

2021



Legislative Reference Bureau

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EMPLOYEES' RETIREMENT SYSTEM



2021 Proposed Plan and Executive Budget Review

Prepared by: Chris Hillard, Legislative Fiscal Analyst - Lead
Budget Hearing: 1:30 pm on Wednesday, October 7, 2020



\$20,664,825

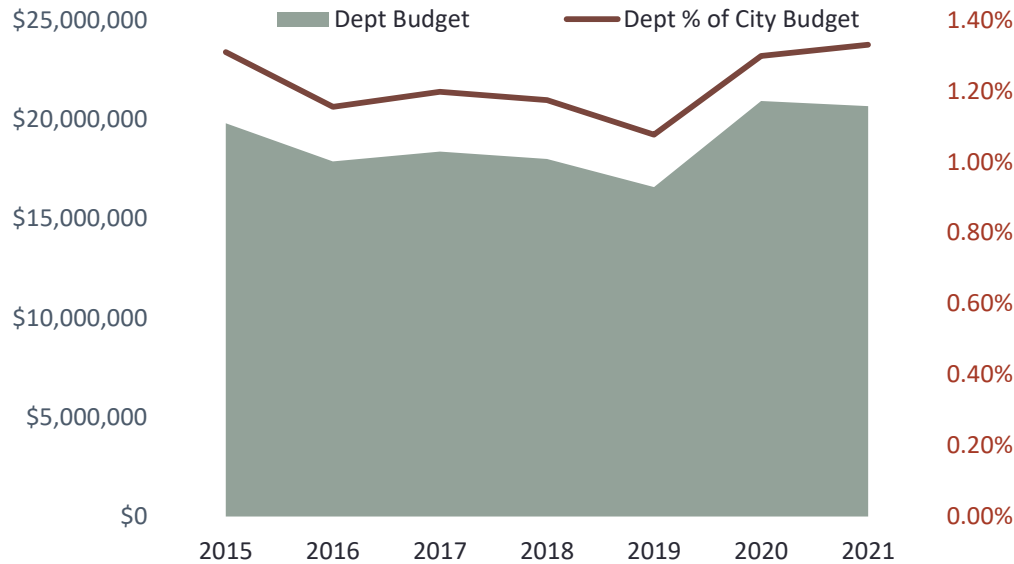
Proposed 2020 Budget

-\$258,252

Change in Proposed Budget

-1.2%

% 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

\$	\$3,570,428	\$1,642,397	\$14,577,000	\$875,000	\$0
%	17%	8%	71%	4%	0%
Δ	6.2%	22.2%	-9.3%	507.6%	0.0%

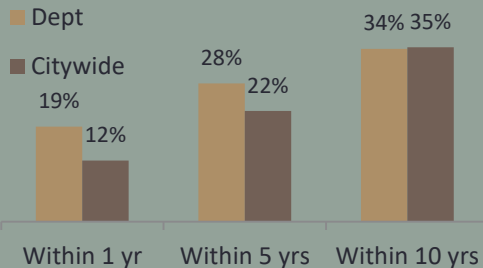
\$3.57 million

Budget for salaries included in the 2021 Proposed Budget, an increase of \$209,889 (6%) from 2020.

\$875,000

Proposed equipment expenditure for 2021, a 600% increase from 2020.

Retirement Eligible



1

Change in Positions

1.8%

% Change in Positions

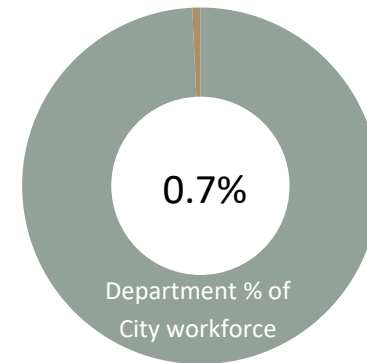
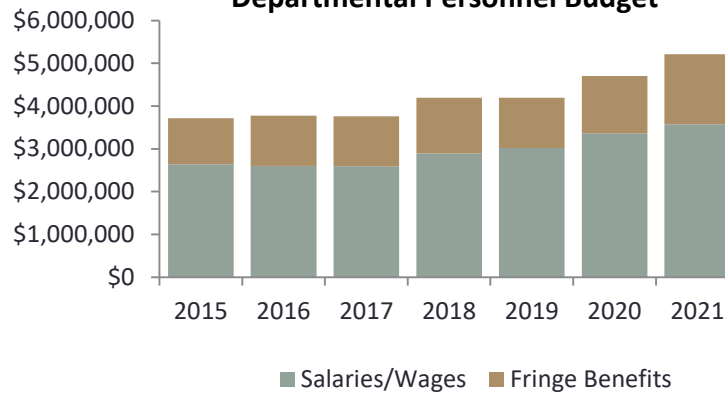
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Current Vacancies

1

Voluntary Separations

Departmental Personnel Budget

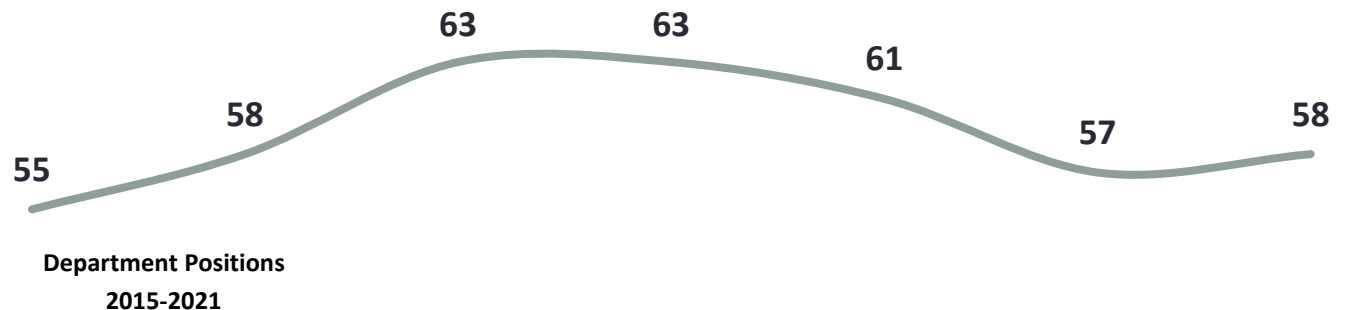


Staffing Vacancies

- Network Administrator (since 9/18)
- Department is working with DER to post the position.

