

**Report on Internal Control  
Over Financial Reporting and On Compliance and  
Other Matters Based On an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

**Independent Auditors' Report**

To the Annuity and Pension Board of the Employees'  
Retirement System of the City of Milwaukee:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Employees' Retirement System of the City of Milwaukee (the "Retirement System"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Retirement System's basic financial statements, and have issued our report thereon dated July 13, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Retirement System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Retirement System's internal control. Accordingly, we do not express an opinion on the effectiveness of the Retirement System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Retirement System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Baker Tilly US, LLP*

Milwaukee, Wisconsin  
July 13, 2021

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Year Ended December 31, 2020**

Employees' Retirement System of the City of Milwaukee  
789 North Water Street, Suite 300  
Milwaukee, WI 53202

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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

*For the year ended December 31, 2020*

*Prepared by:*

*Bernard J. Allen, Executive Director,  
David Silber, CFA, CAIA, Chief Investment Officer, &  
Daniel Gopalan, CPA, Chief Financial Officer*

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# INTRODUCTORY SECTION



**City of Milwaukee**  
Employees' Retirement System

**Bernard J. Allen**  
Executive Director

**David M. Silber, CFA, CAIA**  
Chief Investment Officer

**Melody Johnson**  
Deputy Director

## Executive Director's Letter of Transmittal

July 13, 2021

On behalf of the Annuity and Pension Board (the Board) of the Employees' Retirement System of the City of Milwaukee (ERS, the System, or the Plan), we are pleased to present this Comprehensive Annual Financial Report of the Employees' Retirement System of the City of Milwaukee as of and for the year ended December 31, 2020.

ERS is a defined benefit plan created under Chapter 396 of the Laws of Wisconsin of 1937 and the City of Milwaukee Charter, Chapter 36. ERS is a qualified retirement plan under the Internal Revenue Code. The ERS Pension and Annuity Board (the Board) serves as trustee of the Plan.

ERS was created to provide retirement, survivor, and disability benefits to eligible employees. Currently, this includes eligible employees of the City of Milwaukee and some of its agencies, such as Milwaukee Metropolitan Sewerage District, Wisconsin Center District, Veolia Water Milwaukee LLC, Milwaukee Housing and Redevelopment Authorities, and non-certified staff of Milwaukee Public Schools (Agencies).

### **Financial Information**

The System's administration is responsible for the accuracy of the data, completeness, and fairness of the presentation of the Comprehensive Annual Financial Report, including all disclosures. The Plan's record-keeping, financial statement, and investment controls are also performed by the System's administration. To the best of our knowledge and belief, this report is accurate in all material respects and is reported in a manner designed to present fairly the fiduciary net position and the change in fiduciary net position. All disclosures necessary to enable the reader to gain an understanding of the Plan's financial activities have been included. Users of this report are strongly encouraged to review the Management's Discussion and Analysis portion of the financial section in order to obtain a more complete understanding of ERS' financial condition and activity.

### **Major Initiatives**

There were two major undertakings during 2020: Implementation of a remote work environment due to the COVID-19 pandemic and information technology infrastructure upgrades.

*Implementation of Remote Work Environment for ERS Staff:* Due to the pandemic, ERS staff quickly put together a remote work plan for staff. We were able to have about 75% of our staff work from home. We identified certain duties that could not be done from home (i.e. receiving mail, scanning documents, printing

checks, etc.), and developed work schedules for staff to allow them to come in staggered shifts. We have also utilized our disaster recovery site in order to reduce the amount of staff working in the office. We started conducting virtual counseling for members, either by phone or through video conferencing software. In addition, we have instituted virtual retirement seminars and our Annuity and Pension Board started having its board and committee meetings virtually.

*Information Technology Infrastructure Upgrades:* In 2020, the ERS completed major security enhancements and upgrades to its IT infrastructure and disaster recovery/business continuity portfolio. The ERS upgraded its vulnerability and penetration test management systems and tools in order to increase vulnerability and penetration test frequencies, mitigate discovered vulnerabilities more quickly, and decrease risk exposure for its networks and systems. A framework was also put in place to conduct quarterly simulated attacks and related assessments which include covert and overt phishing and data exfiltration attacks on the ERS staff and systems personnel. The upgraded software, framework, and tools will aid the ERS to meet its operational standards and provide continuity of operations as well as greater confidentiality, integrity, and availability of data. These upgrades will allow the ERS to manage and adjust for its technical risk profile through 2025.

