

# City of Milwaukee Employees' Retirement System

## STATEMENT OF PLAN NET ASSETS AS OF DECEMBER 31, 2013 (IN THOUSANDS)

<b>ASSETS:</b>	
Cash and cash equivalents .....	\$ 118,974
<b>INVESTMENTS AT ESTIMATED FAIR VALUE:</b>	
Bonds and collateralized mortgage obligations .....	958,256
Common and preferred stocks .....	1,800,199
Barclay bond index funds .....	266,783
Blackrock index and emerging funds .....	243,234
Blair William emerging funds .....	49,783
DFA US and international small cap funds .....	386,138
Northern trust company collective equity index funds .....	500,504
Russell 1000 alpha value funds .....	204,109
Derivative investments .....	15,237
Real estate investments .....	358,606
Private equity investments .....	72,204
<b>Total investments:</b> .....	<b>\$ 4,855,053</b>
<b>RECEIVABLES AND OTHER ASSETS:</b>	
Employer .....	(150)
Member .....	1,858
Actuarially determined contributions .....	340
Interest, dividends, and foreign taxes recoverable .....	14,416
Investments sold .....	86,383
Software development and equipment (net of depr)... ..	1,285
Securities lending collateral .....	444,526
<b>Total receivables and other assets:</b> .....	<b>\$ 548,658</b>
<b>Total assets:</b> .....	<b>\$ 5,522,685</b>
<b>LIABILITIES:</b>	
Benefits payable .....	113
City of Milwaukee .....	20,374
Securities lending obligation .....	444,526
Derivative liabilities .....	19,165
Investments purchased .....	87,449
<b>Total liabilities:</b> .....	<b>\$ 571,627</b>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b> .....	
	<b>\$ 4,951,058</b>

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

	<u>2013</u>	<u>2012</u>
<b>ADDITIONS:</b>		
Contributions:		
Employer .....	\$ 79,533	\$ 100,159
Member .....	42,624	38,809
<b>Total contributions:</b> .....	<b>\$ 122,157</b>	<b>\$ 138,968</b>
<b>Investment income (loss):</b>		
Net appreciation (devaluation) in fair value of investments .....	729,629	467,722
Interest, dividends and other investment income .....	84,661	87,499
<b>Total investment income (loss):</b> .....	<b>\$ 814,290</b>	<b>\$ 555,221</b>
Less: investment expense .....	(16,086)	(15,251)
<b>Net investment income (loss):</b> .....	<b>\$ 798,204</b>	<b>\$ 539,970</b>
<b>Total additions:</b> .....	<b>\$ 920,361</b>	<b>\$ 678,938</b>
<b>DEDUCTIONS:</b>		
Administrative expenses .....	(11,745)	(9,739)
Benefits paid .....	(310,696)	(299,479)
Refund of contributions .....	(24,162)	(2,960)
<b>Total deductions:</b> .....	<b>\$ (346,603)</b>	<b>\$ (312,178)</b>
<b>FUND BALANCE CHANGES:</b>		
Net increase (decrease) before fund balance transfers .....	\$ 573,758	\$ 366,760
Fund balance transfers .....	-	-
<b>Net increase (decrease) after fund balance transfers:</b> .....	<b>\$ 573,758</b>	<b>\$ 366,760</b>
<b>Net position held in trust for pension benefits:</b>		
Beginning of year .....	\$ 4,377,300	\$ 4,010,540
End of year .....	<b>\$ 4,951,058</b>	<b>\$ 4,377,300</b>

## ACTUARIAL BALANCE SHEET JANUARY 1, 2014 (IN THOUSANDS)

<b>ASSETS:</b>	
Market value of assets .....	\$ 4,949,534
Market adjustment .....	(368,805)
Present value of future anticipated contributions/ (unfunded actuarial accrued liability) .....	250,960
<b>Financial resources for actuarial accrued liability: .....</b>	<b>\$ 4,831,689</b>
<b>LIABILITIES:</b>	
Actuarial accrued liability annuitants .....	\$ 3,254,212
Inactive members:	
Member contributions .....	69,967
Employer financed portion .....	23,510
Active members:	
Member contributions .....	501,712
Employer financed portion .....	982,288
<b>Total liabilities:</b> .....	<b>\$ 4,831,689</b>

## MEMBERSHIP STATISTICS DECEMBER 31

	<u>2013</u>	<u>2012</u>
Active members .....	10,675	10,714
Retired, disability and survivorship .....	12,487	12,128
Members on deferred status .....	3,643	3,887
<b>Total membership</b> .....	<b>26,805</b>	<b>26,729</b>

*A list of investments held by the Employees' Retirement System as of December 31, 2013 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, 2013. 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)*

See notes to Basic Financial Statements.

**EMPLOYEES' RETIREMENT SYSTEM  
OF THE CITY OF MILWAUKEE**  
*June 13, 2014*

*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, 2013.*

**ANNUITY & PENSION BOARD  
AS OF DECEMBER 31, 2013**

**Martin Matson**

City Comptroller  
*Ex-Officio Member*

**John Barmore, Board Chairman**

Milwaukee Fire Department  
Elected Representative – Active

**William C. Carey**

Elected Representative - Retiree

**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

**Carmelo Patti**

Milwaukee Police Department

**Gust Petropoulos, Board Vice Chairman**

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	David M. Silber, CFA, CAIA
Custodian of Funds	G. Spencer Coggs, City Treasurer
Legal Advisor	Grant F. Langley, City Attorney

**INVESTMENT MANAGERS**

Abbott Capital Management, LLC  
Apollo Global Real Estate Management, LP  
BlackRock, Inc.  
Brandes Investment Partners, LP  
Brookfield Asset Management, Inc.  
Bryanston Realty Partners  
Carlyle Group  
CastleArk Management, LLC  
Colony Capital, LLC  
Cornerstone Investment Partners  
Cypress Acquisition Partners  
Deutsche Asset Management  
Dimensional Fund Advisors  
Earnest Partners  
Fortress Investment Group  
Fremont Realty Capital  
GE  
Grantham Mayo Van Otterloo & Co., LLC  
Greenfield Partners  
H/2 Capital Partners  
Hunt Investment Management  
Jamestown Premier Property Fund, LP  
JP Morgan Asset Management  
LaSalle Investment Management, Inc.  
Loomis-Sayles & Company  
Lubert-Adler Partners  
M&G Real Estate  
Mesirow Financial  
Metlife Core Property Fund  
MFS Institutional Advisors  
Morgan Stanley Real Estate Advisor, Inc.  
Polen Capital Management  
Prologis, Inc.  
Prudential Investment Management  
Reams Asset Management Company  
Square Mile Capital Management, LLC  
Stockbridge Capital Partners, LLC  
The Northern Trust Company  
The Townsend Group  
Union Bank of Switzerland  
USAA Eagle Real Estate  
Walton Street Capital  
Wellington Management Company, LLP  
William Blair & Company

**CONSULTANTS**

Baker Tilly Virchow Krause, LLP  
Buck Consultants, LLC  
Callan Associates  
Experis  
Global Trading Analytics, LLC  
HP State and Local Enterprise Services  
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***

***76th  
EDITION  
December 31, 2013***