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**2015 Overview:**

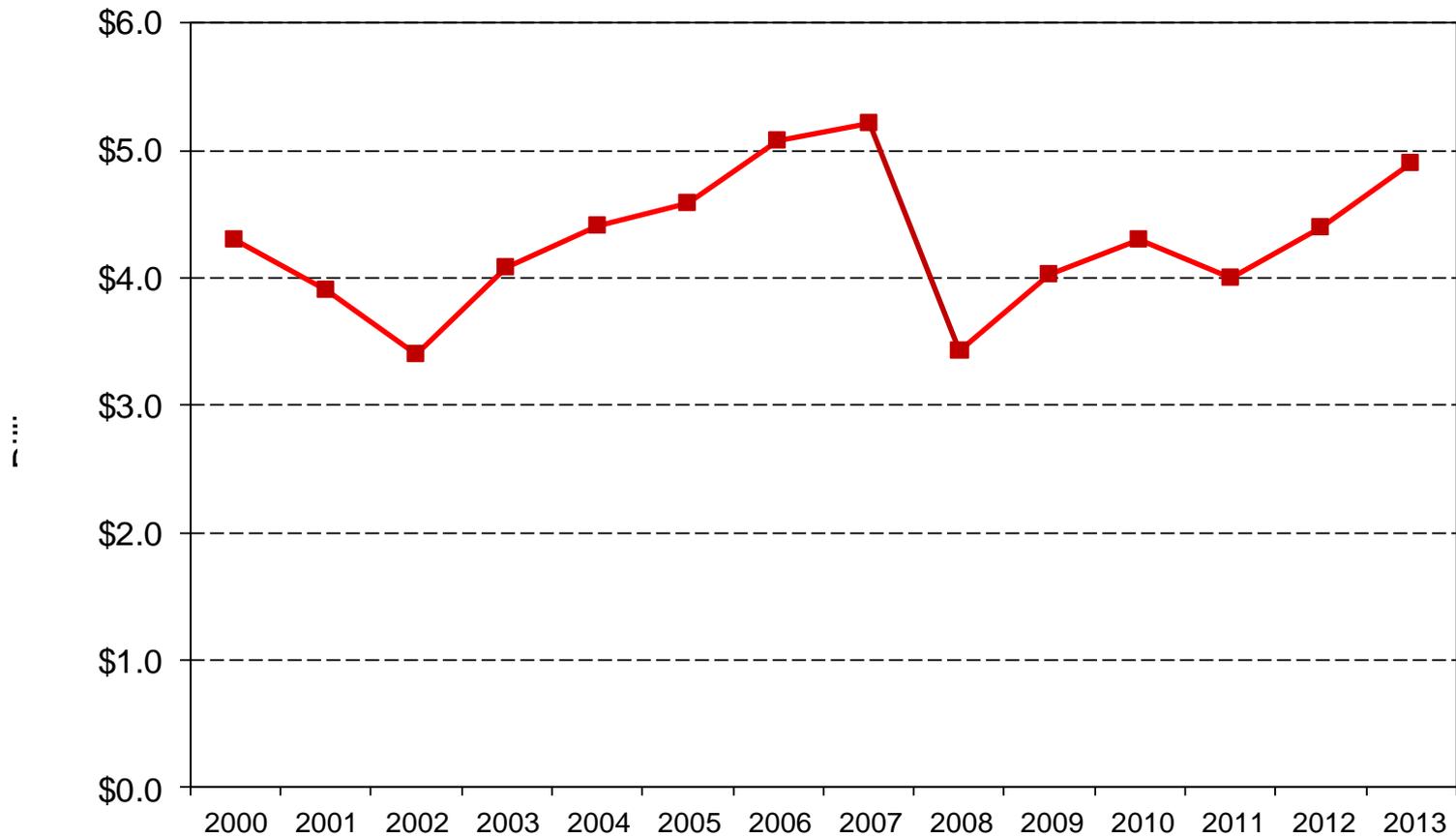
**Employees Retirement System**

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Finance & Personnel Committee

October 9, 2014

# Market Value of Assets



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# Pension Fund Status January 1, 2014