## **Actuarial and Funding Results**

ERS' actuaries prepared three actuarial reports. The three reports are as follows:

- The actuarial valuation is prepared for funding purposes and produced annually. Cavanaugh Macdonald prepared the most recent actuarial valuation as of January 1, 2020 and this report determines the contributions due to ERS from employers on January 31, 2021.
- The GASB Statement No. 67 report is prepared annually, with the most recent report completed as of December 31, 2020 by Cavanaugh Macdonald. The GASB 67 report focuses on the reporting aspects of ERS' assets and liabilities.
- The experience study is completed every five years and the study sets the actuarial assumptions used to calculate the pension liabilities for ERS. Buck Consultants completed the most recent experience study based on a measurement date of December 31, 2016.

For funding purposes, the valuation showed the actuarial value of assets, which is a smoothed asset value used for funding purposes was \$5.29 billion as of January 1, 2020. When compared to the actuarial liability of \$7.37 billion, which includes an unfunded actuarial liability of \$1.31 billion and the present value of future normal costs of \$774 million. The System's funded ratio, which is the ratio of actuarial assets to actuarial liability, decreased from 81.5% in 2019 to 80.1% in 2020. The decrease in ERS' funded ratio is primarily attributable to the recognition of deferred investment losses from prior years due to the asset smoothing method. The smoothed rate of return was 6.94%, lower than the 7.50% assumed rate of return. The required employer contribution is determined actuarially, based on the annual cost of accrual of benefits and amortization of the unfunded actuarial liability offset by employee contributions. The recommended employer contribution for 2020 was \$91.5 million for all ERS employers and is due to ERS by January 31, 2021. This contribution represents 15.4% of employees' pensionable compensation.

The following table presents the annual employer contributions for the Global Combined Fund as of January 1, 2021 using the discount rate of 7.50 percent, a discount rate that is 1-percentage-point lower

(6.50 percent) and a discount rate that is 1-percentage-point higher (8.50 percent) (in thousands):

	<b>1% Decrease</b> <b>(6.50%)</b>	<b>Current Discount</b> <b>(7.50%)</b>	<b>1% Increase</b> <b>(8.50%)</b>
Annual employer contributions	\$ 234,715	\$ 167,825	\$ 107,645

Additional information regarding the actuarial valuation can be found in the Actuarial section of this report.

For reporting purposes, the System's Fiduciary Net Position (FNP) increased from \$5.56 billion as of December 31, 2019 to \$5.65 billion as of December 31, 2020. This was a 1.67% increase compared to the 2019 results. The FNP was insufficient to offset the Total Pension Liability (TPL) of \$6.74 billion as of December 31, 2020 resulting in a Net Pension Liability (NPL) of \$1.09 billion as provided on page 38. The NPL is the difference between the TPL less the FNP. This represents an increase of \$99 million in NPL from 2019. The increase in NPL is mainly attributed to the significant difference between the stable policy contribution rate and the actuarial determined employer contribution rate for 2020. All data related to GASB 67 is provided in the Notes to Basic Financial Statements and the Required Supplementary Information sections.

## Investments

The Board is responsible for the investment of the System's assets. The responsibilities of the Board relating to the investment management of the System's assets include: establishing reasonable investment objectives and policy guidelines; using reasonable care, skill and caution in selecting investment professionals; and evaluating performance results of investment managers and other investment professionals on a systematic and regularly scheduled basis. The Board has a fiduciary duty to exercise its investment authority prudently and solely in the interest of the System's participants and beneficiaries.

The System's investment goal is to obtain the highest return possible on its investments within corresponding acceptable levels of minimum investment risk and liquidity requirements in recognition of prudent person standards and applicable local, state, and federal laws.

The System's investment objective is to earn or exceed the actuarial assumption rate or to outperform its policy benchmark over the long term. The System's 6.6% net of fee return underperformed the policy benchmark for the year. The investment consultant provides the Board with quarterly and annual evaluation reports. A summary of their annual analysis and the target asset allocation is found in the Investment Section of this report. Please refer to the MD&A for more investment and financial analysis.

## Professional Services

The Board retains professional consultants to prudently discharge its fiduciary responsibility for the proper administration of the Plan. Cavanaugh Macdonald provides actuarial services and the corresponding certification. Northern Trust serves as the master custodian. Callan Associates provides investment

consulting and other investment-related services. Baker Tilly US, LLP audits ERS' financial statements and Experis performs reviews of operations. The City Attorney's Office provides legal representation.

### **Internal Controls**

Management is responsible for establishing and maintaining a system of internal controls to protect the System from loss, theft, or misuse and to ensure adequate accounting data is compiled for the preparation of financial statements in conformity with generally accepted accounting principles. The cost of internal control should not exceed anticipated benefits; the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

### **Awards**

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to ERS for its comprehensive annual financial report for the fiscal year ended December 31, 2019. This was the 2<sup>nd</sup> consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

ERS was awarded a Certificate of Transparency by NCPERS (National Conference on Public Employee Retirement Systems). The Certificate of Transparency was awarded for ERS's contribution to the 2020 NCPERS Public Retirement Systems Study, a comprehensive study exploring the retirement practices of the public sector. The study covers 22 topics, including current and target asset allocations, returns and governance practices. The results of the study are available on NCPERS' website.

