

2018



Legislative Reference Bureau

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EMPLOYEES' RETIREMENT SYSTEM



2018 Proposed Plan and Executive Budget Review

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Budget Hearing: 3:30 pm on Tuesday, October 10, 2017
Last Updated: October 4, 2017

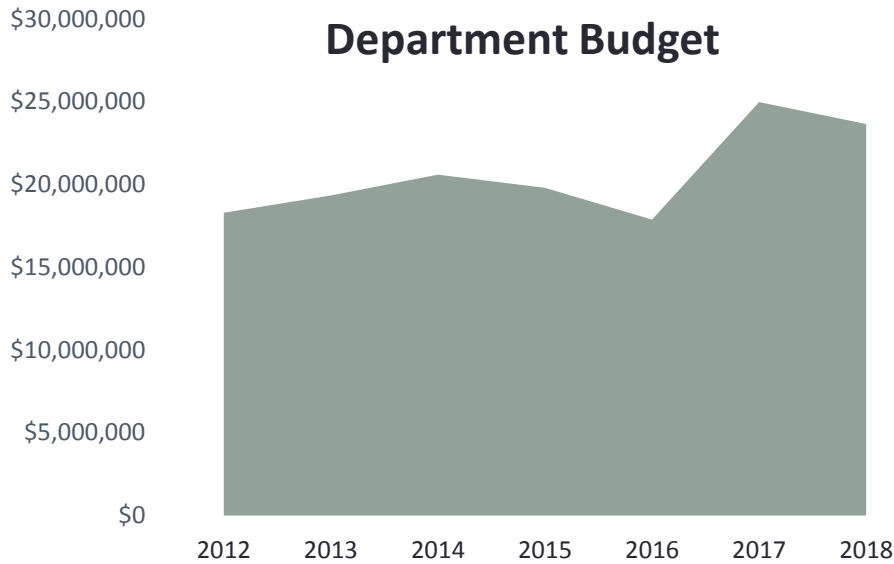
Version 1.2



\$23,656,880
Proposed 2018 Budget

-\$1,326,229
Change in Proposed Budget

-5.3%
% Change in Proposed Budget



Departmental Budget Impact

ERS' budget is funded almost entirely through Pension Trust Fund assets, as approved by the Pension and Annuity Board and, therefore, does not have a noticeable impact 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
\$	\$3,258,822	\$1,499,058	\$18,270,000	\$629,000	\$0
%	14%	6%	77%	3%	0%
Δ	14.2%	16.8%	-9.9%	11.5%	0.0%

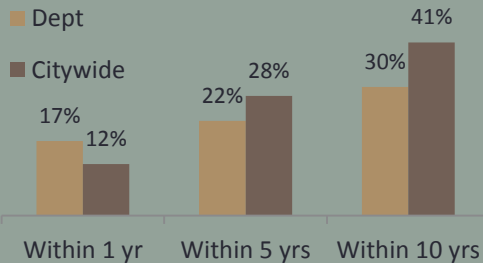
\$406,333

Amount of increase in Salaries and Wages from 2017 (14%).

-\$205,000

Net savings from in-sourcing 3 Information Technology positions previously contracted out.

Retirement Eligible



5

Change in Positions

8.6%

% Change in Positions

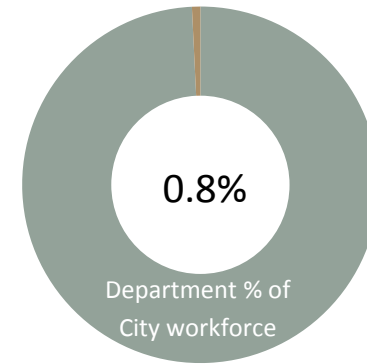
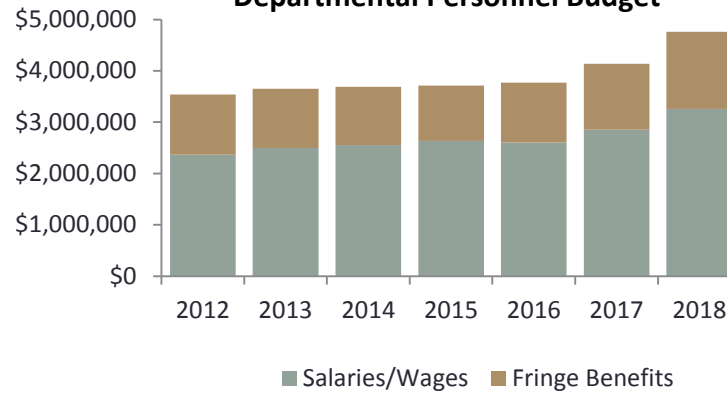
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Current Vacancies

3

Voluntary Separations

Departmental Personnel Budget

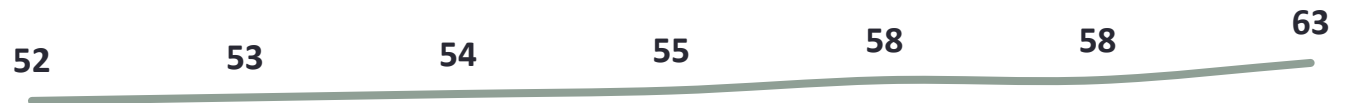


Staffing Vacancies

- Chief Financial Officer (vacant since June, 2017).
- Pension Accounting Manager (vacant since September, 2016).

