

City of Milwaukee Employees' Retirement System

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

ASSETS:	
Cash and cash equivalents	\$ 118,974
INVESTMENTS AT ESTIMATED FAIR VALUE:	
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
Total investments:	\$ 4,855,053
RECEIVABLES AND OTHER ASSETS:	
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
Total receivables and other assets:	\$ 548,658
Total assets:	\$ 5,522,685
LIABILITIES:	
Benefits payable	113
City of Milwaukee	20,374
Securities lending obligation	444,526
Derivative liabilities	19,165
Investments purchased	87,449
Total liabilities:	\$ 571,627
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	
	\$ 4,951,058

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

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

ACTUARIAL BALANCE SHEET JANUARY 1, 2014 (IN THOUSANDS)

ASSETS:	
Market value of assets	\$ 4,949,534
Market adjustment	(368,805)
Present value of future anticipated contributions/ (unfunded actuarial accrued liability)	250,960
Financial resources for actuarial accrued liability:	\$ 4,831,689
LIABILITIES:	
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
Total liabilities:	\$ 4,831,689

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
Total membership	26,805	26,729

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.

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

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***