### **Acknowledgements**

The guidance provided by the Board is greatly appreciated. The preparation of this report is a collaborative effort of many individuals and I would like to acknowledge the hard work of the ERS staff, especially Robin Earleywine. The intention of this report is to provide complete and reliable information to the members of ERS, employers of the members, the City of Milwaukee, and other important users of ERS' financial and demographic information.

Respectfully submitted,

A handwritten signature in cursive script that reads "Bernard J. Allen".

Bernard J. Allen  
*Executive Director*



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Milwaukee Employees' Retirement System  
Wisconsin**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

December 31, 2019

*Christopher P. Morill*

Executive Director/CEO



This Certificate of Transparency is awarded to the

**Employees' Retirement System of the  
City of Milwaukee**

for its participation in the *2020 NCPERS Public Retirement Systems Study*, which seeks to further open disclosure, data collection, and encourage the public's understanding of public retirement systems.

A handwritten signature in black ink, appearing to read 'Hank Kim'.

Hank Kim, Esq.  
Executive Director & Counsel

# List of Principal Officials

## Annuity & Pension Board Members as of December 31, 2020

### **Elected Representatives - Active:**

Matthew Bell	Milwaukee Police Department
James Campbell	Milwaukee Police Department
Carmelo Patti	Milwaukee Police Department

### **Elected Representative - Retirees:**

Thomas Klusman	Retired
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### **Appointed by the President of the Common Council:**

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

### **Ex-Officio Member:**

Aycha Sawa	City of Milwaukee Comptroller
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## List of Professional Relationships

### **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  
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, LP  
Lubert-Adler Partners  
M&G Real Estate  
Mesirow Financial  
MFS Institutional Advisors  
Morgan Stanley Real Estate Advisor, Inc.  
Neuberger Berman  
Newton Investment Management  
Northern Trust Asset Management  
PA Capital LLC  
Polen Capital Management  
Principal Global Investors, LLC  
Prologis, Inc.  
Reams Asset Management  
Standard Life  
Stockbridge Capital Partners, LLC  
UBS Hedge Fund Solutions, LLC  
Walton Street Capital  
William Blair Investment Management, LLC

### **Investment Trading Analytics:**

Global Trading Analytics, LLC

### **Legal Counsel:**

Foley & Lardner LLP  
Ice Miller LLP  
Reinhart Boerner Van Deuren  
Tearman Spencer, Milwaukee City Attorney

