



# Employees' Retirement System

2021 Budget Overview

Finance & Personnel Committee

October 7, 2020

# Budget Data

	<b>2020 Adopted Budget</b>	<b>2021 Proposed Budget</b>	<b>Amount Change</b>	<b>Percent Change</b>
FTEs – O&M	48.5	49.00	0.50	1.0%
FTEs - Other	-	-	-	0.0%
Total Positions Authorized	57	58	1	1.8%
Salaries & Wages	\$3,360,769	\$3,570,428	\$209,659	6.2%
Fringe Benefits	1,344,308	1,642,397	298,089	22.2%
Operating Expenditures	16,074,000	14,577,000	-1,497,000	-9.3%
Equipment	144,000	875,000	731,000	507.6%
Special Funds	-	-	-	0.0%
<b>TOTAL</b>	<b>\$20,923,077</b>	<b>\$20,664,825</b>	<b>-\$258,252</b>	<b>-1.2%</b>

# Pension Fund Performance as of January 1, 2020

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- 80.1% on an actuarial basis
  - Compared to 81.5% in January 1, 2019
- 84.2% on a market basis
  - Compared to 77.4% in January 1, 2019
- 6.94% return on investment on actuarial value
  - Assumption was 7.50%
    - Compared to 5.33% in January 1, 2019
- 18.44% return on investment on market value
  - Assumption was 7.50%
    - Compared to **-2.91%** in January 1, 2019

# Changes to 2019 Plan Reset

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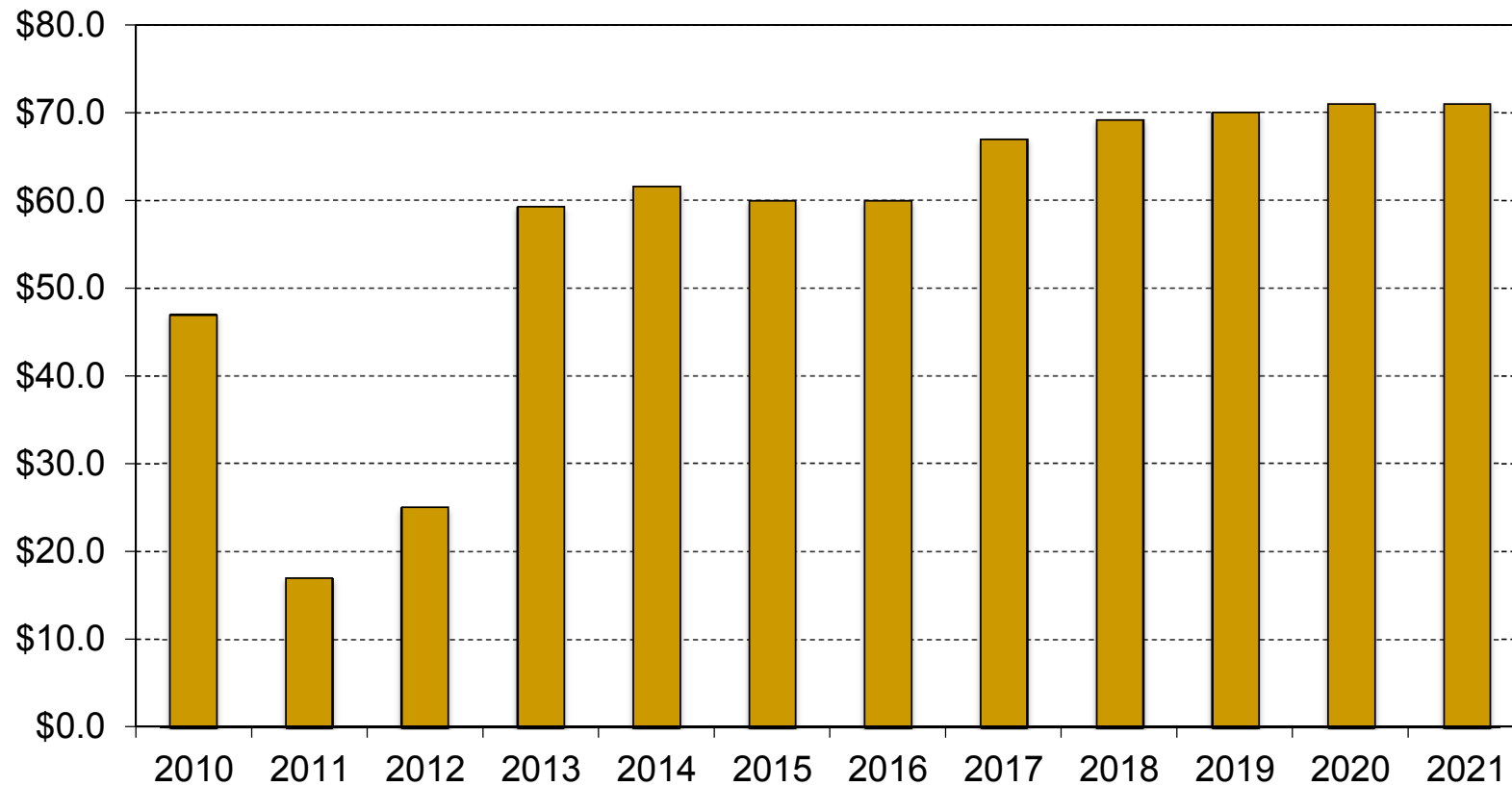
- Major Changes in Pension Funding Policy & Economic and Demographic Assumptions
  - Change Actuary firm from Buck to Cavanaugh Macdonald Consulting, LLC (CMC)
  - Change in the Actuarial Assumption from prior valuation. The investment return assumption was lowered from:
    - 8.00% to 7.50% reset rate of return for 2019 and;
    - 8.25% to 7.50% rate of return for next 25 years
  - This increased the actuarial accrued liability by \$450 million and decreased the funded ratio by 6.2%
    - The net liability experience during 2019 was an actuarial loss of \$39 million, primarily due to more retirements than expected and decreased in the funded ratio by 6.9%

