

2020



Legislative Reference Bureau

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EMPLOYEES' RETIREMENT SYSTEM



2020 Proposed Plan and Executive Budget Review

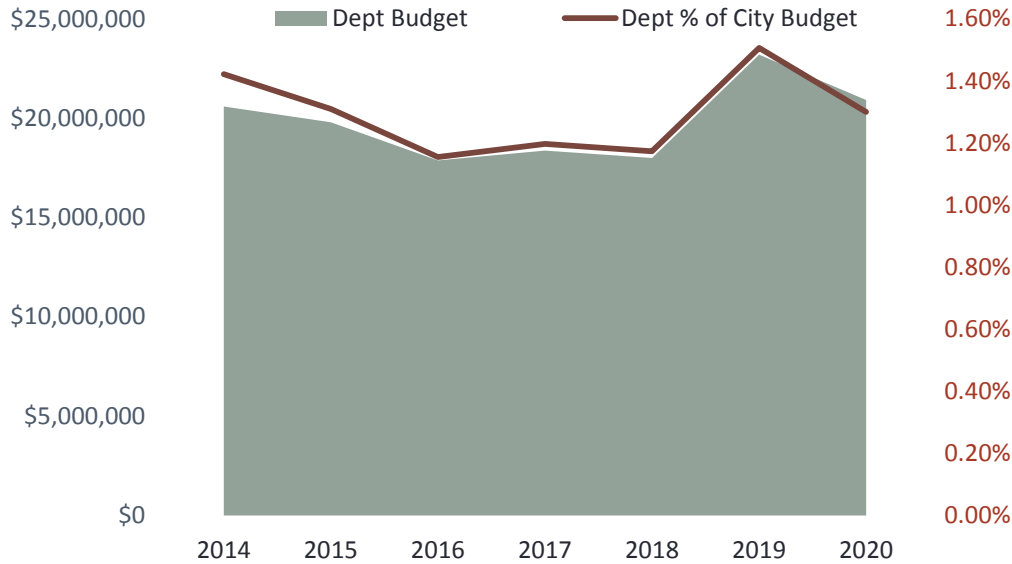
Prepared by: Dana Zelazny, Fiscal Planning Specialist
Budget Hearing: 1:30 pm on Wednesday, October 9, 2019



\$20,923,077
Proposed 2020 Budget

-\$2,282,896
Change in Proposed Budget

-9.8%
% Change in Proposed Budget



Departmental Budget Impact

The 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
\$	\$3,360,769	\$1,344,308	\$16,074,000	\$144,000	\$0
%	16%	6%	77%	1%	0%
Δ	1.5%	-9.8%	-11.2%	-54.0%	0.0%

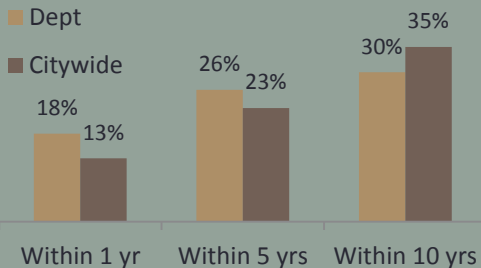
\$3.36 million

Budget for salaries included in the 2019 Proposed Budget, an increase of \$470,000 (16%) from 2018 actual expenditures.

-\$1.98 million

Reduction in investment management performance fees for 2020.

Retirement Eligible



-4

Change in Positions

3

Current Vacancies

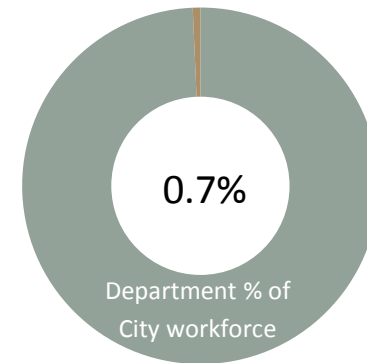
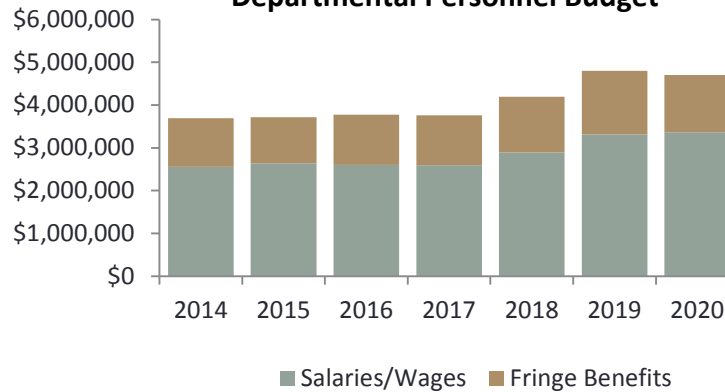
-6.6%

% Change in Positions

3

Voluntary Separations

Departmental Personnel Budget

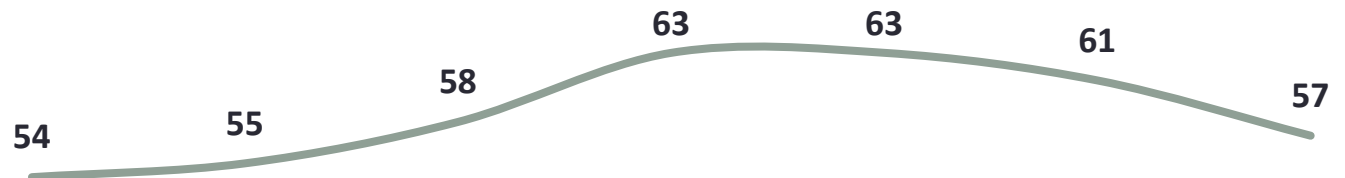


Staffing Vacancies

- Chief Technology Officer (since 3/19)
- Assistant Administrator II (since 9/19)
- Network Administrator (since 9/18)
 - Department has a candidate but is requesting recruitment flexibility before extending an offer.

