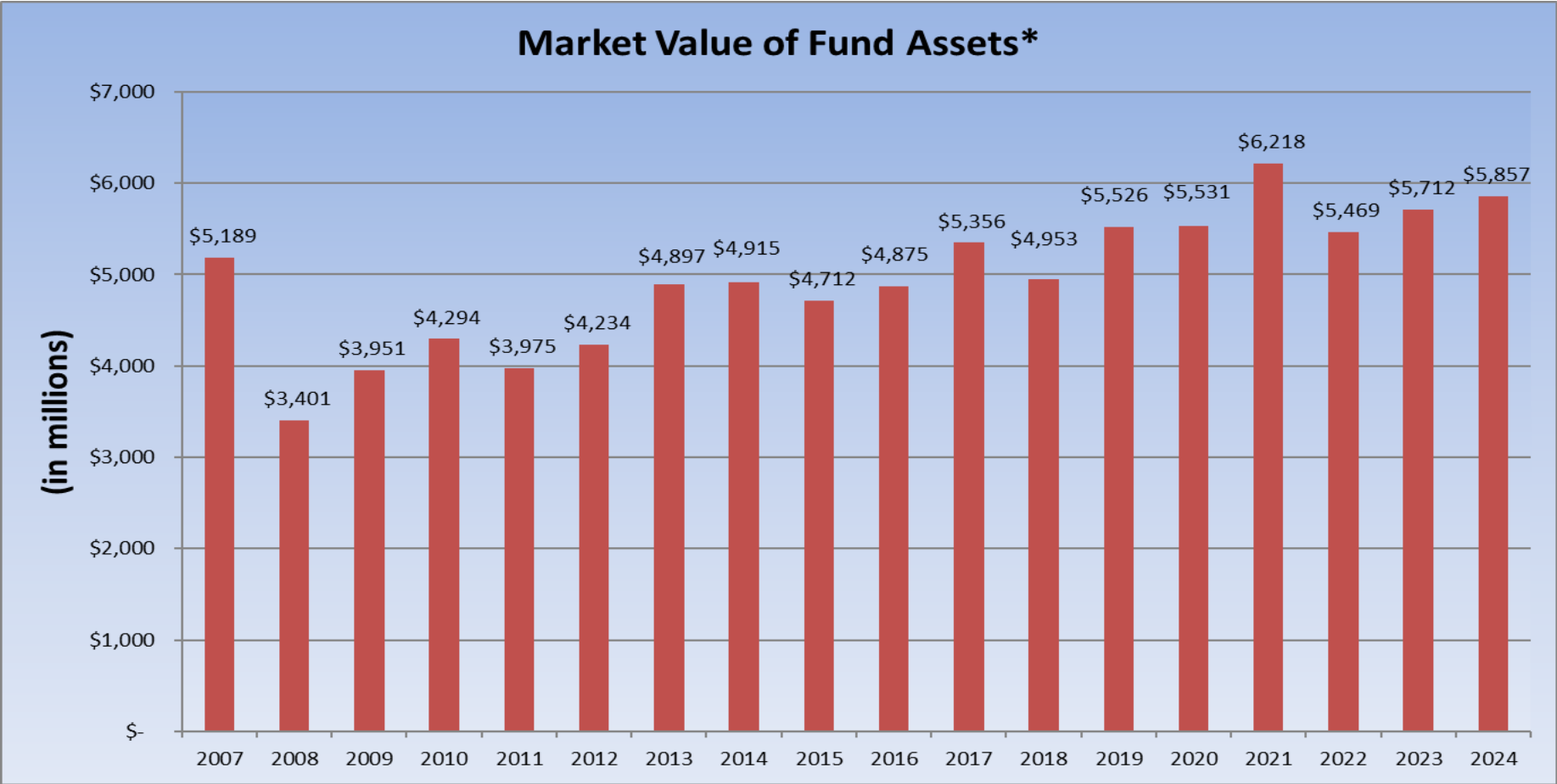
The information presented herein was compiled from sources believed to be reliable. It is intended for illustrative purposes only, and is furnished without responsibility for completeness or accuracy. Past performance does not guarantee future results.

This illustration is subject to the terms & conditions at [www.crandallpierce.com/usage.pdf](http://www.crandallpierce.com/usage.pdf). Under no circumstances may this illustration be copied, reproduced or redistributed in whole or in part including the data contained herein, without prior written permission.



# Fund Value of Assets: 2007 – 2024

(Reflects 12/31 Fund Values)



Most recent Actuarial valuation projects benefit payments to total \$5.6 billion in next 10 years.

Benefit Payments	\$6.15 billion
Expenses	\$300 million
Contributions	\$1.86 billion
Investment Gain	\$5.3 billion

Benefit Payments, Expenses, Contributions, and Investment Gain amounts are calculated using estimates of cash flows into and out of the Fund. These amounts are not audited and may not tie to CMERS Financial Statements.

17 Year Estimates (1/1/2008 - 12/31/2024)

\*Private Equity and some Real Estate values are reported on a 1-quarter lag.