

2016



Legislative Reference Bureau

[www.milwaukee.gov/lrb](http://www.milwaukee.gov/lrb)



# EMPLOYEES' RETIREMENT SYSTEM

---

## 2016 Proposed Plan and Executive Budget Review

Prepared by: John Ledvina, Fiscal Planning Specialist

Budget Hearing: October 9, 2015

Last Updated: October 6, 2015



**\$26,643,423**

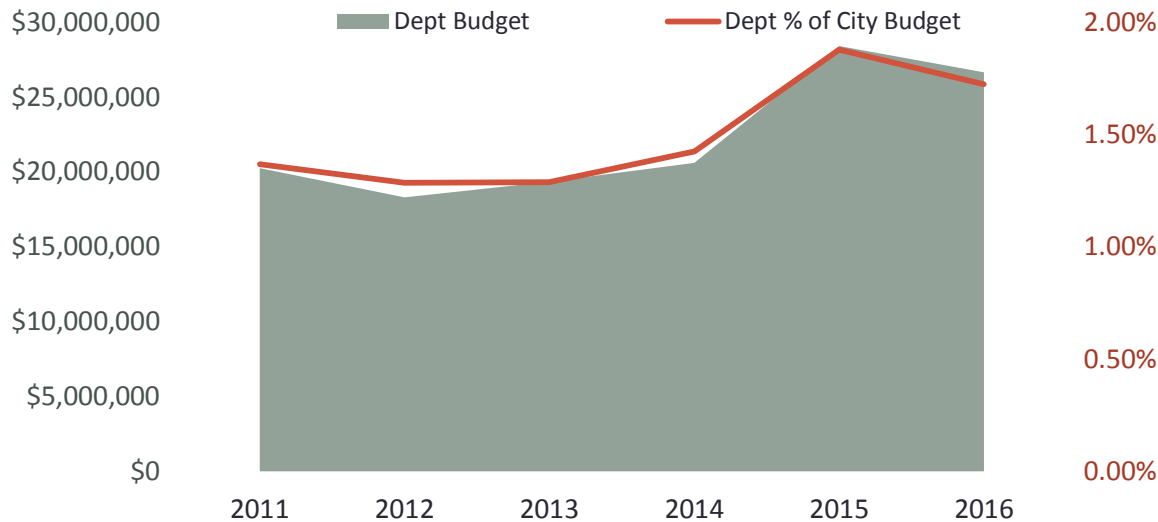
Proposed 2016 Budget

**\$1,753,665**

Change in Proposed Budget

**6.2%**

% Change in Proposed Budget



### Departmental Budget Impact

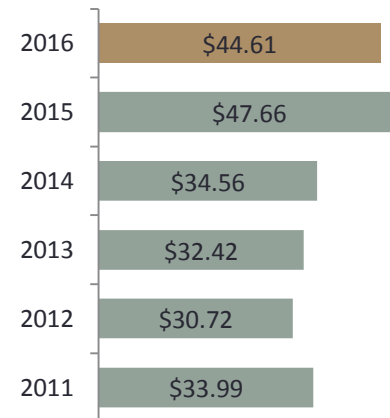
ERS' budget is funded almost entirely through the Pension Trust Fund assets, as approved by the Annuity and Pension Board and, therefore, does not have a noticeable effect on the Tax Levy or General Budget.

### Departmental Budget Appropriation Category



\$	\$2,803,664	\$1,345,759	\$22,290,000	\$204,000	\$0
%	11%	5%	84%	1%	0%
Δ	2.4%	9.2%	-7.0%	-56.5%	0.0%

### Budget per Capita



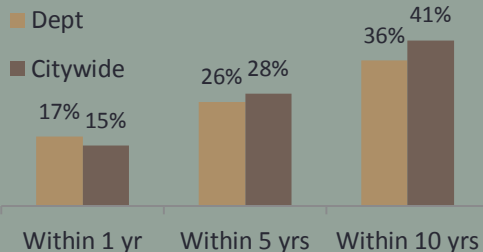
**\$113,663**

Fringe Benefits increase. Up 9.2% from 2015 Budget.

**\$65,672**

Increase in Salaries funding. Up 2.4% from 2015 Budget.

### Retirement Eligible



**3**

Change in Positions

**5.5%**

% Change in Positions

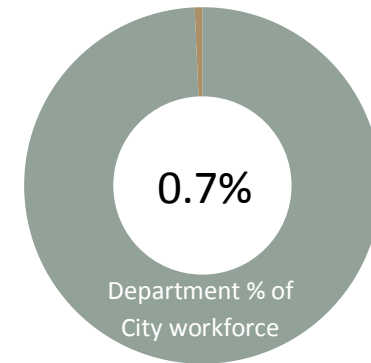
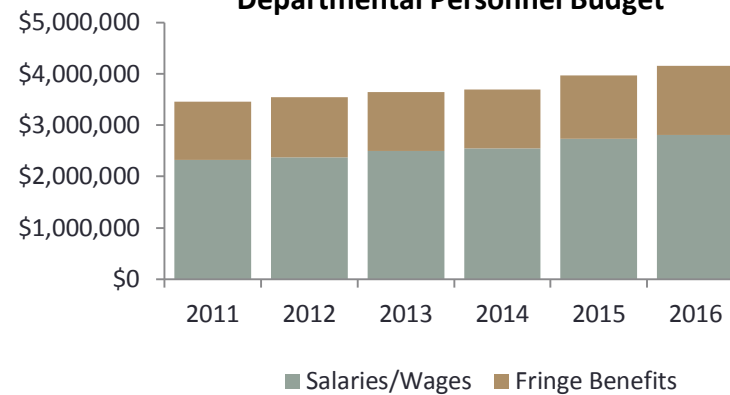
**1**

