

2017



Legislative Reference Bureau

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EMPLOYEES' RETIREMENT SYSTEM



2017 Proposed Plan and Executive Budget Review

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Budget Hearing: 10:30 am on Friday, October 7, 2016
Last Updated: October 5, 2016

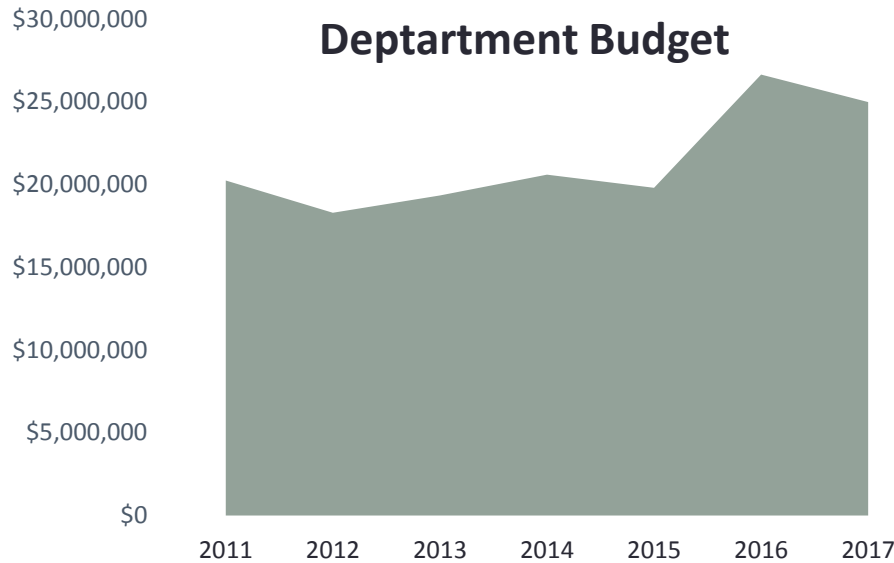
Final Version



\$24,983,109
Proposed 2017 Budget

\$1,660,314
Change in Proposed Budget

6.2%
% Change in Proposed Budget



Departmental Budget Impact

ERS' budget is funded almost entirely through Pension Trust Fund assets, as approved by the Annuity and Pension Board and, therefore, does not have a noticeable effect 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
\$	\$2,852,489	\$1,283,620	\$20,283,000	\$564,000	\$0
%	11%	5%	81%	2%	0%
Δ	1.7%	-4.6%	-9.0%	176.5%	0.0%

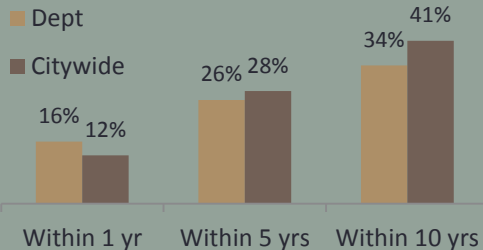
\$48,825

Amount of increase in Salaries and Wages for the department, up 1.7% from the 2016 Budget.

-\$62,139

Amount of decrease in Fringe Benefits for the department, down 4.6% percent from the 2016 Budget.

Retirement Eligible



0

Change in Positions

0.0%

% Change in Positions

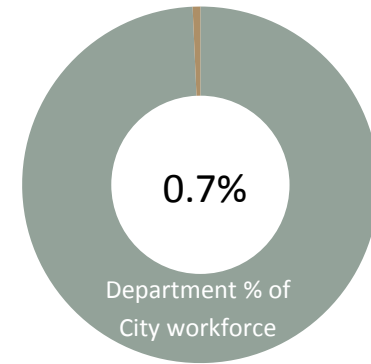
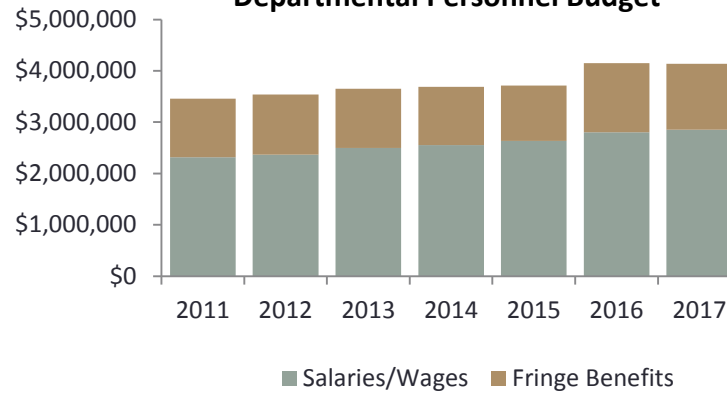
4

