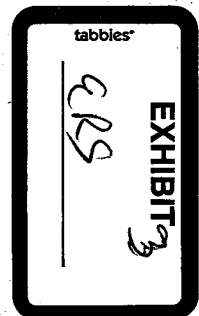


2003 Budget Presentation

Employes' Retirement System



2002 Accomplishments

- Global Pension Settlement Implementation nearly completed.
- Completed Conceptual Design Phase of Pension Management Information System (PMIS).
- Continued to Improve Member Communications.
- Completed Catch up on all Backlogs.
- Continued Monitoring Portfolio.

Global Pension Settlement Implementation

- Continued to process lump sum bonus payments –total payments \$143.1 million to 10,065 members.
- Reviewed over 1,000 estates for potential GPS benefits, processed payments totaling \$3.9 million to over 415 estates.
- Instituted consent outreach to over 2,300 non-responders – Approximately 600 additional members have since consented to GPS.
- Modified existing information systems to accept 1.6% contribution for new members and to calculate and monitor catch-up amounts.

Pension Management Information System

- Established a Program Management Office to oversee implementation of PMIS, Document Mgt System, etc.
- Completed Conceptual Design Phase for PMIS including implementation plan for custom solution to be used as a benchmark for software solution proposals.
- Began work on procurement for PMIS solution – market analysis; vendor demonstration; RFP underway.

Improved Member Communications

- Continued production of monthly newsletter for retirees.
- Published new member handbook.
- Enhanced retirement planning seminar – developed new materials, expanded availability dates.
- Developed series of brochures on various topics including disability benefits, health and life insurance and applying for retirement.
- Developed web-based pension estimator available at www.cmers.com.

Backlogs Eliminated

- Annual Audit Current
- Actuarial Valuation Current
- Timely response to members on estimates and inquiries.
- GPS Lump Sum elections at retirement.

Portfolio Monitoring

- 1/1/2002 Valuation reflects funded status of 137.2% - 2nd Qtr. Top 25% of public pension funds.
- Portfolio Changes: Moved to a style neutral asset allocation. Added New Large Cap Growth Manager; In process changing Small Cap Growth Manager.
- Daily monitoring of investment returns.
- Due Diligence trips to current and new managers.
- Initiated a Commission Recapture Program –est. additional revenues of \$80,000.

2003 Proposed Activities

- Implement remaining GPS benefits including F&P former member bonus; complete estate processing and consent outreach; etc.
- Select vendor for new Pension Management Information System and begin implementation.
- Purchase and begin installation of electronic document management system.
- Continue data remediation efforts.

When Can I Retire?

General City Employees

Service Retirement:

- Age 60
- Age 55 with 30 years of creditable service

Early Retirement (on a reduced benefit):

- Age 55 with at least 15 years of creditable service (also available after Deferred Retirement)

Deferred Retirement (after leaving City employment):

- Age 60 with at least 4 years of creditable service

Firefighters

Service Retirement:

- Age 57
- Age 52 with 25 years of creditable service
- Age 49 with 22 years of creditable service*

Early Retirement (on a reduced benefit):

- Age 55 with at least 15 years of creditable service, also available after Deferred Retirement

Deferred Retirement (after leaving City employment):

- Age 57 with at least 4 years creditable service

Police Officers

Service Retirement:

- Age 57
- Age 52 with 25 years of creditable service
- 25 years of creditable service (at any age)*

Early Retirement (on a reduced benefit):

- Age 55 with at least 15 years of creditable service (also available after Deferred Retirement)

Deferred Retirement (after leaving City employment):

- Age 57 with at least 4 years of creditable service

* Only if you consented to the Global Pension Settlement or joined the ERS after December 31, 1999

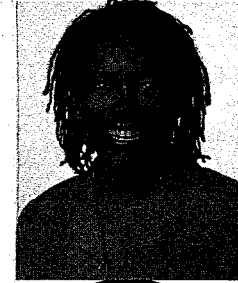
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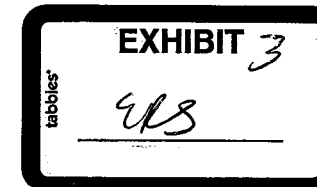
#1

The Retirement Process for City of Milwaukee Employees

Helping you learn more about the City of Milwaukee Employees' Retirement System.