### **Bank:**

Wells Fargo Bank Wisconsin, NA

### **Investment Consultants:**

Callan Associates

### **Custodian:**

The Northern Trust Company  
G. Spencer Coggs, City of Milwaukee Treasurer

### **Auditors:**

Baker Tilly US, LLP  
Experis/Jefferson Wells

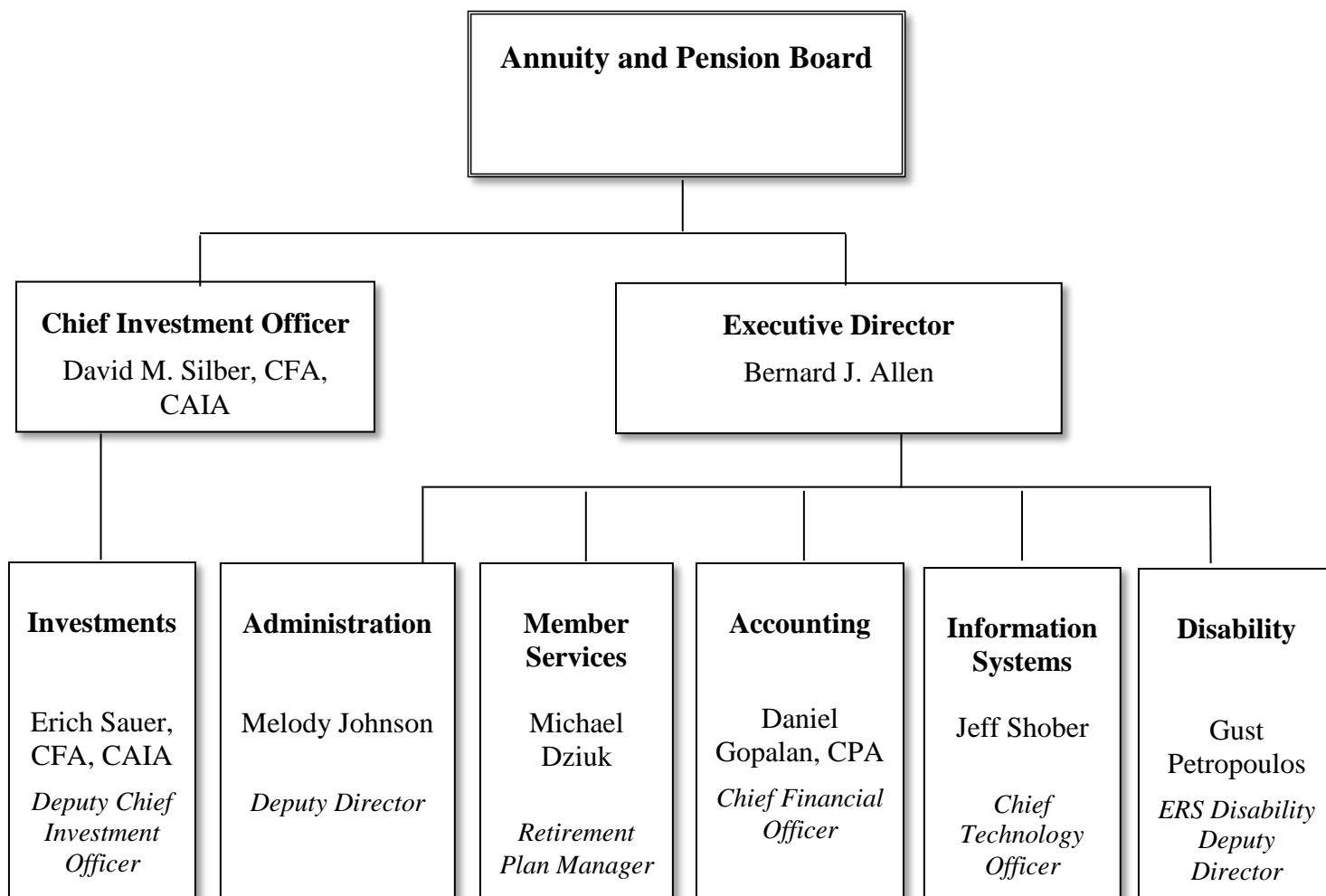
### **Actuaries:**

Cavanaugh Macdonald Consulting, LLC

### **Medical Advisors:**

Gregory Brotzman, M.D.  
David L. Drury, M.D.  
William Greaves, M.D.

## Employees' Retirement System Organization Chart



*Investments are managed externally through investment managers. Please refer to the Summary of Management Fees on page 70 in the Investment Section and the Schedule of Brokerage Commissions on page 71 in the Investment Section.*

# FINANCIAL SECTION

## **Independent Auditors' Report**

To the Annuity and Pension Board of the Employees'  
Retirement System of the City of Milwaukee

### **Report on the Financial Statements**

We have audited the accompanying statement of fiduciary net position of the Employees' Retirement System of the City of Milwaukee (the Retirement System), as of December 31, 2020, the statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Retirement System's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the Retirement System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Retirement System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Retirement System as of December 31, 2020, and the changes in fiduciary net position of the Retirement System for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedules of Changes in Net Pension Liability, Net Pension Liability and Investment Returns, Employers' Contributions, and the notes to the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Retirement System's basic financial statements. The Schedules of Administrative Expenses, Investment Expenses, and Payments to Consultants, Non-Consenter Combining Statement of Fiduciary Net Position and the Non-Consenter Combining Statement of Changes in Fiduciary Net Position are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Administrative Expenses, Investment Expenses, and Payments to Consultants, Non-Consenter Combining Statement of Fiduciary Net Position and the Non-Consenter Combining Statement of Changes in Fiduciary Net Position are fairly stated in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Retirement System's basic financial statements. The Introductory, Investment, Actuarial and Statistical sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2021 on our consideration of the Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Retirement System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Retirement System's internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

Milwaukee, Wisconsin  
July 13, 2021

## **EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

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We are pleased to provide this analytical overview of the financial activities of the Employees' Retirement System of the City of Milwaukee ("ERS", "the System", or "the Plan") for the year ended December 31, 2020. The information provided is intended to be considered in conjunction with the Plan's financial statements.

### **Financial Highlights**

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- The System's Fiduciary Net Position increased by \$92,657,000 and 1.67% during 2020. The change in net position was relatively flat in 2020. This can be attributed to an increase in benefit payments along with a decrease in employer and member contributions.
- As members consent to the Global Pension Settlement, their member balances are transferred from the Non-Consenter fund to the Global Combined Fund. Balances transferred for 2020 totaled \$1,097,000.
- The ERS's funding objective is to meet long-term benefit obligations through contributions and investment income. As of December 31, 2020, pursuant to GASB Statement No. 67, ERS's funded ratio is 83.8%. In general, this means the Plan has 83.8 cents of assets to cover every dollar of benefits due.
- For 2020, Northern Trust, the ERS custodian, reported a 6.6% annual net of fees total fund return, while in 2019 the return was 18.4%. Returns are calculated using geometrically-linked, time and asset-weighted returns, net of investment manager fees.