Staffing Changes

- 2020 Proposed Budget eliminates 3 members of the ERS Annuity and Pension Board, per State decision (total of 8 members currently).
- Also eliminates an unfunded Pension Specialist-Senior position.



**Department Positions
2014-2020**

\$38.1 million

Projected balance of the Pension Reserve Fund following an \$8 million deposit included in the 2020 Proposed Budget.

\$79 million

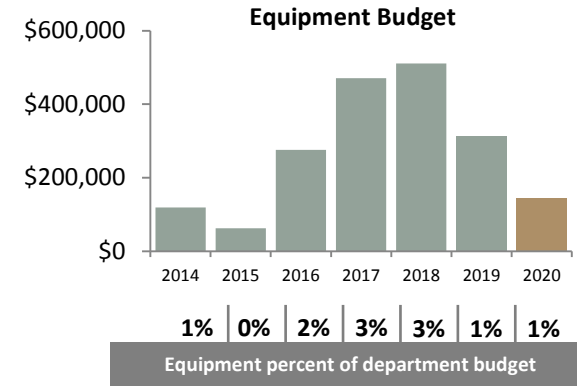
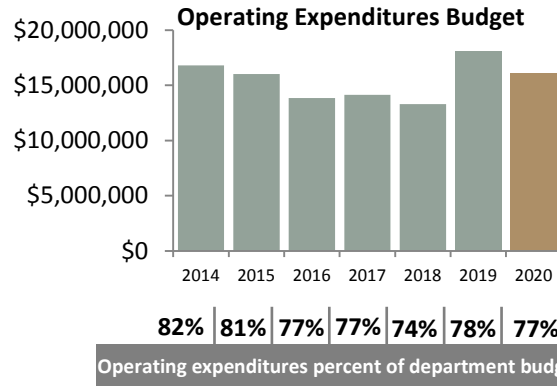
Combined contribution to the Pension Trust Fund and Pension Reserve Fund included in the 2020 Proposed Budget.

28,581

Total number of members and beneficiaries of the Employees' Retirement System as of January 1, 2019. 62% are inactive or retired.

7.5%

Assumed rate of return of pension fund assets from 2019 onward, down from 8.0%.



Revenue

Revenues received by ERS include:

- \$20.5 million charged to the Pension Trust Fund to offset the ERS budget.
- \$900,000 charged to Sewer Maintenance and Transportation enterprise funds.

Special Purpose Accounts

(Not funded by the Pension Trust Fund)

- 2019 Group Life Insurance Premium \$4.5 million
- Retirees' Benefit Adjustment Fund \$42,000
(Covers certain former City employees who retired prior to 1984.)

Grants

This department receives no grant funding.

Capital Projects

This department has no capital projects funded in the 2020 Proposed Budget.

77.4%

Ratio of Fund Asset Market Value compared to Accrued Pension Liability as of January 1, 2019. (down from 92.7% previous year)

81.5%

Ratio of Fund Asset Actuarial Value compared to Accrued Pension Liability as of January 1, 2019. (down from 89.9% previous year)

-2.9%

Fund's 2018 rate of return (net of fees), compared to benchmark of -3.4%.

11.1%

Fund's rate of return (net of fees) through June 2019, compared to benchmark of 10%

Actual Accrued Liability

- This is the amount the City will owe in future pension obligations, in today's dollars. The City's actuarial accrued liability is \$6.4 billion as of January 1, 2019.
- Reducing the discount rate from 8.0% to 7.5% had a significant impact on the accrued actuarial liability.
- The Pension Trust Fund's market value of \$4.95 billion as of January 1, 2019, is 77.3% of the actuarial accrued liability.
- The Pension Trust Fund's actuarial value of \$5.2 billion as of January 1, 2019, is 81.5% of the actuarial accrued liability.

Customer Service

ERS services over 28,000 members.

2018 Changes and Activities:

- 1,247 Enrollments.
- 553 Deaths.
- 618 Retirements.
- 482 Withdrawals.
- 779 Separations.
- 1,348 Major Counseling.
- 3,719 Minor Counseling.
- 462 Group Counseling.

Stable Contribution Policy

An experience study was carried out in 2017 to establish a new blended contribution rate based on the proportionately weighted rates for general City, police and fire employees for 2018-2022. Contribution rates will be reset in 2023.

	General City	Police	Fire
2013-2017 Blended rate	8.48%	22.63%	24.83%
2018-2022 Blended rate	7.48%	25.22%	26.83%
Estimated Active Members	8,228	1,916	707
Estimated 2020 Covered Compensation	\$361 million	\$160 million	\$61 million

Fund also includes Water Department, MPS School Board, Milwaukee Area Technical College, Milwaukee Metropolitan Sewerage Commission, Veolia, Wisconsin Center District, Housing Authority and Redevelopment Authority.