Staffing Update

- The Proposed Budget eliminates a .5 FTE college intern and adds one ERS Operations Director.
- The ERS Operations Director will provide oversight for certain IT and operational areas of ERS. The Operations Director will be in the Administration section of ERS.



\$34 million

Current balance of the Pension Reserve Fund. The Proposed Budget calls for an additional \$8 million.

\$79 million

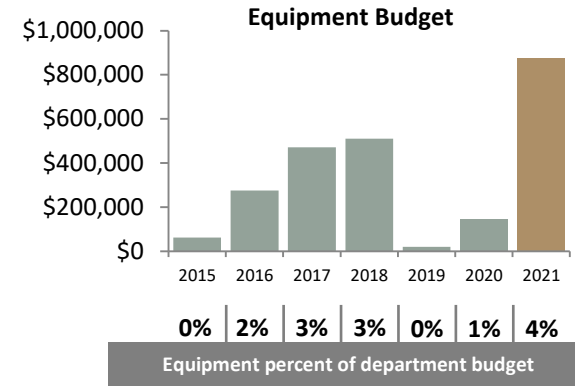
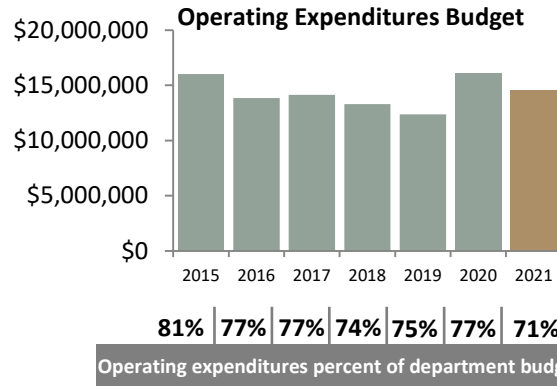
Combined contribution to the Pension Trust Fund and Pension Reserve Fund included in the 2021 Proposed Budget.

29,097

Total number of members and beneficiaries of the Employees' Retirement System as of January 1, 2020. 62% are inactive or retired.

7.5%

Assumed rate of return of pension fund assets from 2019 onward, down from 8%.



Revenue

Revenues received by ERS include:

- \$20.6 million Charges for Services.
- \$121,000 in miscellaneous revenues.

Special Purpose Accounts

(Not funded by the Pension Trust Fund)

- 2021 Group Life Insurance Premium: \$4.56 million, an increase of \$60,000 from 2020.
- Retirees' Benefit Adjustment Fund: \$41,000 (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 2021 Proposed Budget.

83.7%

Ratio of Fund Asset Market Value compared to Accrued Pension Liability as of January 1, 2020. (up from 77.4% previous year)

80.1%

Ratio of Fund Asset Actuarial Value compared to Accrued Pension Liability as of January 1, 2020. (down from 81.5% previous year)

18.4%

Fund's 2019 rate of return (net of fees), up from -2.9% in 2018. The most current rate of return for 2020 is -6%, illustrating the volatility created by COVID-19.

-9%

Fund's rate of return (net of fees) through June 2020, down from 11.1% in 2019.

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 \$6.58 billion as of January 1, 2020.
- 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 \$5.5 billion as of January 1, 2020, is 83.7% of the actuarial accrued liability.
- The Pension Trust Fund's actuarial value of \$5.2 billion as of January 1, 2020, is 79.5% of the actuarial accrued liability.

Employer Contributions to Pension Fund

The reduction of the investment return assumption to 7.5% from 8.0% had significant impacts on the actuarial accrued liability, resulting in a liability increase of \$450 million. As of January 1, 2020, the actuarial accrued liability is approximately \$6.6 billion, with an unfunded liability of approximately \$1.3 billion. The actuarial estimate is that this will require a projected \$100 million increase in the actuarially determined employer contributions to the fund starting in 2023, with the City's share estimated at approximately 83% of this amount.

Annuity and Pension Board Members' Term Expirations

Aycha Sawa, Comptroller	NA
Matthew Bell, Elected	Dec. 31, 2021
James Campbell, Elected	Dec. 31, 2022
Deborah Ford, Appointed	Jun. 30, 2022
Tom Klusman, Elected	Dec. 31, 2021
Rudolph Konrad, Appointed	Jun. 30, 2022
Ald. Nik Kovac, Appointed	Jun. 30, 2022
Carmelo Patti, Elected	Dec. 31, 2020

The Pension Board shrank from 11 to 8 members as a result of a July 2018 Wisconsin Supreme Court decision. The Mayor and Common Council adopted changes to chapter 36 of the Code of Ordinances in 2013 that added three appointed members to the board, and restricted police officers and firefighters to voting for a single member, who must also belong to their respective unions, and all other City employees to electing a single member. The Police and Fire unions filed a lawsuit against these changes. The State Supreme Court ruled against the City and reduced the Board size back to 8 members.