(See Independent Auditors' Report)

# EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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### Overview of the Financial Statements

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The following discussion and analysis are intended to serve as an introduction to the Plan's financial statements and the Financial Section of this report.

The **Statement of Fiduciary Net Position** presents ERS' assets and liabilities, as well as the net position restricted for pensions at December 31, 2020. The assets comprise receivables, mainly from investment activity, investments at fair value, and securities lending collateral.

The **Statement of Changes in Fiduciary Net Position** presents information showing how the Plan's net position changed during the year. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when a formal commitment has been made by the City or Agencies to provide the contributions. All investment gains and losses are shown at trade date. Both realized and unrealized gains and losses are shown on investments. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

The **Notes to Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes are an integral part of the financial statements and included detailed information not readily evident in the basic financial statements.

The statements and notes are presented in conformity with U.S. generally accepted accounting principles. These principles require certain financial statement presentations and disclosures, including the use of accrual basis of accounting to record assets and liabilities, and revenues and expenses.

The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position can be found on pages 25 and 26 of this report.

The **Required Supplementary Information** that follows immediately after the notes to the basic financial statements include the Schedules of Changes in Net Pension Liability, Net Pension Liability, Investment Returns, Contributions, and the Notes to Required Supplementary Information. See the Required Supplementary Information beginning on page 53 of this report.

The remaining supplemental schedules provide additional detailed information concerning administrative expenses, investment expenses, and payments to consultants. All of this information is considered useful in understanding and evaluation the financial activities of the Plan.

(See Independent Auditors' Report)

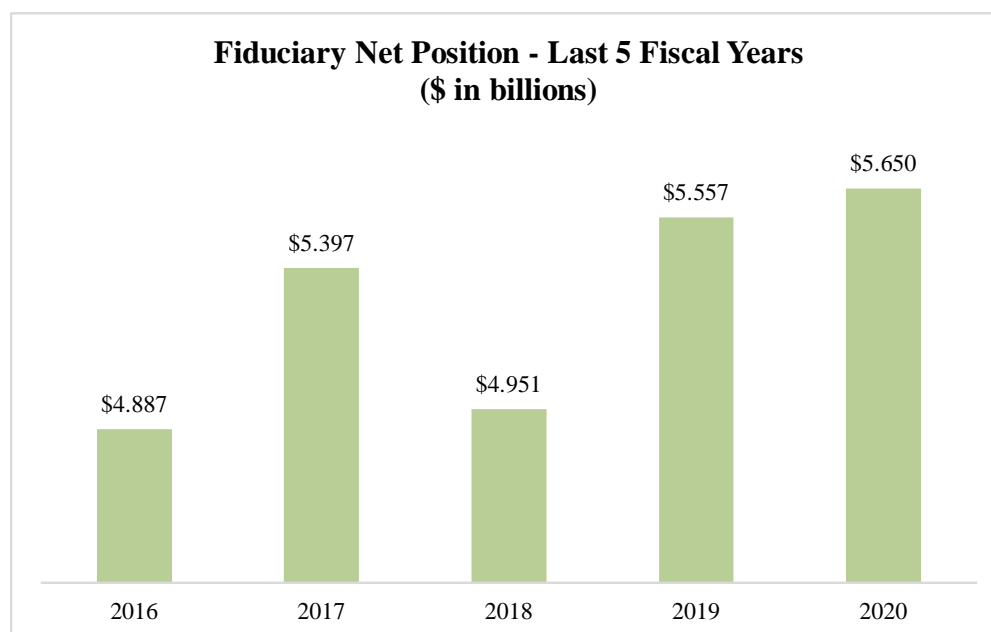
**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

## Financial Analysis

### Net Position

Net position may serve over time as a useful indicator of the ERS's financial position. At December 31, 2020, assets exceeded liabilities by \$5.65 billion. The net position is available to meet ERS' ongoing obligation to participants and their beneficiaries. As of December 31, 2020, total net position increased by 1.7% over the prior year. The change in net position was relatively flat in 2020 due to an increase in benefit payments along with a decrease in employer and member contributions. Management believes that ERS is in a strong financial position to meet its obligations to the members, retirees, and their beneficiaries.

Fiduciary Net Position (\$ in thousands)	For the year ended December 31,		Increase / (Decrease)
	2020	2019	
Investments	\$ 5,549,921	\$ 5,511,387	\$ 38,534
Other assets	377,302	229,590	147,712
Total assets	5,927,223	5,740,977	186,246
Total liabilities	(277,489)	(183,900)	(93,589)
Total net position	\$ 5,649,734	\$ 5,557,077	\$ 92,657



(See Independent Auditors' Report)

# EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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### Investments

ERS is a long-term investor and manages its assets with long-term objectives in mind. A primary element of this investment philosophy is to employ a diversification of assets as the best possible way to achieve its goals. After conducting an asset-liability study with investment staff and ERS' consultant, the Board established an asset allocation plan taking into account the risk associated with each asset class as well as the financial objectives of the plan. Investments are stated at fair value and include the recognition of unrealized gains and losses in the current period.