Staffing Update

- 3 Information Technology positions added to in-source previously-contracted services.
- Deputy Chief Investment Officer added.
- Disability Deputy Director added.
- 2 Information Technology positions reclassified.
- Pension Accounting Specialist reclassified to a Pension Accounting Manager.



**Department Positions
2012-2018**

\$629,000

Amount included in 2018 Proposed Budget to replace parts of the storage area network that are reaching end of life.

\$22 million

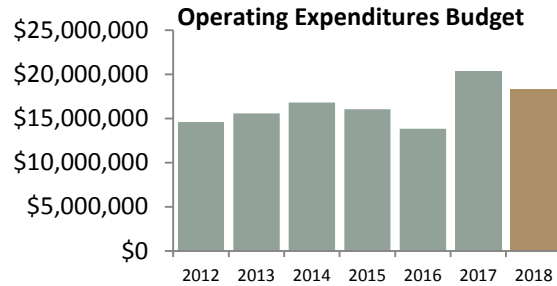
Increase in City contribution to Fund from 2017, including \$5 million from the Employer's Reserve Fund (36%).

27,387

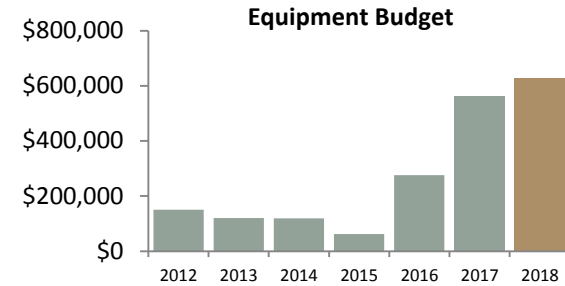
Total (active, inactive, retired) membership of the pension fund as of January 1, 2017. A 1.1% increase from previous year.

16,304 (59%)

Inactive and retired members of the pension fund as of January 1, 2017. No change in percentage from previous year.



80% | 81% | 82% | 81% | 77% | 81% | 77%
Operating expenditures percent of department budget



1% | 1% | 1% | 0% | 2% | 2% | 3%
Equipment percent of department budget

Revenue

Revenues received by ERS include:

- \$23 million charged to Trust to offset the ERS budget.
- \$905,000 charged to Sewer Maintenance and Parking Enterprise Funds.
- \$5 million charged to Employer's Reserve Fund (\$0 charged in 2017).

Grants

This department receives no grant funding.

Special Purpose Accounts

Not funded by the Pension Trust Fund.

- 2018 Group Life Insurance Premium: \$3 million
- Retirees' Benefit Adjustment Fund: \$60,000

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

Capital Requests

This department has no capital requests.

92.9%

Ratio of Fund Asset Market Value Compared to Accrued Pension Liability as of January 1, 2017. (down from 93.8% previous year)

96.1%

Ratio of Fund Asset Actuarial Value compared to Accrued Pension Liability as of January 1, 2017. (down from 96.7% previous year)

8.8%

Fund's actual 2016 rate of return (net of fees), compared to 8.25% assumed rate of return for 2016.

8%

New assumed Fund rate of return for calculating contribution rates, down from 8.25%, to be finalized upon completion of experience study late 2017.

Actuarial Accrued Liabilities

- This is the amount the City will owe in future pension obligations, in today's dollars.
- \$5.26 billion as of January 1, 2017.
- Fund market value of \$4.89 billion is 92.9% of actuarial accrued liability.
- Fund ranks among the best municipal pension funds in the country.

Stable Contribution Policy

Rather than re-set the City's employee contribution rate in response to market swings, in 2013 the City adopted a stable contribution policy. Under the policy, a blended contribution rate based on the proportionately weighted rates for general City, police and fire is set every 5 years. The contribution rates will be re-set for the next 5 years in 2018 based on an experience study of the City's retirement ages, mortality rates, and other actuarial factors.

City Contribution to Employees' Retirement Fund

- City no longer makes employer-paid member contributions.
- City contribution has increased \$22 million from 2017.
- \$83 million Employer Contribution in 2018, including \$5 million from Employer's Reserve Fund.
 - Estimated contribution for General City: \$16.9 million
 - Estimated contribution for Fire and Police: \$66.1 million
- The stable contribution rate will re-set at the end of 2017 for the next five years upon completion of the experience study; preliminary rates are 9.25% for general city (up from 8.48%), 30.16% for police (up from 22.63%) and 28.71% for fire (up from 24.83%).

Customer Service

- Over 27,000 members.
- 2016 Changes:
 - 1,118 enrollments.
 - 351 withdrawals.
 - 530 terminations.
 - 632 retirements.
 - 536 deaths.
 - 4,901 counselling sessions.

Active vs. Passive Management

Active investment management carries higher fees, but has the potential to out-earn the market. ERS estimates that the Fund has generated \$728 million in extra investment gains over the last 22 years (net of fees) through investing in active management. ERS has set a target of 36% passive management for the Fixed Income portfolio and 18% for Public Equity. Other portfolios, including Private Equity, Real Estate and Absolute Return can only be invested in through active management.