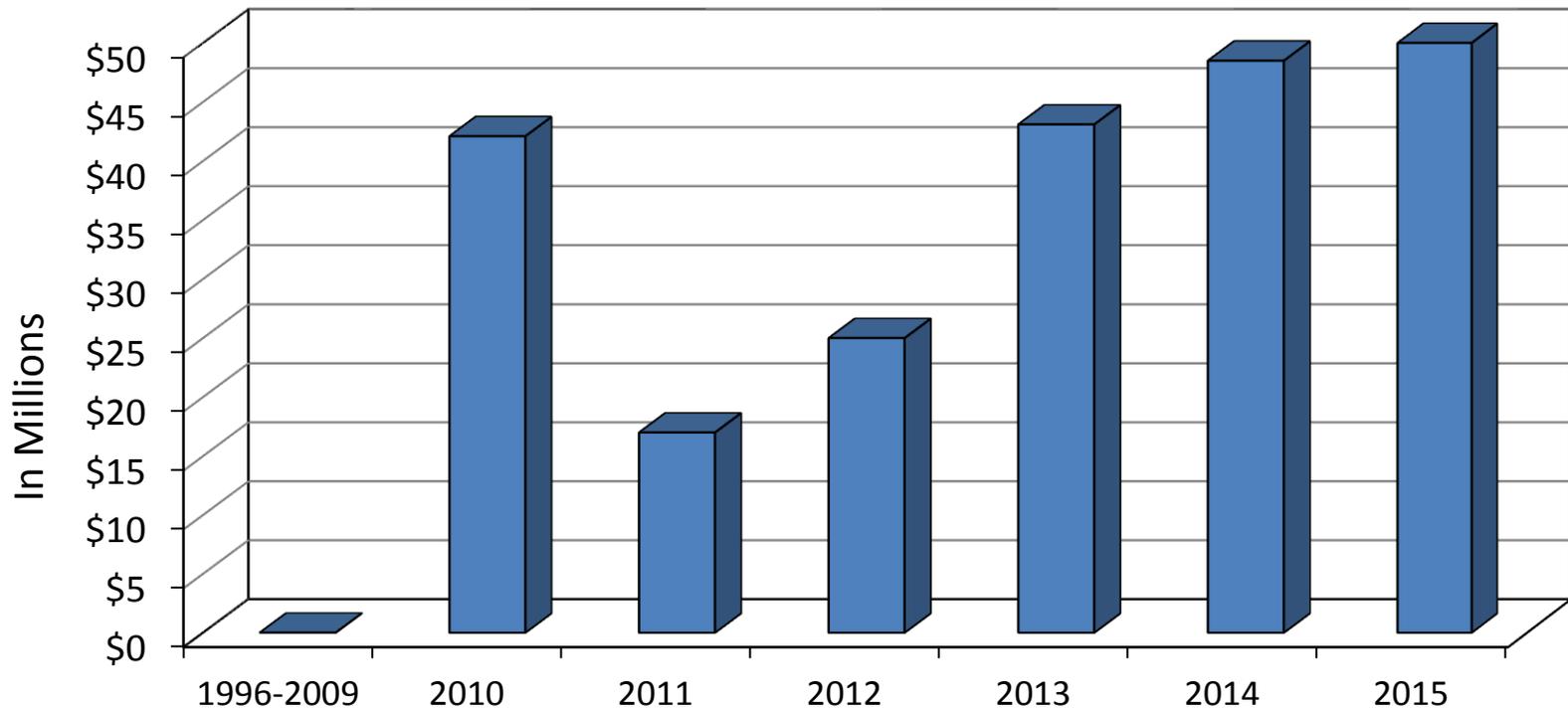
- 94.8% on an actuarial basis
- 102.4% on a market basis
- 12.85% return on investment on actuarial value
- 18.44% return on investment on market value

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# Pension Contribution

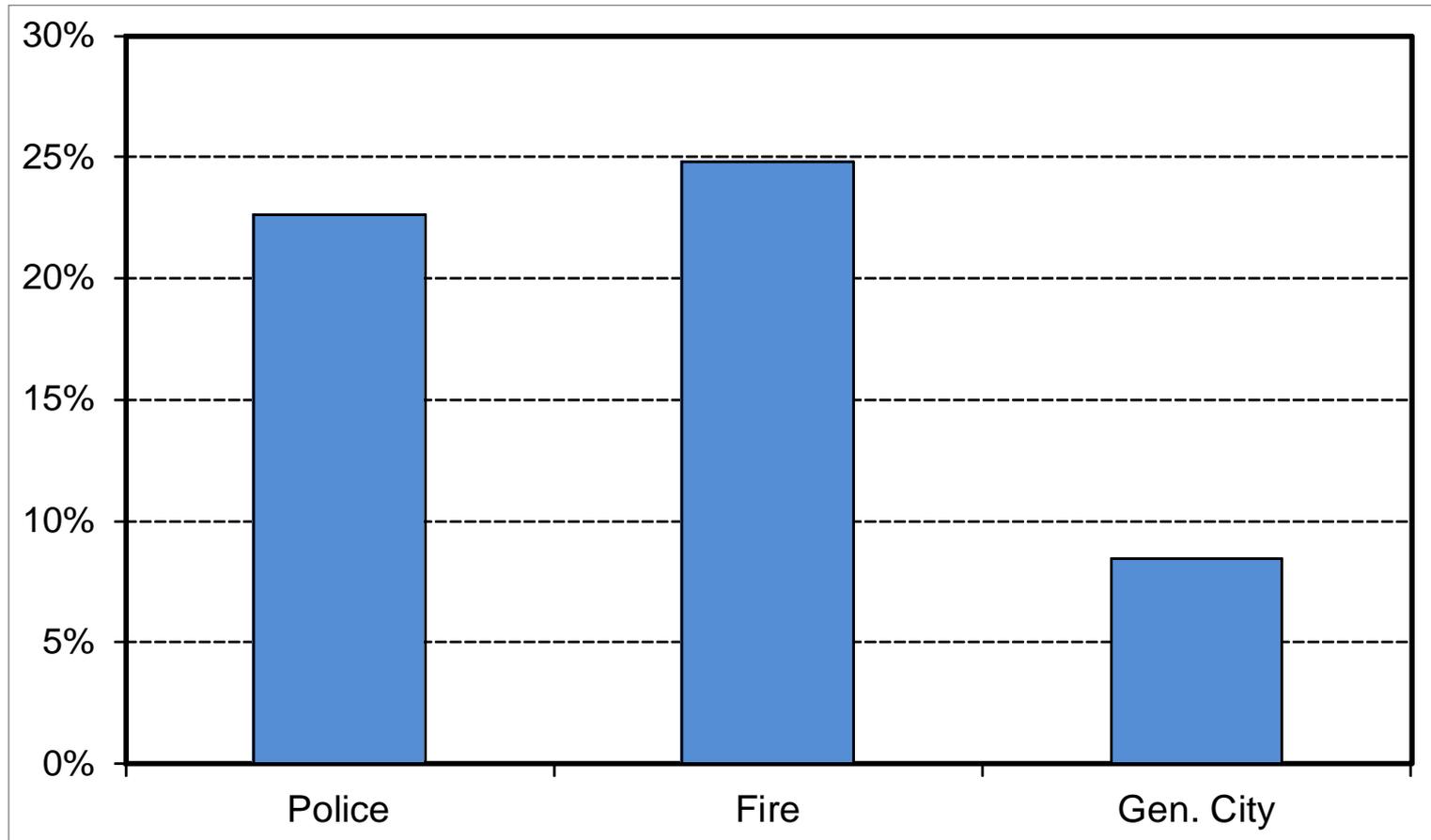
- Pension reserve fund will have a balance of approximately \$25.6 million at year end
- 2015 budget provides a payment of \$60 million from the Employer Annuity Contribution account.
- 2015 budget includes the use \$10.4 million from pension reserve fund to smooth the tax levy impact.