# 2021 Pension Contribution

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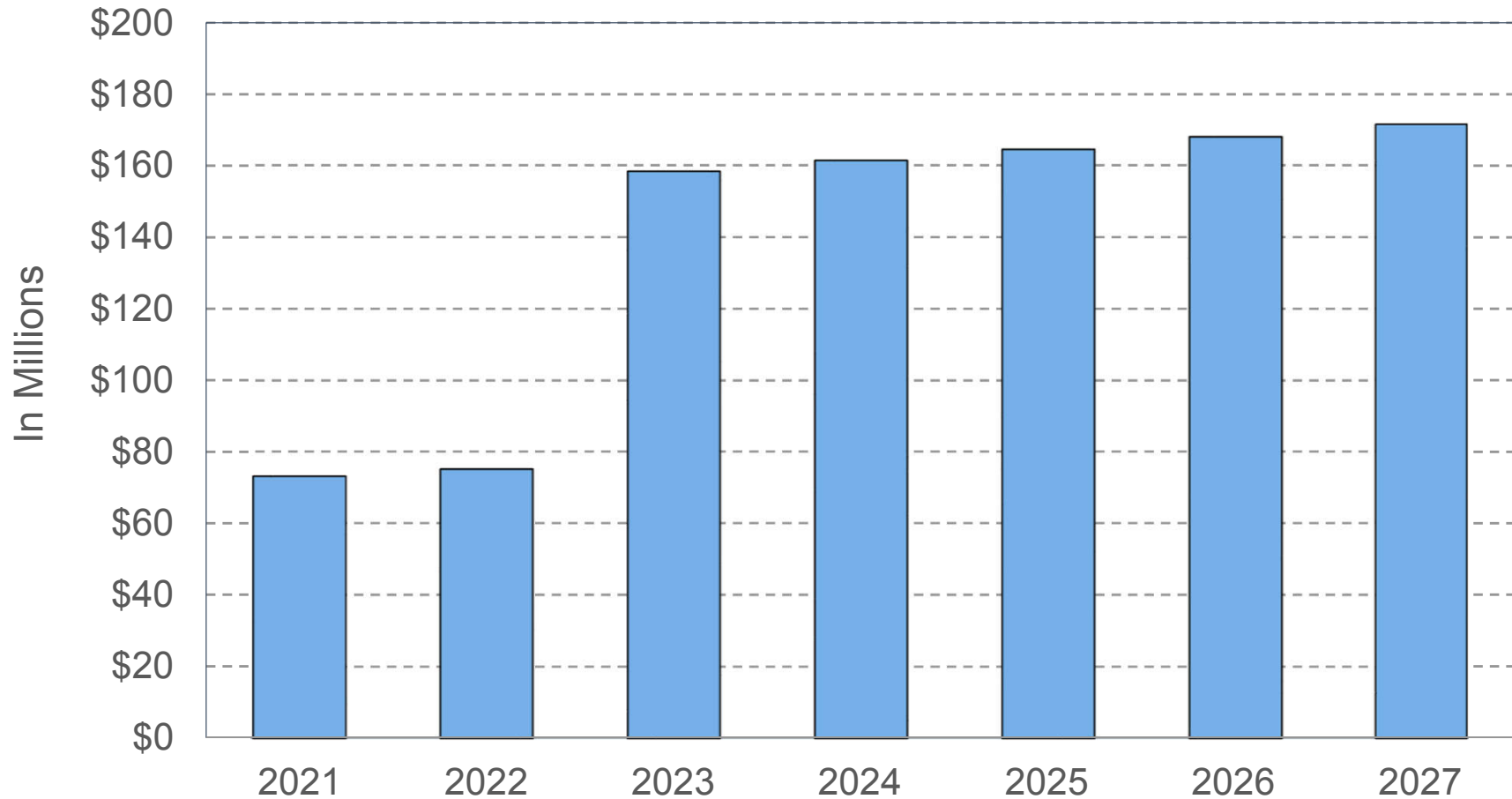
- Pension reserve fund will have a balance of approximately \$34 million at year-end 2020
  - *2021 budget includes \$8 million contribution*
- The budget provides a payment of \$71 million for the Employer Contribution
  - *\$71 million from the tax levy*
- No member contribution paid by the employer; employees now pay their own contributions

