



ANNUITY AND
PENSION
BOARD

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February 25, 2013

Mr. James Owczarski
City Clerk
City of Milwaukee
200 E. Wells Street, Rm. 211
Milwaukee, WI 53202

Dear Mr. Owczarski:

The Pension & Annuity Board by resolution adopted this day, February 25, 2013, requests the Finance & Personnel Committee place a hold on Common Council file # 121417, a Charter Ordinance relating to employer contributions to the Combined Fund of the Employees' Retirement System, also known as the Stable Contribution Policy. The reasons for this request are as follows:

- The ERS Board has requested a legal opinion on the proposed legislation and would appreciate the opportunity to receive and consider it.
- The Board questions whether 36-08 can be separated from 36-15 as proposed, and whether there are proposed changes to 36-15 in this legislation that need Board approval.
- The Board is concerned that while stable contributions are a positive thing, if implemented, this legislation will result in **greater funded volatility**, possibly below the amount necessary to cover retired lives.
- Ambiguous language as to whether stable contributions could be made to the Employer Reserve Fund at a high funding level, but not specifying contributions if the funded status would drop below that required for coverage of retired lives.
- If the amortization table is the same as that designated by 36-15.
- If the proposed policy, being "Consistent with standards of actuarial practice" is enough to be actuarial equivalent to the current policy, thus not causing any diminishment or impairment of the fund.
- The Board has a concern that there is a proposal for changes to the funding policy so soon after the last amendments were adopted. While the Board has gone on record for asking for the repeal of the full funding limit, what is to prevent a future council from reinstituting the full funding policy if the funded status is favorable?
- Whether the proposed amendment of Chapter 36-08 and Chapter 36-15 to alter the employers' contribution requirements violates the Global Pension Settlement and thereby impairs vested benefits of current Members.

Sincerely,

John Barmore
Chairman, Annuity & Pension Board