

City of Milwaukee Employees' Retirement System

STATEMENT OF PLAN NET ASSETS (IN THOUSANDS) AS OF DECEMBER 31, 2011

ASSETS:	
Short-term corporate notes, certificates of deposit and commercial paper	\$ 136,544
INVESTMENTS AT ESTIMATED FAIR VALUE:	
Bonds and mortgage obligations.....	882,739
Common and preferred stocks	1,410,526
Barclay bond index funds	232,611
DFA small cap fund	164,270
Northern trust company collective equity index fund	721,671
Russell 1000 alpha value fund	162,983
Derivative Investments	(4)
Real estate investments	330,074
Private equity investments	16,335
Total investments	<u>\$ 3,921,205</u>
RECEIVABLES:	
Employer	(111)
Member	1,618
Interest, dividends, and foreign taxes recoverable	15,085
Investments sold	91,810
Total receivables	<u>\$ 108,402</u>
Software development and equipment (net of depreciation)	\$ 5,238
Securities lending collateral	\$ 280,908
Total assets	<u>\$ 4,452,297</u>
LIABILITIES:	
Benefits payable	111
City of Milwaukee	1,351
Securities lending obligation	280,908
Derivative Liabilities.....	1,937
Investments purchased	157,450
Total liabilities	<u>\$ 441,757</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 4,010,540</u>

STATEMENT OF CHANGES IN PLAN NET ASSETS (IN THOUSANDS) FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>
ADDITIONS:		
Contributions:		
Employer	\$ 17,350	\$ -
Member	35,325	35,699
Total contributions	<u>\$ 52,675</u>	<u>\$ 35,699</u>
Investment income:		
Net (depreciation) appreciation in fair value of investments	(141,146)	489,720
Interest, dividends and other investment income	88,550	81,277
	(52,596)	570,997
Less investment expense	(15,336)	(13,196)
Net investment income (loss)	(67,932)	557,801
Total additions	<u>\$ (15,257)</u>	<u>\$ 593,500</u>
DEDUCTIONS:		
Administrative expenses	12,134	13,275
Benefits paid	283,128	268,940
Refund of contributions	2,437	2,769
Total deductions	<u>\$ 297,699</u>	<u>\$ 284,984</u>
Increase (decrease) in net assets held in trust for pension benefits	(312,956)	308,516
Less: Transfers from City Reserve	-	(7,000)
Net assets held in trust for pension benefits:		
Beginning of the year	4,323,496	4,021,980
End of year	<u>\$ 4,010,540</u>	<u>\$ 4,323,496</u>

See notes to General Purpose Financial Statements.

ACTUARIAL BALANCE SHEET (IN THOUSANDS) AS OF JANUARY 1, 2012

ASSETS:	
Market value of assets	\$ 4,008,589
Market adjustment	396,046
Actuarial value of assets	<u>\$ 4,404,635</u>
LIABILITIES:	
Actuarial present value of credited projected benefits for:	
Annuitants	\$ 2,987,922
Inactive members	
Member contributions	77,645
Employer financed portion	32,010
Active members	
Member contributions	482,924
Employer financed portion	1,007,414
Reserve for adverse experience	(183,280)
Total liabilities	<u>\$ 4,404,635</u>

MEMBERSHIP STATISTICS DECEMBER 31

	<u>2011</u>	<u>2010</u>
Active members	10,767	11,247
Retired, disability and survivorship	11,960	11,568
Members on deferred status	4,127	4,158
Total membership	<u>26,854</u>	<u>26,973</u>

A list of investments held by the Employees' Retirement System as of December 31, 2011 is available for inspection at the System's office. The financial records of the Employees' Retirement System have been audited by Baker Tilly Virchow, Krause & Company, LLP for the year ending December 31, 2011. Complete audited General Purpose Financial Statements are available for inspection at the System's office or on-line at www.cmrs.com.

Check that your Beneficiary Designation is current.

Change of Beneficiary Designation forms are available at the ERS office at 789 North Water Street, Suite 300 Milwaukee, WI 53202 or by calling 414-286-3557 or 1-800-815-8418 or on-line at www.cmrs.com

**EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF MILWAUKEE**
June 20, 2012

Section 36.15 (9) of the Milwaukee City Charter provides that the Annuity and Pension Board "shall publish annually a report showing the fiscal transactions of the retirement system for the preceding year, the amount of the assets of the system, and the financial condition of the system as disclosed by an actuarial valuation of the retirement system."

The Annuity and Pension Board submits herewith its annual report for the year ending December 31, 2011.

ANNUITY & PENSION BOARD
As of December 31, 2011

Michael Daun

Acting City Comptroller
Ex-Officio Member

John Barmore, Board Vice Chairman

Milwaukee Fire Department
Elected Representative – Active

William C. Carey

Elected Representative - Retiree

Konrad Ellenberger

Milwaukee Police Department
Elected Representative – Active

Larry Holland

Retired
Appointed by the President of the Common Council

Alderman Michael J. Murphy

10th Aldermanic District
Appointed by the President of the Common Council

Gust Petropoulos

Milwaukee Police Department
Elected Representative – Active

Ronald Walter

Milwaukee Bucks, Inc.
Appointed by the President of the Common Council

ADMINISTRATIVE PERSONNEL

Executive Director and Secretary
Deputy Director
Chief Investment Officer
Custodian of Funds

Bernard J. Allen
Martin Matson
Thomas Rick, CFA
James F. Klajbor
Acting City Treasurer
Grant F. Langley
City Attorney

Legal Advisor

INVESTMENT MANAGERS

Abbott Capital Management, LLC
Alliance Bernstein Institutional Investment Management
Allianz Global Investors Capital
Apollo Global Real Estate Management, LP
BlackRock, Inc
Brandes Investment Partners, LP
Brookfield Asset Management, Inc.
Bryanston Realty Partners
Colony Capital, LLC
Deutsche Asset Management
Dimensional Fund Advisors (DFA)
Earnest Partners
Fir Tree Partners
Fortress Investment Group
Fremont Realty Capital
Grantham Mayo Van Otterloo & Co., LLC (GMO)
H/2 Capital Partners
Jamestown Premier Property Fund, L.P.
JP Morgan Fleming Asset Management
LaSalle Investment Management, Inc.
Loomis-Sayles & Company
Lubert-Adler Partners
Mesirow Financial
Morgan Stanley Real Estate Advisor, Inc.
Prologis
Prudential Investment Management (PRISA)
Reams Asset Management Company
Square Mile Capital Management, LLC
Stockbridge Capital Partners, LLC
T. Rowe Price Associates, Inc.
The Northern Trust Company
TRECAP Partners, LLC
Turner Investment Partners, Inc.
Union Bank of Switzerland (UBS)
Walton Street Capital
Wellington Management Company, LLP
William Blair & Company

CONSULTANTS

Baker Tilly Virchow Krause, LLP
Buck Consultants, LLC
Callan Associates
Deloitte & Touche, LLP
DS Consulting Group, LLC
Experis
Global Trading Analytics, LLC
HP State and Local Enterprise Services
S&S Consulting Group, LLC
The Townsend Group
Wisconsin Dept of Workforce Development Data Exchange

MEDICAL COUNCIL

Michael Borkowski, M.D. (alternate)
Carol Dick, M.D.
William Greaves, M.D.
Michael Lischak, M.D. (alternate)
Andrew Seter, M.D. (alternate)

CITY OF MILWAUKEE

*Employees'
Retirement
System*

***ANNUAL REPORT
OF THE
ANNUITY AND
PENSION BOARD***

***74th
EDITION
December 31, 2011***