Current Vacancies

4

Voluntary Separations

Departmental Personnel Budget



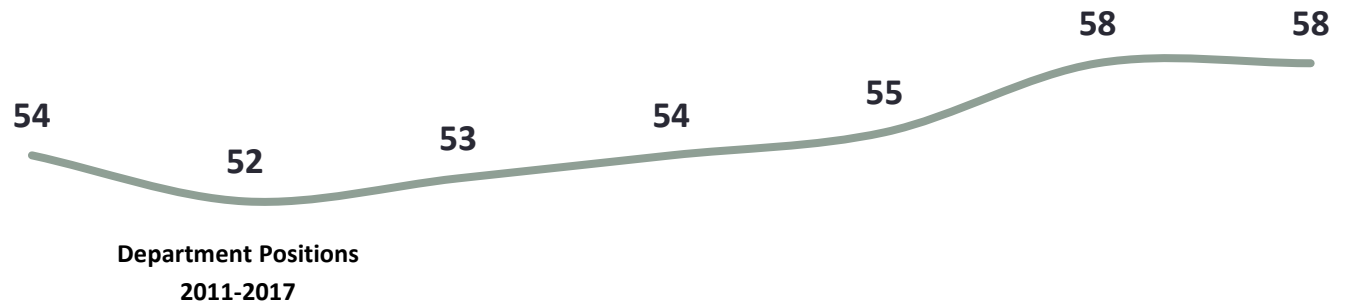
Staffing Update

- No new positions added.

Three new positions that were added in 2016 remain unfunded as placeholders for a future staffing transition.

Vacancies

- IT Network Administrator position created in 2013 Budget still vacant.
- Other vacancies :
1 of 4 Pension Accounting Specialists.
1 Pension Accounting Manager.
1 of 2 Records Technician II.



-\$2.5 Million

Decrease in budgeted investment manager fees in 2017 Budget, due to lower than expected Fund value and negotiated fee reductions.

\$564,000

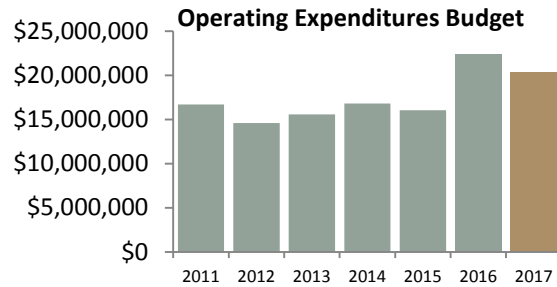
To replace all network firewalls and several servers, reflecting a \$360,000 increase (176%) from the 2016 Budget.

27,083

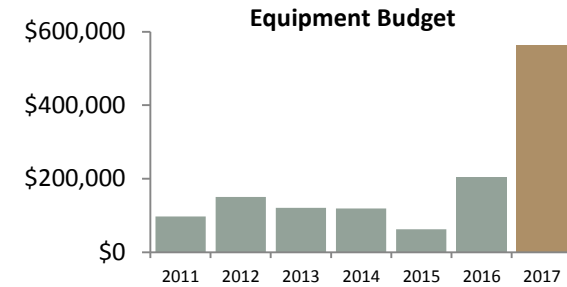
Active, Inactive and Retired members of the pension fund as of January 1, 2016. Just over 0.9% increase from previous year.

16,101 (59%)

Inactive and Retired members of the pension fund as of January 1, 2016. No change in percentage from previous year.