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& YOU



What Are Duty Disability Benefits?

If you become totally and permanently incapacitated as a direct result of an injury you suffer on the job and cannot perform your job-related duties, you may be eligible for Duty Disability monthly benefits. You can find more detailed information in the Employees' Retirement System (ERS) Member Handbook.

Checklist

What should you do if you become permanently incapacitated and cannot perform your duties? Work through this checklist and know your rights.

- Read through this pamphlet to see if you qualify for a duty disability benefit
- Get more details on duty disability benefits in the ERS Member Handbook
- Meet with the Department of Employee Relations or your union representative to determine the spectrum of benefits available to injured workers including injury pay, sick leave, worker's compensation, and finally duty disability
- Prior to applying for duty disability, make sure you first apply for a workers' compensation determination
- Understand how the ability to earn other income may offset your duty disability allowance
- Understand how to apply for disability benefits
- Know your ongoing responsibility to undergo annual medical examinations while receiving duty disability
- Know how disability benefits affect your tax status

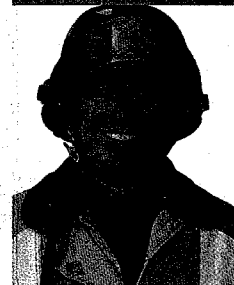
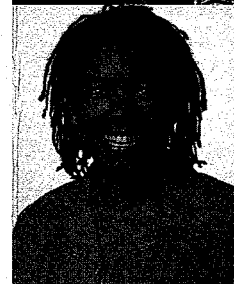
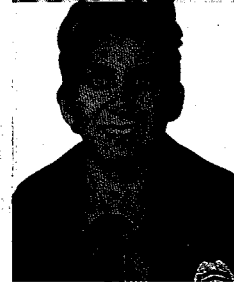
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#2

Duty Disability Benefits For General City Employees

Helping you learn more about the City of Milwaukee Employees' Retirement System.



& YOU

What Are Duty Disability Benefits?

If you become totally and permanently incapacitated as a direct result of an injury you suffer on the job and cannot perform your job-related duties, you may be eligible for monthly benefits that replace a portion of your City paycheck. You can find more detailed information in the Employee's Retirement System (ERS) Member Handbook.

Checklist

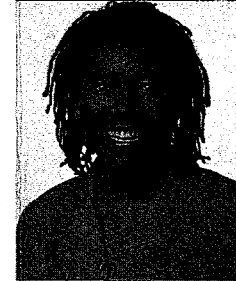
What should you do if you become permanently incapacitated and cannot perform your duties? Work through this checklist and know your rights.

- Read through this pamphlet to see if you qualify for a duty disability benefit
- Get more details on duty disability in the Member Services Handbook (*Firefighters and Police Officers* section of the Handbook)
- Understand how the ability to earn other income may offset your duty disability allowance
- Meet with the Department of Employee Relations or your union representative to determine the spectrum of benefits available to injured workers including injury pay, sick leave, worker's compensation, and finally, duty disability
- Understand how to apply for disability benefits
- Know your ongoing responsibility to undergo regular medical examinations while claiming duty disability
- Know how disability benefits affect your tax status

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#3

Duty Disability Benefits For Firefighters and Police Officers

Helping you learn more about the City of Milwaukee Employees' Retirement System.



& YOU

What Are Ordinary Disability Benefits?

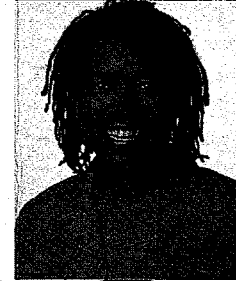
If you become totally and permanently incapacitated and cannot perform your job-related duties, you may be eligible for ordinary (non-duty) disability benefits. This brochure provides an overview of Ordinary Disability for City of Milwaukee Employees; you can find more detailed information in the Employee's Retirement System (ERS) Member Handbook.

Checklist

What should you do if you become permanently incapacitated and cannot perform your duties? Work through this checklist and know your rights.