Current Vacancies

**1**

Voluntary Separations

### Departmental Personnel Budget



### Staffing Update

- Three new auxiliary positions:
  - Pension Specialist Senior
  - Management Accountant Senior
  - ERS Chief Financial Officer
- Unfunded.
- Added for future staffing transition.

### Staffing Update

- IT Network Administrator position created in 2013 Budget still vacant.
- IT staff includes significant number of contract employees.
- ERS has difficulty recruiting IT staff.



Department Positions  
2011-2016

**-\$1.7 Million**

Decrease in Performance Fees paid to outside Investment Managers from 2015 to 2016.

**-\$265,000**

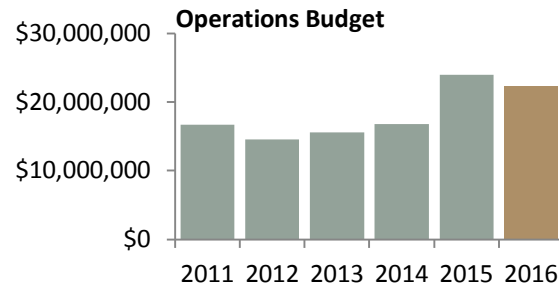
Equipment budget reduction. ERS completed scanning, imagery and workflow computer system upgrades in 2015.

**26,840**

Active, Inactive and Retired members of the pension fund as of December 31, 2014. Overall, steady since 1998 (26,318).

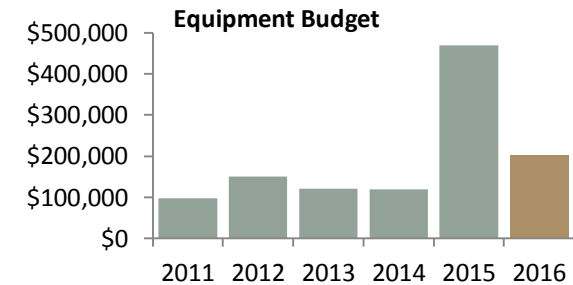
**12,597(59%)**

Inactive and Retired members. Proportion increasing since 2001.



Year	2011	2012	2013	2014	2015	2016
Percent of department budget	82%	80%	81%	82%	84%	84%

Operations percent of department budget



Year	2011	2012	2013	2014	2015	2016
Percent of department budget	0%	1%	1%	1%	2%	1%

Equipment percent of department budget

### Revenue

Revenues received by ERS include:

- \$26.3 million Charges to Trust offset the ERS Budget.
- \$904,000 charged to Sewer Maintenance and Parking Enterprise Funds.

### Special Purpose Accounts

Not funded by Pension Trust Fund.

2016 Group Life Insurance Premium \$2.2 million.

Retirees' Benefit Adjustment Fund \$100,000.

- Covers certain former City employees who retired prior to 1984.
- Continues to decline (\$118,000 in 2014).

### Grants

This department receives no grant funding.

### Capital Requests

This department has made no capital requests.

**100.4%**

Ratio of Fund Asset **Market** Value compared to Accrued Pension Liability as of December 31, 2014.

**97.2%**

Ratio of **Actuarial** Asset Value compared to Accrued Pension Liability as of December 31, 2014.

**5.1%**

Fund's 2014 Rate of Return (net of fees).

**-0.9%**

Fund under-performed its blended benchmark by nearly 1.0%.

#### Actuarial Accrued Liabilities

- \$4.94 billion as of January 1, 2015.
- Fund ranks among the best municipal pension funds in the county.

#### Investment Managers

- Board contracts with 20 outside investment managers.
- Direct investment of ERS funds.
- Based on Board-adopted investment policy.
- Oversight by ERS investment staff.

#### City Contribution

- \$60 million Employer Contribution.
- \$12 million of employer-paid member pension contributions for protective service employees.
  - Includes \$7 million from Employer's Pension Reserve Fund.

#### Investment Managers

- Fund reduced Performance Fee investment manager expenditures.
- Annuity & Pension Board approved.
- \$1.7 million Reduction in Operating Expenditures.

#### Customer Service

- Nearly 27,000 members.
- 2014 Changes:
  - 1,020 enrollments.
  - 5,543 counselling sessions.
  - 548 retirements.
  - 499 deaths.

#### Chapter 36 of City Charter

- Covers Pension Benefits.
- Extraordinarily complex.
- Over 1,800 legal opinions rendered since Fund inception.
- Burdens IT systems that support pension governance.