82% | 80% | 81% | 82% | 81% | 84% | 81%
Operating expenditures percent of department budget



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

Revenue

Revenues received by ERS include:

- \$24.6 million Charges to Trust to offset the ERS Budget.
- \$908,000 charged to Sewer Maintenance and Parking Enterprise Funds.
- No charge to Employers' Reserve Fund (decrease from \$7 million charged 2016).

Grants

This department receives no grants.

Special Purpose Accounts

Not funded by Pension Trust Fund.

- 2017 Group Life Insurance Premium: \$3 million.
- Retirees' Benefit Adjustment Fund: \$80,000

(This SPA covers certain former City employees who retired prior to 1984, and continues to decline as retirees age.)

Capital Requests

This department has no capital requests.

93.8%

Ratio of Fund Asset Market Value compared to Accrued Pension Liability as of January 1, 2016 (down from 100.4% previous year).

96.7%

Ratio of Actuarial Asset Value compared to Accrued Pension Liability as of January 1, 2016 (down from 97.2% previous year).

0.5%

Fund's 2015 Rate of Return (net of fees), compared to 8.25% assumed rate of return.

-\$11 Million

Reduction in City contribution to fund (no contribution from Employers' Reserve Fund, no City employer-paid contribution on behalf of members).

Actuarial Accrued Liabilities

- This is the amount the City will owe in future pension obligations, in today's dollars.
- \$5.07 billion as of January 1, 2016.
- Fund market value of \$4.75 billion is 93.8% of actuarial accrued liability.
- Fund ranks among the best municipal pension funds in the country.

Investment Managers

- Board contracts with 48 outside investment managers.
- 6 investment managers dropped and 4 added in 2015.
- Direct investment of ERS funds
- Based on board-adopted investment policy.
- Oversight by ERS investment staff.
- Fiduciaries of the retirement plan.

City Contribution

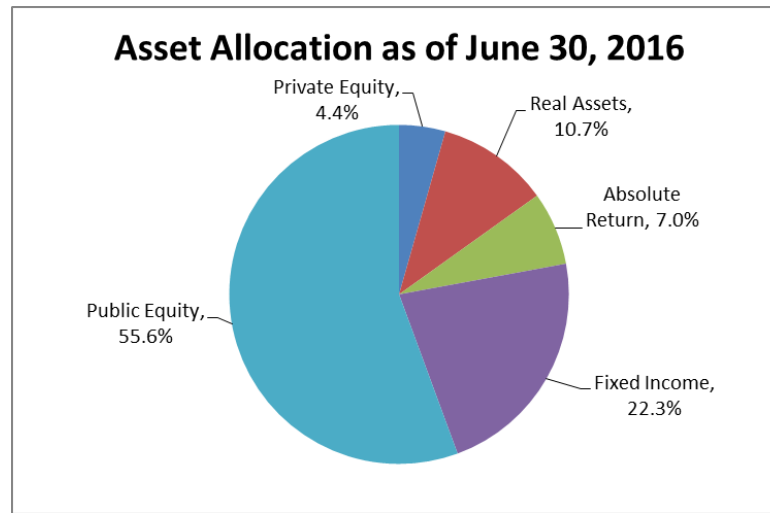
- No City employer-paid member contribution in 2017 and going forward.
- No City contribution from Employers' Reserve Fund in 2017.
- City contribution has decreased \$11 million from 2016.
- \$61 million Employer Contribution in 2017.
 - Estimated contribution for General City: \$15 million
 - Estimated contribution for Fire and Police: \$46 million
- The stable contribution rate will re-set at the end of 2017, and may result in greater City contributions in 2018 and beyond based on demographics, turnover, inflation and returns.

Customer Service

- Over 27,000 members.
- 2015 Changes:
 - 1,036 enrollments.
 - 4,524 counselling sessions.
 - 568 retirements.
 - 501 deaths.

Active vs. Passive Management

Active investment management carries higher fees, but has the potential to out-earn the market. ERS performed an analysis comparing the return on actively managed assets to the estimated returns if those assets had been passively managed. Since 2006, net of fees, use of active management has earned the City an estimated \$7.3 million less than would have been earned with passive management. However, from 1995 to 2005, active management added \$641 million.



ERS 2016 2nd Quarter Performance Report