- Read through this pamphlet to see if you qualify for an ordinary disability benefit
- Get more details on ordinary disability benefits in the ERS Member Handbook. (Depending on your employee group, consult either the "General City Employees" or "Firefighters and Police Officers" section of the handbook)
- Meet with the Department of Employee Relations or your union representative to determine the benefits available to you, including sick leave, long term disability insurance and finally, ordinary disability
- Understand how the ability to earn other income may offset your ordinary disability allowance
- Understand how to apply for disability benefits
- Know your ongoing responsibility to undergo regular medical examinations while claiming ordinary disability
- Know how disability benefits affect your tax status

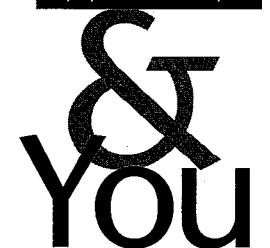
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1-800-815-8418 (toll free)



#4

Ordinary Disability Benefits for City of Milwaukee Employees

Helping you learn more about the City of Milwaukee Employees' Retirement System.



What is the Review and Appeal Process?

As an ERS member, you have the right to request that an ERS decision, such as determination of a benefit amount, be reviewed for modification or reversal. This brochure explains the steps you need to take, as determined by Rules and Regulations (which are based on Wisconsin statutes), to complete the review process and, if necessary, the appeal process.

Checklist

What if you feel that an ERS decision should be modified? Work through this checklist and know your rights in the review and appeal process.

- Read through this pamphlet to understand the steps needed to initiate a review.
- Get more details on the review and appeal process in the ERS Member Handbook.
- Read the full text of the review and appeal process at www.cmers.com. Click on "Useful Links," then "Legal Documents," then "Rules and Regulations."
- Submit your written request for review within 30 days after receiving the original decision from the ERS.
- Make sure you have documentation that supports your position.
- If you disagree with the review decision, file a written notice of appeal within 30 days after you receive the review decision.
- Understand that you may be represented by counsel in the appeal process and at your appeal hearing.
- Be aware that Wisconsin statutes provide that you may have the Board's final decision reviewed by the Circuit Court.

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#5

Review and Appeals Procedures

Helping you learn more about the City of Milwaukee Employees' Retirement System.



& YOU

What are My ERS Life Insurance Options?

As a City of Milwaukee employee, you may be eligible for **Group Life Insurance** that is administered by ERS. The City also contracts with a provider to pay Death Claims. This optional coverage would provide a lump-sum benefit to your designated beneficiary(ies) upon your death. You may also be eligible to purchase **Supplemental Group Life Insurance**. You pay for this coverage through convenient payroll deductions.

Checklist

How does your City life insurance protect you and your beneficiary(ies)? Review this checklist and know your rights.

- Read through this pamphlet to see whether you are eligible for life insurance administered by ERS; determine the amount of your coverage; and learn how to apply.
- Complete a Group Life Insurance Application(s) when you become eligible for coverage. (These application forms can be obtained from: ERS, Room 603.
- Consider whether you wish to purchase Supplemental Group Life Insurance. After your first opportunity to apply, you can purchase this additional protection only during the City's annual Open Enrollment period.
- As your City employment continues, be sure to keep your life insurance beneficiary designation up to date.
- If you die while covered by the City's life insurance program, a benefit will be payable to the **primary beneficiary** on file with ERS at the time of your death.
- If your primary beneficiary is no longer living when you die, a life insurance benefit will be payable to your **contingent beneficiary** (or, if no contingent beneficiary, to your estate.)
- In the event of your death, your beneficiary (or another person handling your affairs) should contact the ERS office to initiate the life insurance claim process. The payment process normally takes 30-45 days.

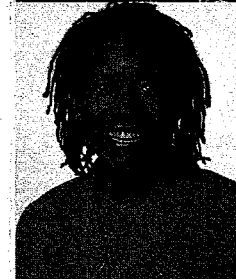
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#6

Group Life Insurance for City of Milwaukee Employees

Helping you learn more about the City of Milwaukee Employees' Retirement System.



& YOU

Who Is Eligible for Retiree Health Benefits?

The Employees' Retirement System provides retiree health and dental benefits for Fire, Police and other City of Milwaukee employees. Employees of Milwaukee Public Schools (MPS), Milwaukee Area Technical College (MATC) and Milwaukee Metropolitan Sewerage District (MMSD) should contact their respective employee benefits office regarding retiree health and dental benefits. For all other City employees, the following applies:

City Retirees Up To 65 Years of Age

For General City employees, you are eligible for free* City health insurance coverage up to the month you turn 65 if:

- You retire between 60 and 65 with at least 15 years of City service, or
- You retire between 55 and 65 with at least 30 years of City service.