The rate of return on investments (net of investment fees) for the year ended December 31, 2020 was 6.6%, an 11.8% decrease compared to the fiscal year 2019 rate of return of 18.4%. Returns are calculated using geometrically-linked, time and asset-weighted returns, net of investment manager fees. The Fund underperformed the benchmark performance by 5.9%. The annualized rate of return (net of fees) for the last three and five periods ended December 31, 2020 were 7.0% and 9.2%, respectively.

The underperformance of the benchmark is partially attributed to the liquidation of the Structured Alpha 1000 strategy. In March of 2020, Allianz Global Investors ("AllianzGI") announced the formal liquidation of its Structured Alpha 1000 strategy. The decision to liquidate the portfolio was made by the firm. The realized loss to ERS on this investment was \$76,530,894.

The Investment Section beginning on page 62 gives detailed information on the ERS's investment policies. See page 72 of this report for a table showing the asset allocation targets established by the Board and actual asset allocation of the System's assets at December 31, 2020.

### Liabilities

The liabilities are payables incurred by the transaction activity of the investment assets, securities lending, retirement benefit expenses, and administrative expenses of the Fund.

#### Changes in Fiduciary Net Position

(\$ in thousands)

	2020	2019	Increase / (Decrease)
<b>Additions</b>			
Employer contributions	\$ 87,661	\$ 96,389	\$ (8,728)
Member contributions	32,191	32,633	(442)
Net appreciation in fair value of investments	367,900	833,313	(465,413)
Interest, dividends and other investment income	103,042	112,073	(9,031)
Less: investment expense	(61,806)	(52,108)	(9,698)
<b>Total Additions:</b>	<u>\$ 528,988</u>	<u>\$ 1,022,300</u>	<u>\$ (493,312)</u>
<b>Deductions</b>			
Administrative expenses	\$ (7,381)	\$ (7,018)	\$ (363)
Benefits paid	(425,395)	(405,216)	(20,179)
Refund of contributions	(3,555)	(3,870)	315
<b>Total Deductions</b>	<u>\$ (436,331)</u>	<u>\$ (416,104)</u>	<u>\$ (20,227)</u>
<b>Net Increase</b>	<u>\$ 92,657</u>	<u>\$ 606,196</u>	<u>\$ (513,539)</u>

(See Independent Auditors' Report)

## **EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

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### **Contributions and Investment Income**

Employer contributions decreased by 9.1% over last year's contributions. The employers' contributions are actuarially determined in the prior year and due by January 31st of the following year. The decrease in employer contributions is attributable to a decrease in contributions to the Employers' Reserve Fund. Plan members' contributions decreased by 1.4%. Plan member contributions are determined by the City Charter and by contracts signed with bargaining units. In 2020, the Fund generated positive returns (net of fees). Net investment income includes securities lending income and investment expenses.

### **Retirement Benefits and Administrative Expenses**

The Plan was created to provide lifetime service retirement benefits, survivor benefits, and disability benefits to eligible members and their beneficiaries. The cost of such programs includes recurring benefit payments, death benefits, payments to terminated members, and the administrative expenses of the ERS. The primary source of expense during 2020 was for the payment of continuing retirement benefits totaling \$425 million, compared to \$405 million in 2019. The increase was attributable to new retirees and cost of living increases to retirees.

### **Requests for Information**

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Members of the Annuity and Pension Board and ERS senior management are fiduciaries of the pension fund and are responsible for ensuring that ERS assets are used exclusively for the benefit of plan participants and their beneficiaries. This financial report is designed to provide an overview of the financial condition of ERS, and to account for the resources entrusted to ERS for the benefit its stakeholders. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Bernard J. Allen  
Executive Director and Secretary  
Employees' Retirement System – City of Milwaukee  
789 North Water Street, Suite 300  
Milwaukee, WI 53202

(See Independent Auditors' Report)

# BASIC FINANCIAL STATEMENTS

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**Statement of Fiduciary Net Position**  
**As of December 31, 2020**  
**(in thousands)**