# A “New Normal” for City Employer Contributions to the ERS

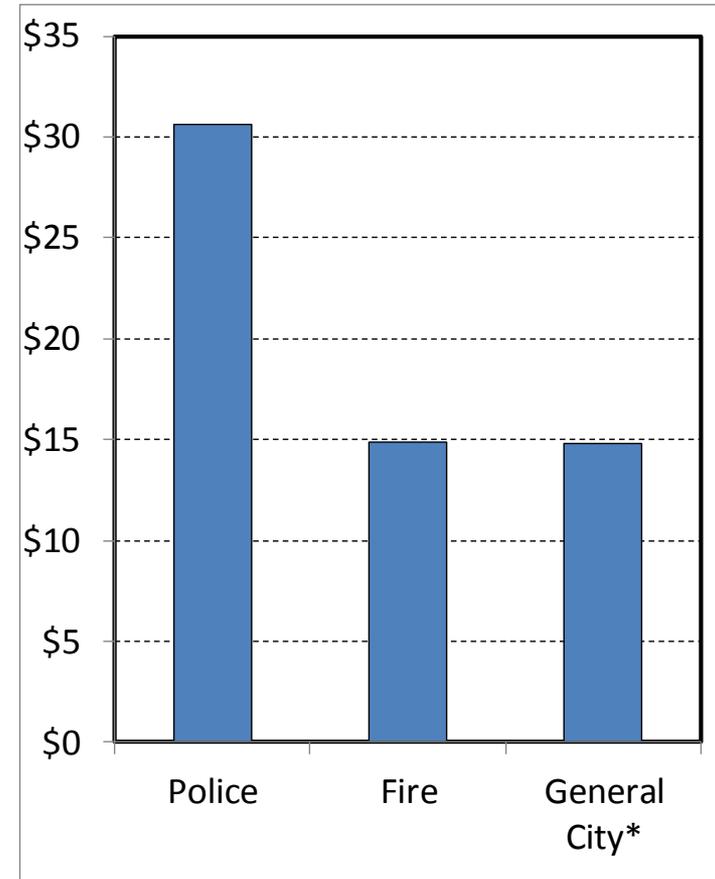
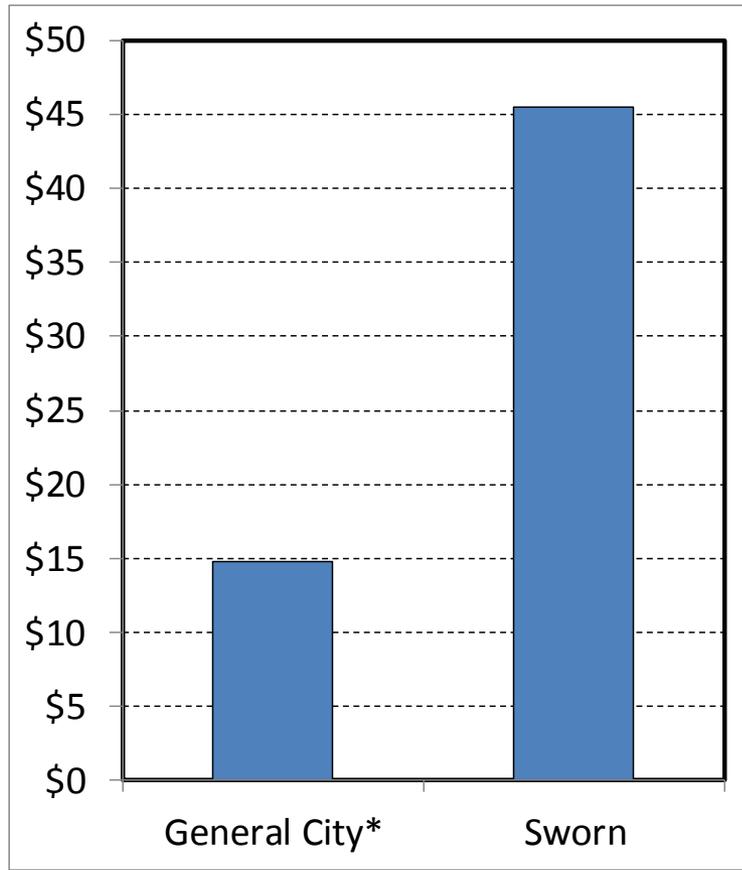


\*Tax levy amounts only. Contributions in 2011 & 2012 were made to the pension reserve.

