

City of Milwaukee Employees' Retirement System

STATEMENT OF PLAN NET ASSETS December 31, 2017 (in thousands)

| | |
|---|---------------------|
| ASSETS: | |
| Cash & Cash Equivalents | \$ 82,067 |
| Investments at Estimated Fair Value: | |
| Bonds and collateralized mortgage obligations..... | 1,076,344 |
| Common and preferred stocks..... | 1,486,516 |
| Blackrock Global Alpha Tilts..... | 325,157 |
| Blackrock Russell 1000..... | 177,316 |
| Blair William Emerging..... | 74,660 |
| COLTV Stock Index Fund..... | 362,948 |
| DFA Invt Dimensions..... | 216,734 |
| DFA Small Cap Fund..... | 218,939 |
| Newton..... | 117,010 |
| Principal..... | 174,774 |
| AQR Emerging Equities Fund..... | 107,430 |
| Hedge equity..... | 352,608 |
| Real estate investments..... | 341,220 |
| Private equity..... | 320,760 |
| Total Investments | \$ 5,352,416 |
| Receivables and Other Assets: | |
| Employer | \$ 88 |
| Member | 886 |
| Actuarially determined contributions | 5,577 |
| Interest, dividends and foreign tax recoverable | 7,766 |
| Investments sold | 64,069 |
| Software development & equipment, net of depreciation | 540 |
| Securities lending collateral | 351,401 |
| Total Receivables and Other Assets | \$ 430,327 |
| TOTAL ASSETS | \$ 5,864,810 |
| LIABILITIES: | |
| Benefits payable | 318 |
| Unearned contributions..... | 215 |
| City of Milwaukee | 1,640 |
| Securities lending obligation | 351,416 |
| Investments purchased | 114,694 |
| TOTAL LIABILITIES | \$ 468,283 |
| NET POSITION RESTRICTED FOR PENSIONS | \$ 5,396,527 |

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

| | 2017 | 2016 |
|---|---------------------|---------------------|
| ADDITIONS: | | |
| Contributions: | | |
| Employer | \$ 83,524 | \$ 74,095 |
| Member | 32,494 | 35,918 |
| Total Contributions | \$ 116,018 | \$ 110,013 |
| Investment Income (Loss): | | |
| Net appreciation (devaluation) in fair value of investments | \$ 735,547 | 317,937 |
| Interest, dividends and other investment income | 94,435 | 102,159 |
| Total Investment Income (Loss) | \$ 829,982 | \$ 420,096 |
| Less: Investment expense | (42,173) | (36,349) |
| Net Investment Income (Loss) | \$ 787,809 | \$ 383,747 |
| TOTAL ADDITIONS | \$ 903,827 | \$ 493,760 |
| DEDUCTIONS: | | |
| Administrative expenses | \$ (8,637) | (8,096) |
| Benefits paid | (380,001) | (346,937) |
| Refund of contributions | (5,331) | (4,366) |
| TOTAL DEDUCTIONS | \$ (393,969) | \$ (359,399) |
| FUND BALANCE CHANGES: | | |
| Net increase (decrease) before fund balance transfers | \$ 509,858 | \$ 134,361 |
| Fund balance transfers | - | - |
| Net increase (decrease) after fund balance transfers | \$ 509,858 | \$ 134,361 |
| Net position held in trust for pension benefits: | | |
| Beginning of year | \$ 4,886,669 | \$ 4,752,308 |
| End of year | \$ 5,396,527 | \$ 4,886,669 |

See notes to Basic Financial Statements.

ACTUARIAL BALANCE SHEET JANUARY 1, 2018 (in thousands)

| | |
|--|---------------------|
| ASSETS: | |
| Market value of assets | \$ 5,396,527 |
| Market adjustment | (163,041) |
| Actuarial value of assets..... | \$ 5,233,486 |
| Present value of future anticipated contributions/(unfunded actuarial accrued liability) | 586,276 |
| Financial resources for actuarial accrued liability | \$ 5,819,762 |
| LIABILITIES: | |
| Actuarial accrued liability | |
| Annuitants..... | \$ 3,993,493 |
| Inactive members: | |
| Member contributions | 81,567 |
| Employer financed portion | 65,398 |
| Active members: | |
| Member contributions | 482,151 |
| Employer financed portion | 1,197,153 |
| TOTAL LIABILITIES | \$ 5,819,762 |

MEMBERSHIP STATISTICS DECEMBER 31

| | 2017 | 2016 |
|--|---------------|---------------|
| Active members | 10,845 | 11,083 |
| Retired, disability and survivorship | 13,196 | 12,888 |
| Members on deferred status | 3,135 | 3,416 |
| Total membership | 27,176 | 27,387 |

A list of investments held by the Employees' Retirement System as of December 31, 2017 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, 2017. Complete audited Basic Financial Statements are available for inspection at the System's office or online at www.cmrs.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.cmrs.com

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

July 12, 2018

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, 2017.

**ANNUITY & PENSION BOARD
AS OF DECEMBER 31, 2017**

Elected Representative - Active:

John Barmore - Board Chairman, Milwaukee Fire Department
Thomas Bell, City of Milwaukee - General Employee
Vacant , 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, Retired
Himanshu Parikh, 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, 2017**

Bernard J. Allen - Executive Director and Secretary
Melody Johnson - Deputy Director
David M. Silber, CFA, CAIA - Chief Investment Officer
G. Spencer Coggs - Custodian of Funds, City of Milwaukee Treasurer
Grant F. Langlely - 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
BlackRock, Inc.
Brandes Investment Partners, LP
Bryanston Realty Partners
Carlyle Group
CastleArk Management, LLC
Colony Capital, LLC
CPI Capital Partners
Cromwell Property Group
Cypress Acquisition Partners
Dimensional Fund Advisors
Drawbridge Realty Partners Holdings, LP
Earnest Partners
Fortress Investment Group
Fremont Realty Capital
Greenfield Partners
H/2 Capital Partners
Hunt Commercial Realty Partners
JP Morgan Asset Management
KKR & Co. L.P.
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.
Prudential Investment Management
Reams Asset Management Company
RREEF America, LLC
R.W. Baird
Square Mile Capital
Standard Life
Stockbridge Capital Partners, LLC
UBS Hedge Fund Solutions, LLC
USAA Eagle Real Estate
Walton Street Capital
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

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

CITY OF MILWAUKEE

*Employes'
Retirement
System*

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

***80th
EDITION
December 31, 2017***