

**EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF MILWAUKEE
June 15, 2017**

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, 2016.

**ANNUITY & PENSION BOARD
AS OF DECEMBER 31, 2016**

Elected Representative - Active:

John Barmore - Board Chairman, Milwaukee Fire Department
Gust Petropoulos - Board Vice Chairman, Milwaukee Police Department
Carmelo Patti, Milwaukee Police Department

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

Appointed by the Mayor:

Mark Nicolini, City of Milwaukee Budget Director
Gerald Pace, Milwaukee Public Schools
Larry Holland, Principal of Holland Properties LLC

Ex-Officio Member:

Martin Matson, City of Milwaukee Comptroller

**ADMINISTRATIVE PERSONNEL
AS OF DECEMBER 31, 2016**

Bernard J. Allen - Executive Director and Secretary
Melody Johnson - Interim Deputy Director
David M. Silber, CFA, CAIA - Chief Investment 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
Ares Commercial Real Estate Corp.
BlackRock, Inc.
Brandes Investment Partners, LP
Bryanston Realty Partners
Carlyle Group
CastleArk Management, LLC
Colony Capital, LLC
Cornerstone Investment Partners
CPI Capital Partners
Cypress Acquisition Partners
Dimensional Fund Advisors
Drawbridge Realty Partners Holdings, LP
Earnest Partners
Fortress Investment Group
GE Polish
Greenfield Partners
H/2 Capital Partners
Jamestown Premier Property Fund, LP
JP Morgan Asset Management
KKR & Co. L.P.
LaSalle Investment Management, Inc.
Loomis-Sayles & Company
Lubert-Adler Partners
M&G Real Estate
Mesirov Financial
Metlife Core Property Fund
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.
Prudential Investment Management
Reams Asset Management Company
Standard Life
Stockbridge Capital Partners, LLC
Townsend Group
UBS Hedge Fund Solutions, LLC
UBS Realty Investors, LLC
USAA Eagle Real Estate
Walton Street Capital
Wellington Management Company, LLP
William Blair & Company

CONSULTANTS

Baker Tilly Virchow Krause, LLP
Conduent HR Consulting, LLC
Callan Associates
Experis
Global Trading Analytics, LLC
HP State and Local Enterprise Services

MEDICAL COUNCIL

Michael Borkowski, M.D.
Gregory Brotzman, M.D.
William Greaves, M.D.
Robin Clark, M.D. (alternate)
Carol Dick, M.D. (alternate)
Seth Foldy, M.D. (alternate)
Caroline Palmer, M.D. (alternate)
Azhar M. Yunus, M.D. (alternate)

CITY OF MILWAUKEE

*Employees'
Retirement
System*

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

**79th
EDITION
December 31, 2016**

City of Milwaukee Employees' Retirement System

STATEMENT OF PLAN NET ASSETS December 31, 2016 (in thousands)

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

ACTUARIAL BALANCE SHEET JANUARY 1, 2017 (in thousands)

ASSETS:	
Cash & Cash Equivalents	\$ 91,257
Investments at Estimated Fair Value:	
Bonds and collateralized mortgage obligations.....	1,012,591
Common and preferred stocks.....	1,340,006
Blackrock Global Alpha Tilts.....	295,203
Blair William Emerging.....	41,905
COLTV Stock Index Fund.....	496,915
DFA Invst Dimensions.....	193,744
DFA Small Cap Fund.....	212,747
Newton.....	88,771
Principal.....	107,494
AQR Emerging Equities Fund.....	101835
Hedge equity.....	303,791
Real estate investments.....	393,668
Private equity.....	247,106
Total Investments	\$ 4,835,776
Receivables and Other Assets:	
Employer	\$ 68
Member	109
Actuarially determined contributions	55
Interest, dividends and foreign tax recoverable	9,109
Investments sold	24,335
Software development & equipment, net of depreciation	280
Securities lending collateral	317,521
Total Receivables and Other Assets	\$ 351,477
TOTAL ASSETS	\$ 5,278,510
LIABILITIES:	
Benefits payable	159
Unearned contributions.....	17,808
City of Milwaukee	963
Securities lending obligation	317,485
Investments purchased	55,426
TOTAL LIABILITIES	\$ 391,841
NET POSITION RESTRICTED FOR PENSIONS	\$ 4,886,669

	2016	2015
ADDITIONS:		
Contributions:		
Employer	\$ 74,095	\$ 72,198
Member	35,918	49,553
Total Contributions	\$ 110,013	\$ 121,751
Investment Income (Loss):		
Net appreciation (devaluation) in fair value of investments	\$ 317,937	(4,939)
Interest, dividends and other investment income	102,159	71,583
Total Investment Income (Loss)	\$ 420,096	\$ 66,644
Less: Investment expense	(36,349)	(31,662)
Net Investment Income (Loss)	\$ 383,747	\$ 34,982
TOTAL ADDITIONS	\$ 493,760	\$ 156,733
DEDUCTIONS:		
Administrative expenses	\$ (8,096)	(9,686)
Benefits paid	(346,937)	(333,336)
Refund of contributions	(4,366)	(14,553)
TOTAL DEDUCTIONS	\$ (359,399)	\$ (357,575)
FUND BALANCE CHANGES:		
Net increase (decrease) before fund balance transfers	\$ 134,361	\$ (200,842)
Fund balance transfers	-	-
Net increase (decrease) after fund balance transfers	\$ 134,361	\$ (200,842)
Net position held in trust for pension benefits:		
Beginning of year	\$ 4,752,308	\$ 4,953,150
End of year	\$ 4,886,669	\$ 4,752,308

ASSETS:	
Market value of assets	\$ 4,886,669
Market adjustment	169,031
Actuarial value of assets.....	\$ 5,055,700
Present value of future anticipated contributions/ (unfunded actuarial accrued liability)	203,600
Financial resources for actuarial accrued liability	\$ 5,259,300
LIABILITIES:	
Actuarial accrued liability	
Annuitants.....	\$ 3,512,367
Inactive members:	
Member contributions	81,654
Employer financed portion	31,490
Active members:	
Member contributions	508,005
Employer financed portion	1,125,784
TOTAL LIABILITIES	\$ 5,259,300

MEMBERSHIP STATISTICS DECEMBER 31

	2016	2015
Active members	11,083	10,982
Retired, disability and survivorship	12,888	12,763
Members on deferred status	3,416	3,338
Total membership	27,387	27,083

A list of investments held by the Employees' Retirement System as of December 31, 2016 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, 2016. Complete audited Basic 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.