

City of Milwaukee Employees' Retirement System

STATEMENT OF PLAN NET ASSETS AS OF DECEMBER 31, 2014 (in thousands)

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

ACTUARIAL BALANCE SHEET JANUARY 1, 2015 (in thousands)

ASSETS:	
Cash and cash equivalents.....	\$ 123,102
INVESTMENTS AT ESTIMATED FAIR VALUE:	
Bonds and collateralized mortgage obligations	976,908
Common and preferred stocks	1,499,084
Barclay bond index funds	270,200
Blackrock index and emerging funds	332,690
Blair William emerging funds	45,254
DFA US and international small cap funds	315,232
Northern trust company collective equity index funds	498,632
Russell 1000 alpha value funds	146,351
Derivative investments	5,446
Newton.....	63,284
Hedge equity.....	66,157
Hedge Fund of Funds.....	124,990
Real estate investments	374,718
Private equity investments	120,691
Total investments:	\$ 4,839,637

RECEIVABLES AND OTHER ASSETS:	
Employer	(170)
Member	2,833
Actuarially determined contributions	375
Interest, dividends, and foreign taxes recoverable	12,051
Investments sold	29,395
Software development and equipment (net of depr)...	169
Securities lending collateral	410,812
Total receivables and other assets:	\$ 455,465
Total assets:	\$ 5,418,205

LIABILITIES:	
Benefits payable	155
City of Milwaukee	15,188
Securities lending obligation	410,812
Derivative liabilities	12,486
Investments purchased	26,414
Total liabilities:	\$ 465,055

FOR PENSION BENEFITS \$ 4,953,150

		<u>2014</u>	<u>2013</u>
ADDITIONS:			
Contributions:			
Employer	\$ 72,844	\$ 79,533	
Member	43,663	42,624	
Total contributions:	\$ 116,507	\$ 122,157	
Investment income (loss):			
Net appreciation (devaluation) in fair value of investments	182,205	729,629	
Interest, dividends and other investment income	82,592	84,661	
Total investment income (loss):	\$ 264,797	\$ 814,290	
Less: investment expense	(25,812)	(16,086)	
Net investment income (loss):	\$ 238,985	\$ 798,204	
Total additions:	\$ 355,492	\$ 920,361	

DEDUCTIONS:			
Administrative expenses	(10,831)	(11,745)	
Benefits paid	(321,279)	(310,696)	
Refund of contributions	(21,290)	(24,162)	
Total deductions:	\$ (353,400)	\$ (346,603)	

FUND BALANCE CHANGES:			
Net increase (decrease) before fund balance transfers	\$ 2,092	\$ 573,758	
Fund balance transfers	-	-	
Net increase (decrease) after fund balance transfers:	\$ 2,092	\$ 573,758	

Net position held in trust for pension benefits:			
Beginning of year	\$ 4,951,058	\$ 4,377,300	
End of year	\$ 4,953,150	\$ 4,951,058	

See notes to Basic Financial Statements.

ASSETS:	
Market value of assets	\$ 4,953,150
Market adjustment	(155,713)
Actuarial value of assets.....	\$ 4,797,437
Present value of future anticipated contributions/(unfunded actuarial accrued liability)	138,045
Financial resources for actuarial accrued liability:	\$ 4,935,482

LIABILITIES:	
Actuarial accrued liability	
Annuitants.....	\$ 3,344,604
Inactive members:	
Member contributions	66,394
Employer financed portion	23,357
Active members:	
Member contributions	510,917
Employer financed portion	990,210
Total liabilities:	\$ 4,935,482

MEMBERSHIP STATISTICS DECEMBER 31

	<u>2014</u>	<u>2013</u>
Active members	10,964	10,675
Retired, disability and survivorship	12,597	12,487
Members on deferred status	3,279	3,643
Total membership	26,840	26,805

A list of investments held by the Employees' Retirement System as of December 31, 2014 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, 2014. 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

**EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF MILWAUKEE
June 16, 2015**

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, 2014.

**ANNUITY & PENSION BOARD
AS OF DECEMBER 31, 2014**

John Barmore, Board Chairman

Milwaukee Fire Department
Elected Representative – Active

Martin Matson - City Comptroller

Ex-Officio Member

Larry Holland

Appointed by the President of the Common Council

Thomas Klusman

Elected Representative – Retirees

Rudolph Konrad

Appointed by the President of the Common Council

Alderman Michael J. Murphy

10th Aldermanic District
Appointed by the President of the Common Council

Mark Nicolini - Budget Director

City of Milwaukee
Appointed by the Mayor

Gerald Pace

Milwaukee Public Schools
Appointed by the Mayor

Carmelo Patti

Milwaukee Police Department
Elected Representative – Active

Gust Petropoulos, Board Vice Chairman

Milwaukee Police Department
Elected Representative – Active

Vacant

Appointed by the Mayor

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
Allianz Global Investors
Apollo Global Real Estate Management, LP
Ares Commercial Real Estate Corp.
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
Fir Tree Partners
Fortress Investment Group
Fremont Realty Capital
GE Polish
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.
Neuberger Berman
Newton Capital Management, LLC
Northern Trust Company
Polen Capital Management
Prologis, Inc.
Prudential Investment Management
Reams Asset Management Company
Square Mile Capital Management, LLC
Standard Life
Stockbridge Capital Partners, LLC
Townsend Group
Union Bank of Switzerland
UBS Alternative & Quantitative Investments, LLC
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
Townsend Group

MEDICAL COUNCIL

Michael Borkowski, M.D. (alternate)
Robin Clark, M.D. (alternate)
William Greaves, M.D.
Michael Lischak, M.D.
Caroline Palmer, M.D.

CITY OF MILWAUKEE

*Employes'
Retirement
System*

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

***77th
EDITION
December 31, 2014***