

# City of Milwaukee Employees' Retirement System

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

<b>ASSETS:</b>	
Short-term corporate notes, certificates of deposit and commercial paper .....	\$ 108,378
<b>INVESTMENTS AT ESTIMATED FAIR VALUE:</b>	
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
<b>Total investments</b> .....	<b>\$ 4,193,769</b>
<b>RECEIVABLES:</b>	
Employer .....	(154)
Member .....	1,771
Actuarially determined contributions .....	73,078
Interest, dividends, and foreign taxes recoverable .....	12,169
Investments sold .....	19,164
<b>Total receivables</b> .....	<b>\$ 106,028</b>
Software development and equipment (net of depreciation) .....	3,261
Securities lending collateral .....	303,913
<b>Total assets</b> .....	<b>\$ 4,715,349</b>
<b>LIABILITIES:</b>	
Benefits payable .....	38
City of Milwaukee .....	1,327
Securities lending obligation .....	303,913
Derivative liabilities .....	2,333
Investments purchased .....	30,438
<b>Total liabilities</b> .....	<b>\$ 338,049</b>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b> .....	
	<b>\$ 4,377,300</b>

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

	<u>2012</u>	<u>2011</u>
<b>ADDITIONS:</b>		
Contributions:		
Employer .....	\$ 100,159	\$ 17,350
Member .....	38,809	35,325
<b>Total contributions</b> .....	<b>\$ 138,968</b>	<b>\$ 52,675</b>
<b>Investment income:</b>		
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)
<b>Net investment income (loss)</b> .....	<b>\$ 539,970</b>	<b>\$ (67,932)</b>
<b>Total additions</b> .....	<b>\$ 678,938</b>	<b>\$ (15,257)</b>
<b>DEDUCTIONS:</b>		
Administrative expenses .....	(9,739)	(12,134)
Benefits paid .....	(299,479)	(283,128)
Refund of contributions .....	(2,960)	(2,437)
<b>Total deductions</b> .....	<b>\$ (312,178)</b>	<b>\$ (297,699)</b>
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:		
<b>Beginning of year</b> .....	<b>4,010,540</b>	<b>4,323,496</b>
<b>End of year</b> .....	<b>\$ 4,377,300</b>	<b>\$ 4,010,540</b>

See notes to Basic Financial Statements.

## ACTUARIAL BALANCE SHEET JANUARY 1, 2013 (IN THOUSANDS)

<b>ASSETS:</b>	
Market value of assets .....	\$ 4,375,197
Market adjustment .....	(115,308)
Present Value of Future Anticipated Contributions/(Unfunded Actuarial Accrued Liability) .....	429,925
<b>Financial Resources for Actuarial Accrued Liability</b> .....	<b>\$ 4,689,814</b>
<b>LIABILITIES:</b>	
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
<b>Total liabilities</b> .....	<b>\$ 4,689,814</b>

## 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
<b>Total membership</b> .....	<b>26,729</b>	<b>26,854</b>

*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](http://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](http://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***