# Pension Contribution Categorical Rates for Blended Rate of 17.8% of Covered Wages



# Employer's Pension Contribution by Employment Category (in million \$)



\* Includes Water Department

# Other Retirement Funding

- Annuity contribution (Employee) = \$12.4 million
  - ACT 10 impact -\$8.0 million
  - New employee impact -\$1.4 million
- Social Security Tax = \$17.8 million
- PABF = \$236,000
- Firemen's Pension = \$106,000

# Budget Data

	<b>2014 ADOPTED BUDGET</b>	<b>2015 PROPOSED BUDGET</b>	<b>DIFFERENCE (amount, %)</b>
<b>FTEs – O&amp;M</b>	43.50	43.50	0 (0%)
<b>FTEs - Other</b>	0	0	0 (0%)
<b>Salaries &amp; Wages</b>	\$2,710,17	\$2,737,992	27,816 (1%)
<b>,Fringe Benefits</b>	\$1,273,783	\$1,232,096	\$-41,687(-3%)
<b>Operating Expenditures</b>	\$20,762,000	\$23,958,000	\$3,196,000(15%)
<b>Equipment</b>	\$275,000	\$469,000	\$194,000(71%)
<b>Special Funds</b>	\$0	\$0	\$0 (0%)
<b>TOTAL</b>	\$25,020,959	\$28,397,088	\$3,376,129 (13%)

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# Administration

- Exceeded blended benchmark rate of return in 2012 by 1.2%
- Customer satisfaction is close to 100%

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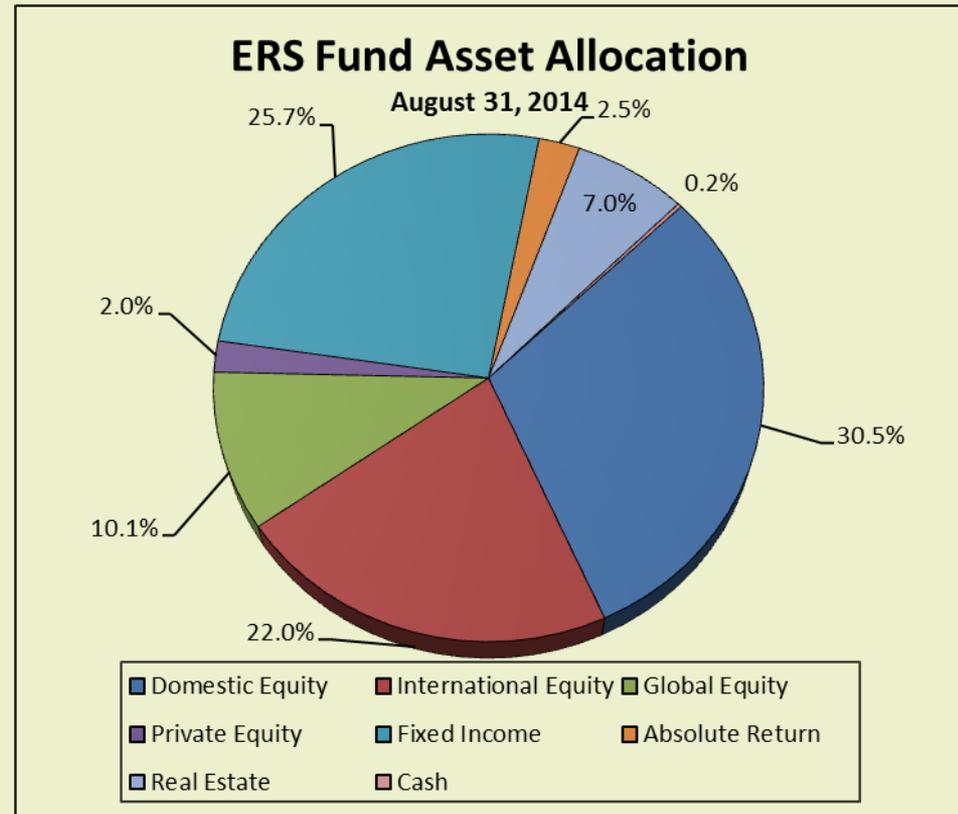
# 2015 Budget Presentation

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Employes' Retirement System  
October 9, 2014