	<b>Global Combined Fund</b>	<b>Non-consenter Retirement Funds</b>	<b>Employers' Reserve Fund</b>	<b>Securities Lending Fund</b>	<b>Total</b>
<b>ASSETS</b>					
CASH AND CASH EQUIVALENTS	\$ 108,558	\$ 1,531	\$ 2,066	\$ 797	\$ 112,952
INVESTMENTS (Notes 1 and 8)					
Fixed income	1,184,869	3,352	33,592	-	1,221,813
Public equity	2,564,679	7,257	-	-	2,571,936
Absolute return	518,706	1,468	-	-	520,174
Real assets	611,870	1,731	-	-	613,601
Private equity	620,641	1,756	-	-	622,397
Total Investments	5,500,765	15,564	33,592	-	5,549,921
RECEIVABLES AND OTHER ASSETS					
Employer (Note 1)	101	-	-	-	101
Member (Note 1)	874	-	-	-	874
Interest, dividends and foreign tax recoverable (Note 1)	8,558	24	21	-	8,603
Investments sold	76,316	215	-	32	76,563
Software development and equipment, net of depreciation (Note 1)	144	-	-	-	144
Securities lending collateral (Note 8)	-	-	-	178,065	178,065
Total Receivables and Other Assets	85,993	239	21	178,097	264,350
<b>Total Assets</b>	<b>5,695,316</b>	<b>17,334</b>	<b>35,679</b>	<b>178,894</b>	<b>5,927,223</b>
<b>LIABILITIES</b>					
Benefits payable	608	-	-	-	608
Unearned contributions	10,291	-	-	-	10,291
City of Milwaukee (Notes 4 and 6)	940	-	-	-	940
Securities lending obligation (Note 8)	-	-	-	178,055	178,055
Investments purchased	85,870	242	1,483	-	87,595
<b>Total Liabilities</b>	<b>97,709</b>	<b>242</b>	<b>1,483</b>	<b>178,055</b>	<b>277,489</b>
<b>NET POSITION RESTRICTED FOR PENSIONS</b>	<b>\$ 5,597,607</b>	<b>\$ 17,092</b>	<b>\$ 34,196</b>	<b>\$ 839</b>	<b>\$ 5,649,734</b>

See Independent Auditors' Report.

*The accompanying notes to financial statements are an integral part of these financial statements.*

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**Statement of Changes in Fiduciary Net Position**  
**For the Fiscal Year Ended December 31, 2020**  
**(in thousands)**

	Global Combined Fund	Non-consenter Retirement Funds	Employers' Reserve Fund	Securities Lending Fund	Total
<b>ADDITIONS</b>					
<b>Contributions</b>					
Employer (Note 5)	\$ 79,361	\$ 300	\$ 8,000	\$ -	\$ 87,661
Member	32,182	9	-	-	32,191
<b>Total Contributions</b>	<b>111,543</b>	<b>309</b>	<b>8,000</b>	<b>-</b>	<b>119,852</b>
<b>Investment Income</b>					
Net appreciation (depreciation) in fair value of investments	366,507	1,034	387	(28)	367,900
Interest, dividends and other investment income	100,392	285	563	1,802	103,042
<b>Total Investment Income</b>	<b>466,899</b>	<b>1,319</b>	<b>950</b>	<b>1,774</b>	<b>470,942</b>
Investment expense (Note 6)	(60,714)	-	(88)	(1,004)	(61,806)
<b>Net Investment Income</b>	<b>406,185</b>	<b>1,319</b>	<b>862</b>	<b>770</b>	<b>409,136</b>
<b>Total Additions</b>	<b>517,728</b>	<b>1,628</b>	<b>8,862</b>	<b>770</b>	<b>528,988</b>
<b>DEDUCTIONS</b>					
Administrative expenses (Note 6)	(6,566)	-	-	(815)	(7,381)
Benefits paid	(425,296)	(99)	-	-	(425,395)
Refunds of contributions	(3,526)	(29)	-	-	(3,555)
Interfund transfers	6,097	(1,097)	(5,000)	-	-
<b>Total Deductions</b>	<b>(429,291)</b>	<b>(1,225)</b>	<b>(5,000)</b>	<b>(815)</b>	<b>(436,331)</b>
<b>NET INCREASE (DECREASE) IN NET POSITION</b>	<b>88,437</b>	<b>403</b>	<b>3,862</b>	<b>(45)</b>	<b>92,657</b>
<b>NET POSITION RESTRICTED FOR PENSIONS</b>					
<b>Beginning of Year</b>	<b>5,509,170</b>	<b>16,689</b>	<b>30,334</b>	<b>884</b>	<b>5,557,077</b>
<b>End of Year</b>	<b>\$ 5,597,607</b>	<b>\$ 17,092</b>	<b>\$ 34,196</b>	<b>\$ 839</b>	<b>\$ 5,649,734</b>

See Independent Auditors' Report.