Otherwise, you must pay part of the premium.

For Police and Fire employees, you will pay a premium to age 65, which is based on your amount of unused sick leave when you retire.

Health coverage will continue through the plan that covered you immediately prior to your retirement. The only time you can change health plans, other than during the annual Open Enrollment, is if you move out of your HMO service area.

City Retirees 65 Years of Age and Older

When you reach the age of 65 as a retiree, you may continue health coverage with the plan in which you are enrolled, at a cost of approximately 75% of the monthly premium.

If you are eligible for Medicare at that time, the City's plan will act as a supplement to your Medicare coverage. The premium you pay will be adjusted for Medicare involvement, but you will be required to pay approximately 75% of the adjusted premium. This supplemental coverage begins the first of the month in which you become 65, or when your Medicare coverage takes effect.

**For City managers retiring after 1/1/2004, your health insurance cost will be the same as that of an active City manager.*

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#7

Retiree Health and Dental Benefits

Helping you learn more about the City of Milwaukee Employees' Retirement System.

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& YOU

How ERS Recovers Overpayments

Milwaukee City Charter, Chapter 36-11, requires the Employees' Retirement System (ERS) and the Annuity and Pension Board to correct any payment error and in the case of overpayment, to pursue repayment. It should be noted that in the case of underpayment, correction is also required and retroactive adjustments are provided.

ERS has procedures in place to recover ERS overpayments that have been made in error.

Checklist

If you mistakenly receive a payment from the Retirement System that is too high (or a benefit to which you are not entitled), please contact the ERS immediately if you are aware of the error and avoid a large repayment. If ERS discovers an error, ERS will take the following steps to recover the overpayment:

- The Member Services Department will notify you in writing and explain the nature of the error. You will be asked to repay the full amount of the overpayment immediately.
- If you agree to repay the money due to ERS, Member Services will arrange repayment with you.
- If you do not respond to the original notice from ERS, you will receive a second letter stating that unless a repayment is made within 10 days, your monthly ERS benefit will be actuarially reduced with interest — for the remainder of your lifetime — to make up for the amount of the overpayment. This repayment option is provided for in the plan document.
- Pension Law (Chapter 36-11 of the Milwaukee City Charter) provides that if your overpayment is the result of an attempt to defraud ERS, the person committing the fraud shall be guilty of a misdemeanor and punishable under the laws of the state of Wisconsin. ERS will pursue filing charges with the District Attorney's Office.

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#8

Recovery of ERS Overpayments

Helping you learn
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The Global Pension Settlement

The Global Pension Settlement (GPS) is a settlement between the City, City agencies, employee and retiree organizations. The GPS became effective January 19, 2001 and provides a number of new benefits or benefit improvements to eligible ERS participants.

What benefits are affected by the GPS?

There are 18 different benefits impacted by the GPS. This brochure highlights the GPS 5% Lump Sum Bonus, as well as various COLA provisions for members who were actively employed on January 1, 2000; for more detailed information on other benefits, please refer to your ERS Member Handbook or the ERS Web site at www.cmers.com under "How GPS Affects You."

What are the eligibility requirements for receiving GPS benefits?

In general, if you were an active ERS member as of January 1, 2000 (or if you enrolled after January 1, 2000 and before June 28, 2000) who consented to the settlement, you would be eligible for certain GPS benefits. If you enrolled June 28, 2000 or later, you do not need to consent in order to receive certain GPS benefits. No ERS participant will receive all 18 benefits.

What if I enrolled in ERS before June 28, 2000, but I haven't consented to the settlement?

In order to receive GPS benefits, you must consent in writing to the settlement. If you haven't done so, you have until **April 26, 2003**, to consent. You can request a Global Pension Settlement Consent Form by calling the ERS office at (414) 286-3557 or 1-800-815-8418. You can also print a consent form by accessing www.cmers.com, then clicking on "How GPS Affects You," and then "Consent Information."

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#9

GPS Benefits – 5% Lump Sum Bonus and COLAs

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