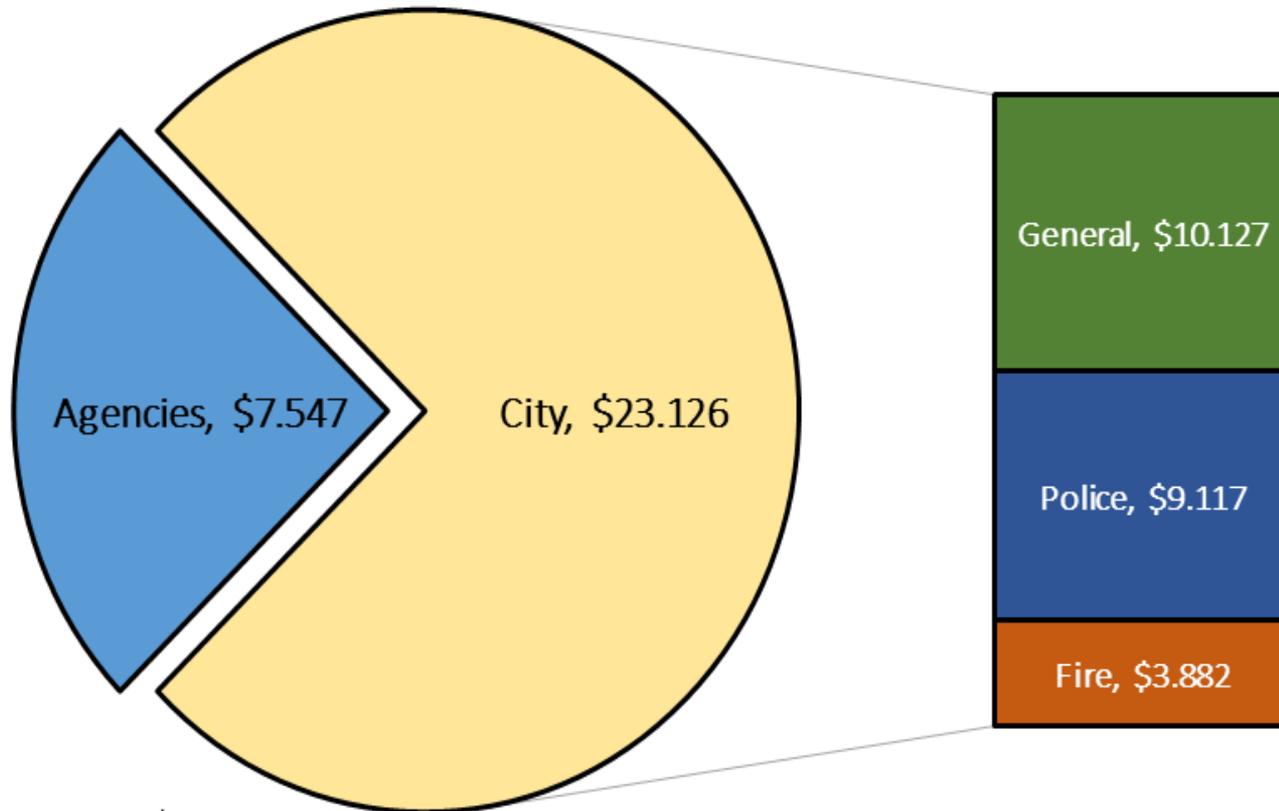
# General Pension Fund Statistics

- Fund Value: \$5.06 billion (as of Aug. 31, 2014)
- Membership Breakdown (per 2014 valuation):
  - Actives: 10,675
  - Deferred: 3,643
  - Retirees / Beneficiaries: 12,468
- Actuarial Funded Status: 94.8% (per 2014 actuarial valuation; 102.4% based on market value)
- Total Annual Pension Payroll: \$328.3 million (est. for 2014 based on actuals through Aug. 2014)
- Total Annual Pensionable Wages : \$507.2 million (est. for 2014 based on YTD actuals through pay pd.17)
- Total Annual Member Contributions: \$30.7 million (est. for 2014 based on YTD actuals through pay pd.17)



# Total Annual Member Contributions

(in millions)  
(projected for 2014)

