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Title: Substitute resolution approving guidelines for the investment of the City’s funds in the Employers’ Reserve Fund.

Sponsors: ALD. MURPHY

Indexes: EMPLOYES RETIREMENT SYSTEM

Attachments: 1. Cover Letter, 2. Response from Budget and Management Division, 3. Fiscal Impact Statement, 4. Hearing Notice List

Date	Ver.	Action By	Action	Result	Tally
3/1/2011	0	COMMON COUNCIL	ASSIGNED TO		
3/11/2011	1	FINANCE & PERSONNEL COMMITTEE	HEARING NOTICES SENT		
4/5/2011	1	FINANCE & PERSONNEL COMMITTEE	HEARING NOTICES SENT		
4/5/2011	1	FINANCE & PERSONNEL COMMITTEE	HEARING NOTICES SENT		
4/7/2011	2	FINANCE & PERSONNEL COMMITTEE	RECOMMENDED FOR ADOPTION	Pass	5:0
4/7/2011	2	FINANCE & PERSONNEL COMMITTEE	RECONSIDERED	Pass	5:0
4/7/2011	2	FINANCE & PERSONNEL COMMITTEE	AMENDED	Pass	5:0
4/7/2011	2	FINANCE & PERSONNEL COMMITTEE	RECOMMENDED FOR ADOPTION	Pass	5:0
4/7/2011	1	FINANCE & PERSONNEL COMMITTEE	SUBSTITUTED	Pass	5:0
4/7/2011	2	CITY CLERK	DRAFT SUBMITTED		
4/12/2011	2	COMMON COUNCIL	ADOPTED	Pass	13:0
4/18/2011	2	MAYOR	SIGNED		

101378
SUBSTITUTE 2

THE CHAIR

Substitute resolution approving guidelines for the investment of the City’s funds in the Employers’ Reserve Fund.

Section 36-08-8 of the City Charter establishes provisions for the investment of the Employers’ Reserve Fund. These provisions include the approval of investment guidelines by the Common Council and that the administrative functions shall be the responsibility of the Finance and Personnel Committee. This resolution provides that the Finance and Personnel Committee shall approve the

selection, based on the recommendation of the Employees' Retirement System, of the Investment Manager to invest the City's funds in the Employers' Reserve Fund in accordance with the approved investment guidelines. The resolution also provides the guiding principles, objectives and guidelines that serve as direction for the investment of the City's funds in the Employers' Reserve Fund. The primary objectives are principal preservation and liquidity of assets, and the guidelines include liquidity requirements, eligible investments, maturity and duration standards, credit standards, diversification standards and other review and reporting requirements.

Whereas, Section 36-08-8 of the City Charter provides that the City's funds in the Employers' Reserve Fund shall be invested in a manner consistent with guidelines approved by the Common Council; and

Whereas, This section further provides that the administrative functions associated with the City's funds in the Employers' Reserve Fund, when invested in a manner consistent with guidelines approved by the Common Council, shall be the responsibility of the Finance and Personnel Committee and that the City shall bear any incremental costs associated with the administration or investment of the funds; and

Whereas, Guiding principles serve as a means of directing the initiation of specific guidelines and future modifications to the initial guidelines as necessary; and

Whereas, The Employees' Retirement System of the City of Milwaukee has oversight responsibility of the Employers' Reserve Fund; and

Whereas, The Employees' Retirement System has worked with City officials to identify appropriate investment options for its account within the Employers' Reserve Fund; now, therefore, be it

Resolved, By the Common Council of the City of Milwaukee, that the Finance and Personnel Committee shall approve the selection, based on a recommendation of the Employees' Retirement System, of the Investment Manager to invest the City's funds in the Employers' Reserve Fund in accordance with the investment guidelines, as approved by the Common Council; and, be it

Further Resolved, That the following guiding principles shall serve as direction for investment guidelines for the City's funds within the Employers' Reserve Fund:

1. The primary purpose of the Employers' Reserve Fund is to manage the impact of pension contributions on the City budget. If employer contributions are forecast to occur within any succeeding 5-year period, investment of the reserve should reflect a short-term time horizon and prioritize principal preservation.
2. Investment costs shall be established on a fixed basis.
3. The Finance and Personnel Committee, in coordination with the Department of Administration, shall evaluate the impact of the investment strategy on achieving its objectives on an annual basis.

;and, be it

Further Resolved, That the following investment objectives and guidelines shall be approved:

Objectives: The primary objective is to provide principal preservation and liquidity of assets to meet projected payouts. A secondary objective is to provide competitive investment returns over time.

Guidelines:

I. Liquidity Requirements.

Required projected payouts are anticipated to begin in January 2013 and continue at least through December 2014. These liquidity needs shall be reviewed on a regular basis.

II. Eligible Investments.

1. The following shall be eligible investments:
 - a. U.S. Treasury and Agency obligations.
 - b. Approved money market and short term bond funds.
 - c. Agency mortgage-backed securities including collateralized mortgage obligations.
 - d. Mortgage and asset-backed securities rated AAA.
 - e. Corporate notes and bonds, U.S. dollar-denominated, including 144a securities.
 - f. Repurchase agreements - U.S. government collateral only.
 - g. Short-term fixed income mutual funds whose holdings are consistent with the characteristics of the eligible investments.
2. No convertibles, options, futures or other derivative instruments may be used.

III. Maturity and Duration Standards.

The maximum effective duration of the short-term fixed income portfolio, including any investments in approved money market and short-term bond funds, shall be 2 years.

IV. Credit Standards.

The portfolio may be invested in securities having a rating that is the highest or second-highest rating category as defined by a nationally recognized rating agency. If a security is downgraded below the minimum quality allowed under these guidelines, the Investment Manager shall notify the client and make a recommendation. If a security is held in the portfolio, the manager shall provide ongoing updates on the security.

V. Diversification Standards.

Positions in all investments shall not exceed 5% per issuer, except for U.S. Treasury and Agency obligations. There shall be no limitation with regard to money market sweep funds or short term bond funds.

VI. Other.

- a. Guidelines shall be reviewed periodically by the City, the Employees' Retirement System and the Investment Manager.
- b. The Investment Manager shall provide monthly and quarterly reports to the Employees' Retirement System, the Department of Administration and the Chair of the Finance and Personnel Committee.

Department of Administration - Budget Office
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Mary E. Turk
4/7/11