

City of Milwaukee Employees' Retirement System

STATEMENT OF PLAN NET ASSETS DECEMBER 31, 2018 (in thousands)

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

ACTUARIAL BALANCE SHEET JANUARY 1, 2019 (in thousands)

ASSETS:	
Cash & Cash Equivalents	\$ 82,778
Investments at Estimated Fair Value:	
Fixed income.....	1,230,203
Public equity.....	2,235,510
Absolute return	477,681
Real assets.....	576,022
Private equity.....	385,135
Total Investments	\$ 4,904,551
Receivables and Other Assets:	
Employer	\$ 88
Member	821
Actuarially determined contributions	1
Interest, dividends and foreign tax recoverable	7,810
Investments sold	14,190
Software development & equipment, net of depreciation	706
Securities lending collateral	221,990
Total Receivables and Other Assets	\$ 245,606
TOTAL ASSETS	\$ 5,232,935
LIABILITIES:	
Benefits payable	364
Unearned contributions.....	23,559
City of Milwaukee	1,081
Securities lending obligation	221,953
Investments purchased	35,097
TOTAL LIABILITIES	\$ 282,054
NET POSITION RESTRICTED FOR PENSIONS	\$ 4,950,881

	2018	2017
ADDITIONS:		
Contributions:		
Employer	\$ 83,166	\$ 83,524
Member	32,085	32,494
Total Contributions	\$ 115,251	\$ 116,018
Investment Income (Loss):		
Net (depreciation) appreciation in fair value of investments	\$ (214,697)	735,547
Interest, dividends and other investment income.....	103,963	94,435
Total Investment (Loss) Income	\$ (110,734)	\$ 829,982
Less: Investment expense	(49,456)	(42,173)
Net Investment (Loss) Income	\$ (160,190)	\$ 787,809
TOTAL ADDITIONS	\$ (44,939)	\$ 903,827
DEDUCTIONS:		
Administrative expenses	\$ (7,181)	(8,637)
Benefits paid	(388,889)	(380,001)
Refund of contributions	(4,637)	(5,331)
TOTAL DEDUCTIONS	\$ (400,707)	\$ (393,969)
FUND BALANCE CHANGES:		
Net (decrease) increase before fund balance transfers	\$ (445,646)	\$ 509,858
Fund balance transfers	-	-
Net (decrease) increase after fund balance transfers	\$ (445,646)	\$ 509,858
Net position held in trust for pension benefits:		
Beginning of year	\$ 5,396,527	\$ 4,886,669
End of year	\$ 4,950,881	\$ 5,396,527

ASSETS:	
Market value of assets	\$ 4,950,881
Market adjustment	267,413
Actuarial value of assets.....	\$ 5,218,294
Unfunded actuarial accrued liability.....	1,182,607
Present value of future anticipated contributions.....	760,969
Financial resources for actuarial accrued liability	\$ 7,161,870
LIABILITIES:	
Present value of future benefits	
Annuitants.....	\$ 4,491,023
Inactive members.....	151,816
Active members.....	2,519,031
TOTAL LIABILITIES	\$ 7,161,870

MEMBERSHIP STATISTICS DECEMBER 31

	2018	2017
Active members	10,845	10,845
Retired, disability and survivorship	13,196	13,196
Members on deferred status	3,135	3,135
Total membership	27,176	27,176

A list of investments held by the Employees' Retirement System as of December 31, 2018 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, 2018. Complete audited Basic Financial Statements are available for inspection at the System's office or online 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 online at www.cmers.com

See notes to Basic Financial Statements.

**EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF MILWAUKEE**

July 15, 2019

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, 2018.

**ANNUITY & PENSION BOARD
AS OF DECEMBER 31, 2018**

Elected Representative - Active: *

Vacant
Vacant
Vacant

Elected Representative - Retirees:

Thomas Klusman, Retired

Appointed by the President of the Common Council:

Nik Kovac, Alderman for 3rd District
Deborah Ford, Retired
Rudolph Konrad, Retired

Ex-Officio Member:

Martin Matson - Board Chairman, City of Milwaukee Comptroller

* On July 6, 2018, the Wisconsin Supreme Court issued a decision on Case No. 2015-AP-2375 that invalidated certain 2013 Amendments to the Milwaukee City Charter Chapter 36. As a result of the decision, the composition of the Annuity and Pension Board is as follows:

- Three representatives appointed by the President of the Common Council
- Three trustees elected by the active members of ERS
- City Comptroller, who serves as an ex-officio voting member
- One representative elected by retired members of the ERS

The Wisconsin Supreme Court decision vacated the employee elected members of the Pension and Annuity Board. In December 2018, ERS held an election for the three active member trustee positions. The terms for these positions began in January 2019.

**ADMINISTRATIVE PERSONNEL
AS OF DECEMBER 31, 2018**

Bernard J. Allen - Executive Director and Secretary
Melody Johnson - Deputy Director
David M. Silber, CFA, CAIA - Chief Investment Officer
Daniel Gopalan, CPA - Chief Financial Officer
G. Spencer Coggs - Custodian of Funds, City of Milwaukee Treasurer
Grant F. Langley - Legal Advisor, City of Milwaukee Attorney

INVESTMENT MANAGERS

Abbott Capital Management, LLC
Allianz Global Investors
Almanac Realty Investors, LLC
Apollo Global Real Estate Management, LP
AQR Capital Management, LLC
BlackRock, Inc.
Brandes Investment Partners, LP
Bryanston Realty Partners
Carlyle Group
CastleArk Management, LLC
Colony Capital, LLC
Cypress Acquisition Partners
Deutsche Asset Management
Dimensional Fund Advisors
Drawbridge Realty Partners Holdings, LP
Earnest Partners
Fortress Investment Group
GE Polish
Greenfield Partners
H/2 Capital Partners
JP Morgan Asset Management
LaSalle Investment Management, Inc.
Loomis-Sayles & Company
Lubert-Adler Partners
M&G Real Estate
Mesirow Financial
MFS Institutional Advisors
Morgan Stanley Real Estate Advisor, Inc.
Neuberger Berman
Newton Capital Management, LLC
Northern Trust Company
Polen Capital Management
Principal Global Investors, LLC
Private Advisors, LLC
Prologis, Inc.
Reams Asset Management Company
Square Mile Capital Management, LLC
Standard Life
Stockbridge Capital Partners, LLC
UBS Alternative & Quantitative Investments, LLC
Walton Street Capital
William Blair & Company

CONSULTANTS

Global Trading Analytics
Foley & Lardner LLP
Ice Miller LLP
Reinhart Boerner Van Deuren
Wells Fargo Bank Wisconsin, NA
Callan Associates
The Northern Trust Company
Baker Tilly Virchow Krause, LLP
Experis
Cavanaugh Macdonald Consulting, LLC
Buck Global LLC

MEDICAL COUNCIL

Gregory Brotzman, M.D.
David L. Drury, M.D.
William Greaves, M.D.
Michael Borkowski, M.D.
Robin Clark, M.D.
Caroline Palmer, M.D.
Azhar M. Yunus, M.D.

CITY OF MILWAUKEE

*Employes'
Retirement
System*

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

*81st
EDITION
December 31, 2018*