

City of Milwaukee Employees' Retirement System

STATEMENT OF PLAN NET ASSETS AS OF DECEMBER 31, 2012 (IN THOUSANDS)

ASSETS:	
Short-term corporate notes, certificates of deposit and commercial paper	\$ 108,378
INVESTMENTS AT ESTIMATED FAIR VALUE:	
Bonds and mortgage obligations	892,954
Common and preferred stocks	1,893,675
Barclay bond index funds	235,565
DFA small cap fund	174,593
Northern trust company collective equity index fund	416,717
Russell 1000 alpha value fund	167,466
Derivative investments	2,516
Real estate investments	367,514
Private equity investments	42,769
Total investments	\$ 4,193,769
RECEIVABLES:	
Employer	(154)
Member	1,771
Actuarially determined contributions	73,078
Interest, dividends, and foreign taxes recoverable	12,169
Investments sold	19,164
Total receivables	\$ 106,028
Software development and equipment (net of depreciation)	3,261
Securities lending collateral	303,913
Total assets	\$ 4,715,349
LIABILITIES:	
Benefits payable	38
City of Milwaukee	1,327
Securities lending obligation	303,913
Derivative liabilities	2,333
Investments purchased	30,438
Total liabilities	\$ 338,049
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	
	\$ 4,377,300

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

	<u>2012</u>	<u>2011</u>
ADDITIONS:		
Contributions:		
Employer	\$ 100,159	\$ 17,350
Member	38,809	35,325
Total contributions	\$ 138,968	\$ 52,675
Investment income:		
Net appreciation (devaluation) in fair value of investments	467,722	(141,146)
Interest, dividends and other investment income	87,499	88,550
	\$ 555,221	\$ (52,596)
Less: investment expense	(15,251)	(15,336)
Net investment income (loss)	\$ 539,970	\$ (67,932)
Total additions	\$ 678,938	\$ (15,257)
DEDUCTIONS:		
Administrative expenses	(9,739)	(12,134)
Benefits paid	(299,479)	(283,128)
Refund of contributions	(2,960)	(2,437)
Total deductions	\$ (312,178)	\$ (297,699)
Increase (decrease) in net position held in trust for pension benefits	366,760	(312,956)
Less: transfers from city reserve	-	-
Net position held in trust for pension benefits:		
Beginning of year	4,010,540	4,323,496
End of year	\$ 4,377,300	\$ 4,010,540

See notes to Basic Financial Statements.

ACTUARIAL BALANCE SHEET JANUARY 1, 2013 (IN THOUSANDS)

ASSETS:	
Market value of assets	\$ 4,375,197
Market adjustment	(115,308)
Present Value of Future Anticipated Contributions/(Unfunded Actuarial Accrued Liability)	429,925
Financial Resources for Actuarial Accrued Liability	\$ 4,689,814
LIABILITIES:	
Actuarial Accrued Liability	
Annuitants	\$ 3,121,007
Inactive members	
Member contributions	69,941
Employer financed portion	19,691
Active members	
Member contributions	493,263
Employer financed portion	985,912
Total liabilities	\$ 4,689,814

MEMBERSHIP STATISTICS DECEMBER 31

	<u>2012</u>	<u>2011</u>
Active members	10,714	10,767
Retired, disability and survivorship	12,128	11,960
Members on deferred status	3,887	4,127
Total membership	26,729	26,854

A list of investments held by the Employees' Retirement System as of December 31, 2012 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, 2012. Complete audited General Purpose Financial Statements are available for inspection at the System's office or on-line at www.cmers.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.cmers.com

**EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF MILWAUKEE**
June 13, 2013

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, 2012.

**ANNUITY & PENSION BOARD
AS OF DECEMBER 31, 2012**

Martin Matson

City Comptroller
Ex-Officio Member

John Barmore, Board Chairman

Milwaukee Fire Department
Elected Representative – Active

William C. Carey

Elected Representative - Retiree

Vacant

Elected Representative – Active

Larry Holland

Retired
Appointed by the President of the Common Council

Alderman Michael J. Murphy, Board Vice Chairman

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	Bernard J. Allen
Deputy Director	Beth Conradson Cleary
Chief Investment Officer	Thomas Rick, CFA
Custodian of Funds	G. Spencer Coggs
	City Treasurer
Legal Advisor	Grant F. Langley
	City Attorney

INVESTMENT MANAGERS

Abbott Capital Management, LLC
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
Cornerstone Investment Partners
Deutsche Asset Management
Dimensional Fund Advisors (DFA)
Earnest Partners
Fir Tree Partners
Fortress Investment Group
Fremont Realty Capital
General Electric
Grantham Mayo Van Otterloo & Co., LLC (GMO)
H/2 Capital Partners
Hunt Investment Management
Jamestown Premier Property Fund, L.P.
JP Morgan Fleming Asset Management
LaSalle Investment Management, Inc.
Loomis-Sayles & Company
Lubert-Adler Partners
Mesirow Financial
MFS Institutional Advisors
Morgan Stanley Real Estate Advisor, Inc.
Polen Capital Management
Prologis
Prudential Investment Management (PRISA)
Reams Asset Management Company
Square Mile Capital Management, LLC
Stockbridge Capital Partners, LLC
The Northern Trust Company
The Townsend Group
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
DS Consulting Group, LLC
Experis
Global Trading Analytics, LLC
HP State and Local Enterprise Services
SPC, LLC
Superior Support Resources Inc.
Symphony Corporation
The Townsend Group
MEDICAL COUNCIL
Michael Borkowski, M.D. (alternate)
Carol Dick, M.D.
William Greaves, M.D.
Michael Lischak, M.D.
Andrew Seter, M.D. (alternate)

CITY OF MILWAUKEE

*Employees'
Retirement
System*

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

***75th
EDITION
December 31, 2012***