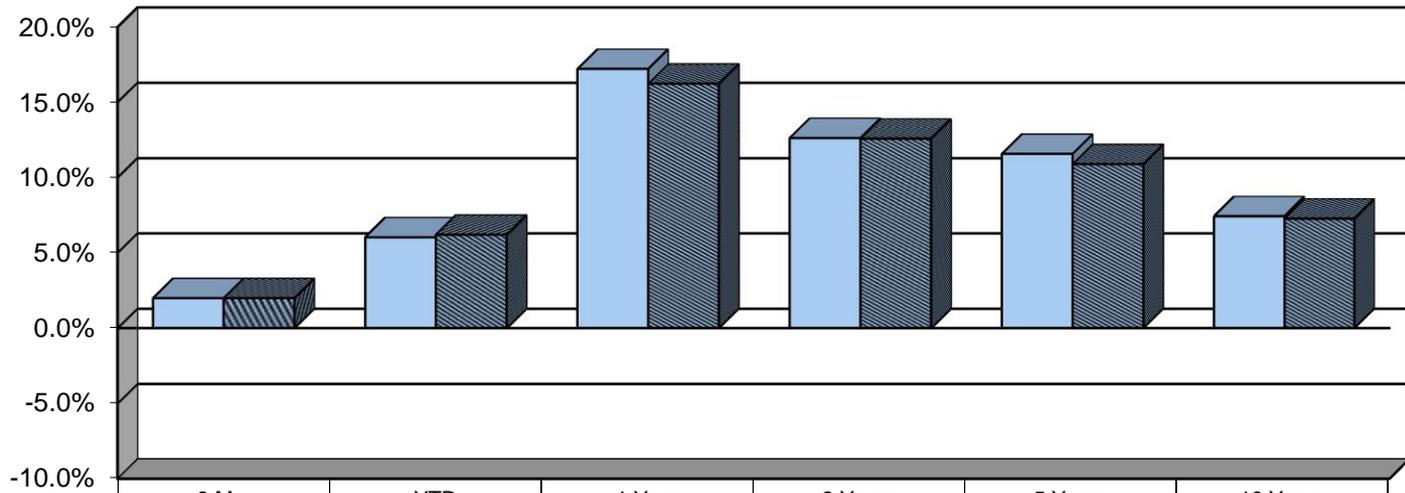


Total Contributions = \$30.673 million

Unit	Collected Through PP17-2014				Straight Line Projections for 2014			
	Payroll Size	Employer Paid	Member Paid	Total	Payroll Size	Employer Paid	Member Paid	Total
City - General	121,856,770	5,420,733	1,200,974	6,621,707	186,369,178	8,290,533	1,836,784	10,127,317
City - Police	85,156,614	5,706,217	254,746	5,960,963	130,239,528	8,727,155	389,612	9,116,767
City - Fire	36,258,086	2,384,862	153,204	2,538,066	55,453,543	3,647,436	234,312	3,881,748
<b>City - Total</b>	<b>243,271,470</b>	<b>13,511,812</b>	<b>1,608,924</b>	<b>15,120,736</b>	<b>372,062,248</b>	<b>20,665,124</b>	<b>2,460,707</b>	<b>23,125,832</b>
<b>Agencies</b>	<b>88,361,031</b>	<b>229,710</b>	<b>4,704,821</b>	<b>4,934,531</b>	<b>135,140,400</b>	<b>351,321</b>	<b>7,195,609</b>	<b>7,546,930</b>
<b>Total</b>	<b>331,632,501</b>	<b>13,741,522</b>	<b>6,313,745</b>	<b>20,055,267</b>	<b>507,202,649</b>	<b>21,016,445</b>	<b>9,656,316</b>	<b>30,672,761</b>

Unit	1.6% Contributions	
	Collected Through PP17-2014	Projected For 2014
City - General	243,806	372,880
City - Police	N/A	N/A
City - Fire	N/A	N/A
<b>City - Total</b>	<b>243,806</b>	<b>372,880</b>
<b>Agencies</b>	<b>6,850</b>	<b>10,476</b>
<b>Total</b>	<b>250,656</b>	<b>383,356</b>

# CMERS Investment Performance History Periods Ending August 31, 2014



	3 Mo.	YTD	1 Year	3 Years	5 Years	10 Years
Total Fund Net	2.0%	6.0%	17.2%	12.6%	11.6%	7.4%
Total Fund Benchmark	2.0%	6.2%	16.2%	12.6%	10.9%	7.3%



# 10 Year Total Fund Beta

As of December 31, 2013

Fund Number: 105

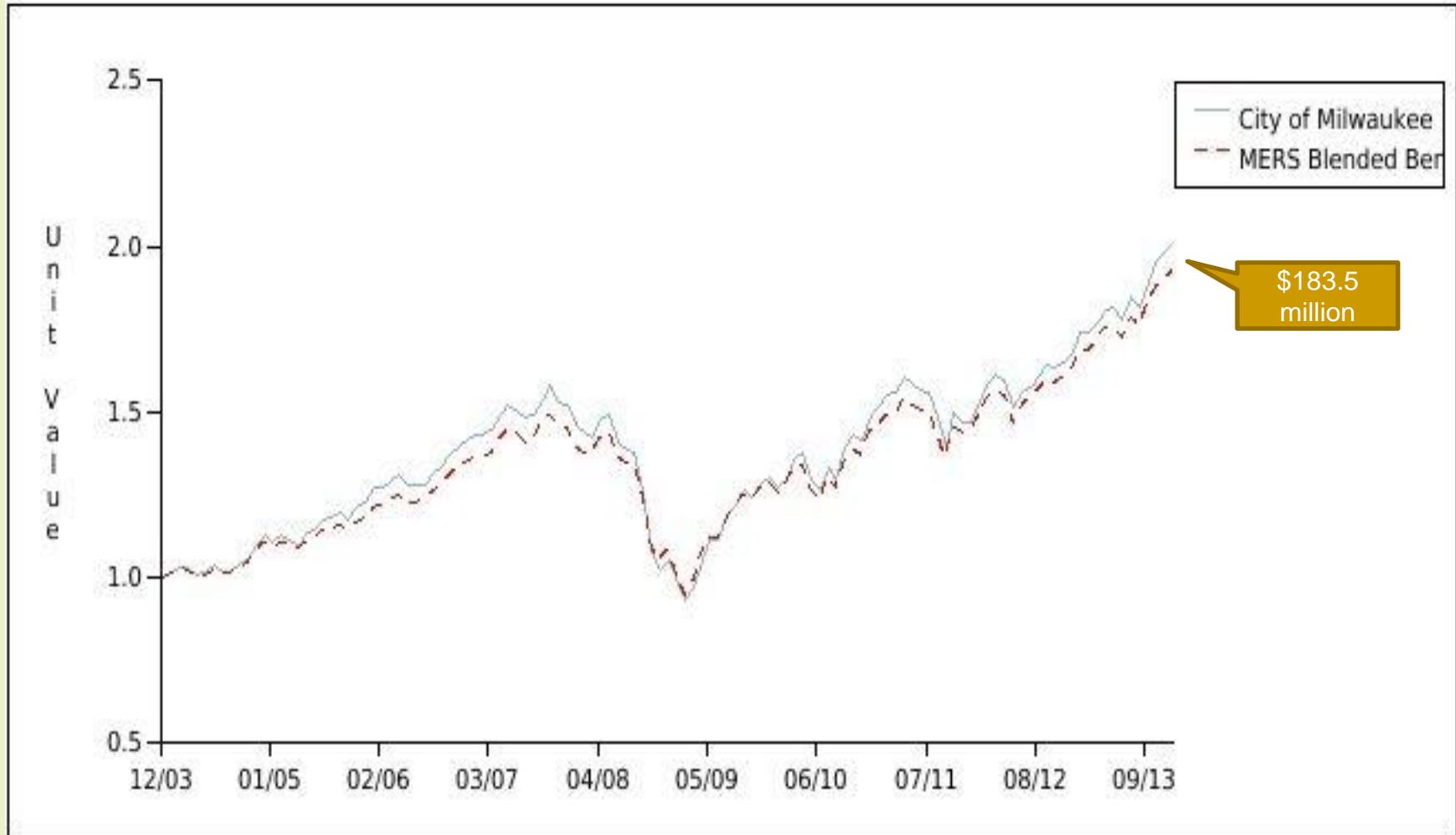
75 of 79 funds provided Total Fund returns for this time period  
 With a beta of 0.76, Fund 105 received a percentile rank of 2