# Employer Pension Contributions Trends 2010-2021



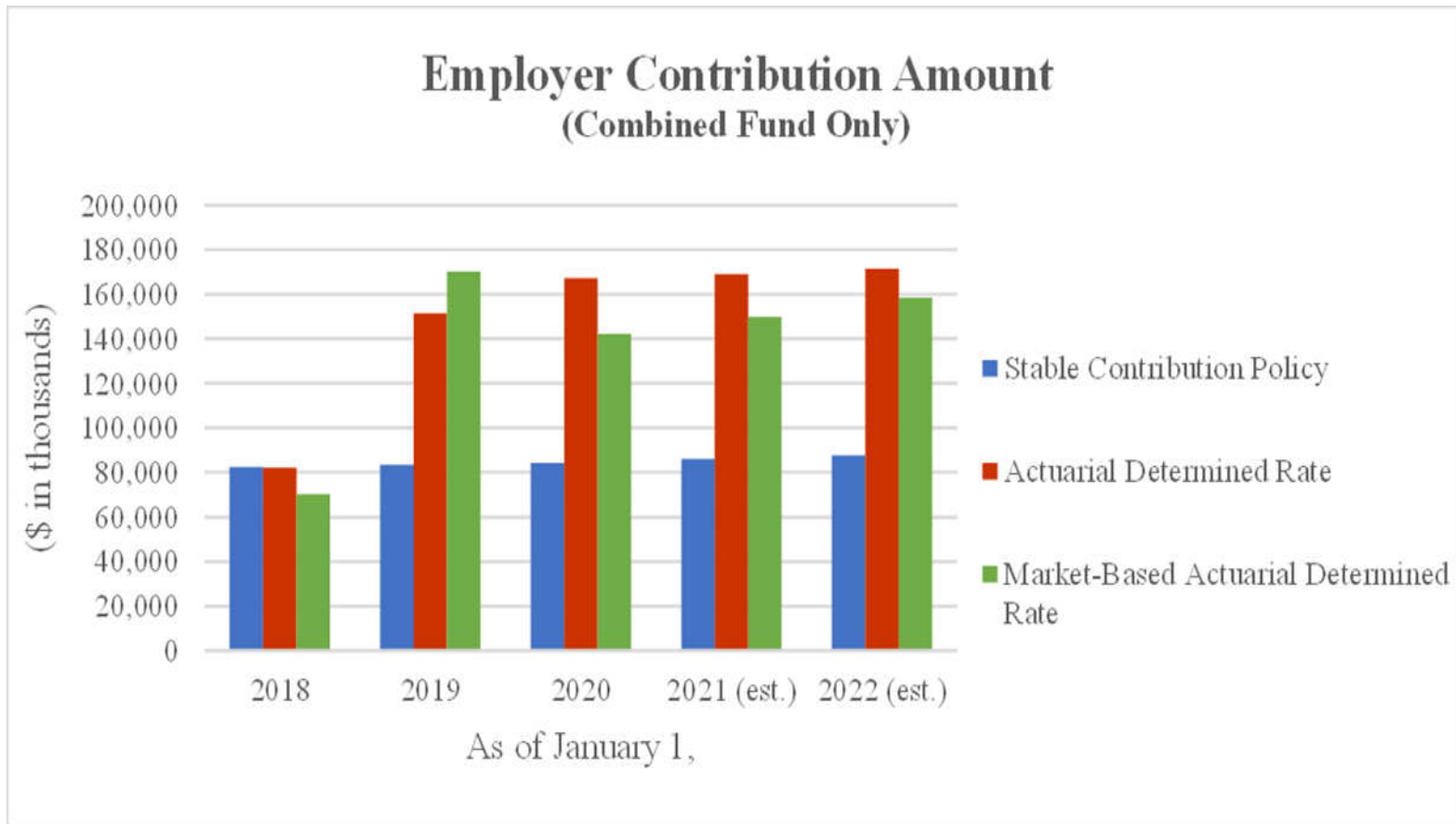
*Contributions in 2011 and 2012 were made to the employer's pension reserve. 2018-2022 contributions will be based on a reset of stable contribution rates. Source: City Budget documents*

# Future Pension Contribution Outlook



# Employer Contributions

(Combined Fund only as of January 1, 2020)



Given the difference between the actuarially determined contributions and the stable contribution policy contributions, it would be prudent for *City of Milwaukee & participating agencies* to start preparing now for higher contributions when the Stable Contribution Policy is reset for calendar year 2023.