Funds with less history than the specified time period will not appear in the chart. Benchmark used is the S&P 500 Index (Cap Wtd).

**RVKuhns**  
 & ASSOCIATES, INC.

## CMERS Investment Return: Value of \$1 Invested 10 years ended Dec. 2013



# Active Management versus Passive Analysis

## 10-Years

### 1/1/04 - 12/31/13

MERS' decision to hire some active managers versus hiring only passive managers.

		Time Weighted Returns			Dollar Weighted Estimates (Net of fees)		
		Annualized MERS Asset Class		Annualized Index	Value of a Dollar Invested in		Active Management Impact
MERS Asset Class	Index	Gross	Net of fees	Net of fees	MERS Asset Class	Index	\$Millions
Domestic Equity	Russell 3000	7.44%	7.15%	7.86%	\$ 1.99	\$ 2.13	\$ (104.6)
International Equity	EAFE	9.01%	8.52%	6.89%	\$ 2.27	\$ 1.95	\$ 128.2
Global Equity	MSCI World	9.77%	9.34%	11.37%	\$ 1.42	\$ 1.50	\$ (24.1)
Fixed Income	Barclays Aggregate	6.45%	6.35%	4.53%	\$ 1.85	\$ 1.56	\$ 184.0
Estimate of Fund's benefit from its decision to hire active managers over past 10 years.							\$ 183.5

Manager Fees for indices are assumed to be:

Russell 3000 Index - 2 basis points

MSCI EAFE Index - 5 basis points

MSCI World Index - 5 basis points

Barclays Aggregate Index - 2 basis points

Value estimates are based on monthly ERS asset class balances.

## Total Fund Fee Summary in Basis Points

Milwaukee ERS vs. Average by Asset Range

As of December 31, 2013

Fund Number: 105

64 of 79 funds provided fee data for this time period

Administrative Expenses	Milwaukee ERS	Under \$500 Million	\$500mm - \$1 Billion	\$1 - \$5 Billion	\$5 - \$10 Billion	\$10 - \$20 Billion	Over \$20 Billion
Internal Inv. Div. Staff	0.77	0.00	0.00	1.45	0.80	0.62	1.24
Actuary	0.35	2.33	1.00	0.51	0.33	0.15	0.13
Legal	0.24	1.33	0.51	1.29	1.01	0.28	0.16
Consultant	0.00	0.12	0.10	0.25	0.48	0.18	0.19
Audit	0.14	0.53	0.52	0.19	0.08	0.08	0.06
Other Professional	0.12	0.00	0.32	0.62	0.05	0.11	0.67
General Administrative	0.30	6.23	9.93	6.25	4.81	2.92	1.67
<b>Total Administrative Expenses</b>	<b>1.91</b>	<b>10.53</b>	<b>12.38</b>	<b>10.57</b>	<b>7.57</b>	<b>4.33</b>	<b>4.12</b>

Investment Expenses	Milwaukee ERS	Under \$500 Million	\$500mm - \$1 Billion	\$1 - \$5 Billion	\$5 - \$10 Billion	\$10 - \$20 Billion	Over \$20 Billion
Custodial	0.20	2.34	2.14	1.50	0.62	0.43	0.24
Investment Consulting	0.41	5.33	1.82	1.88	1.90	0.73	0.37
Domestic Equity	7.43	11.58	6.50	8.57	6.39	4.75	3.21
International Equity	11.75	8.75	6.51	6.63	6.72	6.33	4.78
Fixed Income	3.20	4.91	5.38	5.09	5.24	3.40	3.80
Real Estate	13.00	3.93	3.40	4.84	6.55	3.36	6.40
Other Investment Management	0.08	30.16	0.00	2.99	6.85	3.77	4.86
<b>Total Investment Expenses (ex. Alt Inv)</b>	<b>36.08</b>	<b>67.00</b>	<b>25.75</b>	<b>31.50</b>	<b>34.27</b>	<b>22.77</b>	<b>23.67</b>
Alternative Investments	2.76	5.20	8.80	7.28	10.18	9.51	17.74
<b>Total Investment Expenses</b>	<b>38.84</b>	<b>72.20</b>	<b>34.55</b>	<b>38.78</b>	<b>44.45</b>	<b>32.27</b>	<b>41.41</b>

<b>Total Expenses</b>	<b>40.75</b>	<b>82.74</b>	<b>46.93</b>	<b>49.35</b>	<b>52.02</b>	<b>36.60</b>	<b>45.53</b>
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Expressed in basis points on total fund assets. Funds that did not provide fee data will not appear in the table.

**RVKuhns**  
▶▶▶ & ASSOCIATES, INC.

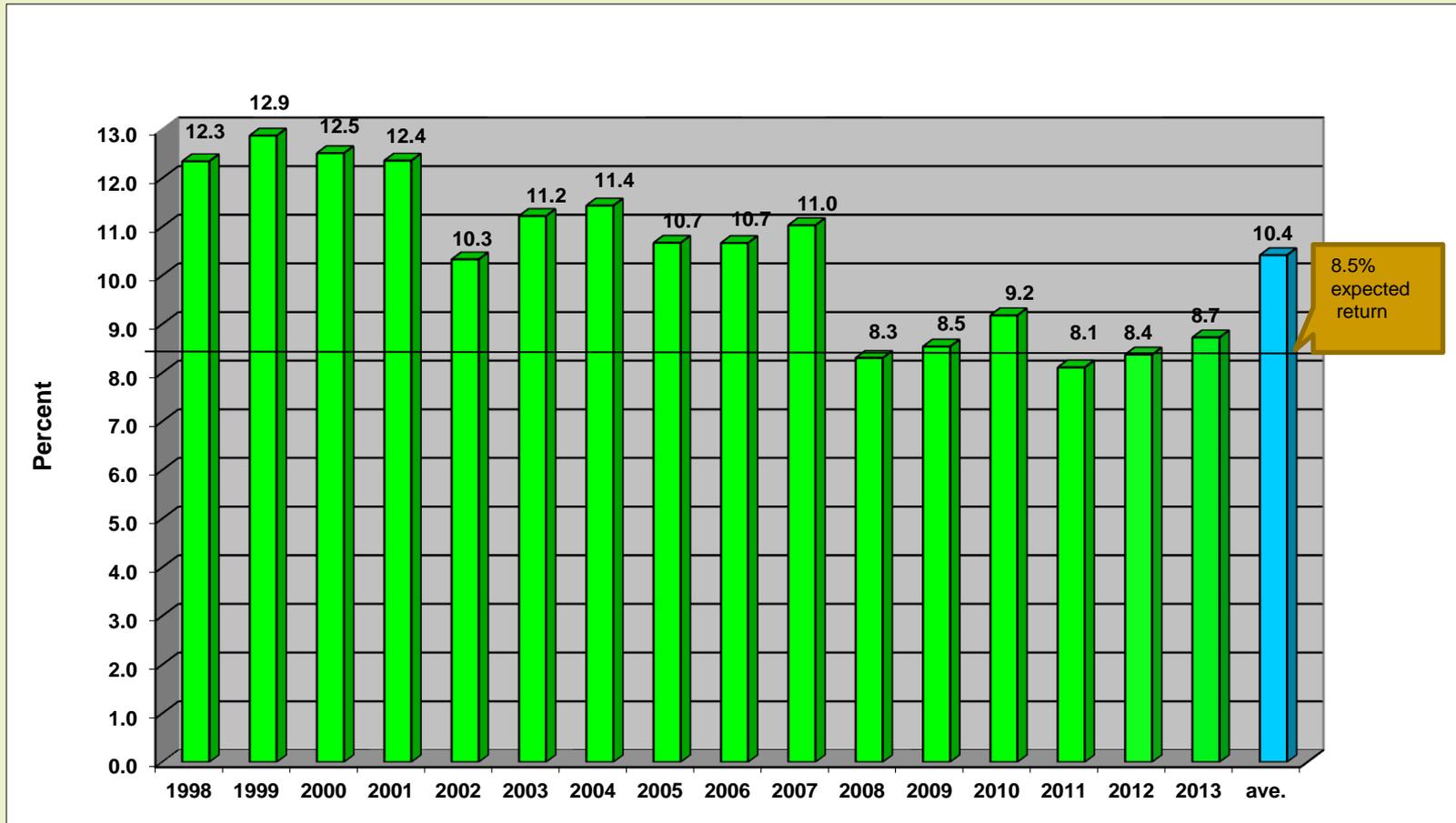
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# ERS 20 Year Rolling Ave. Investment Returns 1979-2013



Returns Gross of Fees

# Portion of Proposed 2015 ERS Budget Attributable to Investment Expense