*The accompanying notes to financial statements are an integral part of these financial statements.*

# NOTES TO BASIC FINANCIAL STATEMENTS

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

For accounting and financial reporting purposes, the Employees' Retirement System of the City of Milwaukee ("ERS", "the Retirement System", "the System", or "the Plan") conforms with accounting principles generally accepted in the United States and reporting standards as promulgated by the Governmental Accounting Standards Board (GASB), which designates accounting principles and financial reporting standards applicable to the Plan. This report includes solely the accounts of the Plan.

**Reporting Entity**

The reporting entity for the ERS consists of the primary government and its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if:

- 1) It appoints a voting majority of the organization's governing body and it is able to impose its will on that organization;
- 2) It appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
- 3) The organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

Certain legally separate, tax exempt organizations should also be reported as a component unit entity if all of the following criteria are met:

- 1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents;
- 2) The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization;
- 3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements.

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria:

- 1) The primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists,
- 2) The primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit,
- 3) The component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or
- 4) The total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

*Blended Component Units*

CMERS Low Beta, LLC

CMERS Low Beta, LLC was created by the ERS to serve as a hedge fund of funds investment vehicle for the Retirement System. The LLC is a legally separate entity governed by a board of directors appointed by the Annuity and Pension Board of the ERS. UBS Hedge Fund Solutions serves as investment manager for the hedge fund of funds portfolio. Although it is a legally separate entity, the LLC is reported and included as part of the ERS because its sole purpose is for the benefit of the Retirement System. MUFG Alternative Fund Services (Cayman) Limited is the administrator and Ernst and Young is the external auditor for the LLC. Separate financial statements are issued annually for CMERS Low Beta, LLC.

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting. Investment income is recorded when earned and expenses are recorded when they are incurred. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

**Contributions**

The Retirement System records employee contributions as they are earned. Contributions earned but not yet received from the City of Milwaukee, participating city agencies and members are reported as contributions receivable. Overpayments and prepayments of contributions are reported as liabilities.

**Cash and Cash Equivalents**

Cash and cash equivalents are composed of cash in local banks, cash held by the custodian, and cash equivalents. Cash equivalents are defined as short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near maturity they present insignificant risk of changes

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

in value due to changes in interest rates. Investments with an original maturity of three months or less are considered cash equivalents. Restricted securities held as collateral for Securities Lending are not included as cash equivalents.

**Methods Used to Value Investments**

Investments of the Retirement System are reported at fair value in accordance with applicable GASB statements. Fair value is defined as the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller. The fair value of investments is based on published market prices and quotations from major investment brokers at current exchange rates, as available. Many factors are considered in arriving at that value. In general, however, bonds and mortgage obligations are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

Receivables and payables relating to investment transactions that were initiated but not settled at year-end, are recorded as assets or liabilities.

Real estate consists of equity and debt participation in diversified real estate investments. The majority of properties in the portfolio are offices, industrial warehouses, multi-family and retail. Real estate investments are carried at fair value as of December 31, 2020. Annual assessments performed by independent professional appraisers are used for market values, which approximate fair values.

Private equity consists of equity and debt participation in diversified private equity investments. The majority of investments in the portfolio consist of buyouts and venture capital. Private equity investments are carried at fair value as of December 31, 2020.

The Retirement System may have investments in certain derivative vehicles, including interest rate, credit, index volatility, and currency futures; bond futures; deliverable and non-deliverable forward contracts; bond forwards; currency forwards; currency options; options on bond futures, U.S. equity indices, U.S. equity index futures, volatility indices, volatility futures, and ETF's; total return swaps; and to-be-announced (TBA) securities. The ERS allows UBS Hedge Fund Solutions to allocate funds within CMERS Low Beta, LLC to hedge fund managers who may invest in derivatives including, but not limited to, the derivatives listed earlier. Derivative investments comply with the Annuity and Pension Board Investment Policy and Guidelines. Additional information on derivatives for ERS, including the notional and contractual amounts, market values and unrealized gains and losses of holdings, are contained in Note 8.

All investments are made in accordance with the provisions of Section 36-09 of Chapter 36 of the Milwaukee City Charter. The provisions require several funds of the Retirement System to be invested within the requirements of ss. 40.03(1) (n) and 62.63 (3) Wisconsin Statutes. During 2020, investments were in compliance with the Annuity and Pension Board Investment Policy and Guidelines.

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

Investments in stocks of corporations in 2020, as measured quarterly by their cost, did not exceed 50.3% of the total assets.

The Retirement System invests in financial instruments such as U.S. Treasury Strips, collateralized mortgage obligations and asset backed securities. Investment managers may temporarily invest small amounts of available cash in short-term investments prior to purchasing securities.

The Retirement System's international equity managers may invest in warrants and foreign exchange forward contracts as a hedge for foreign currency fluctuations. The unrealized gains and losses on these positions as of December 31, 2020, are detailed in Note 8.

Investment securities, in general, are exposed to various risks, such as, but not limited to, interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term. These value changes could materially affect the amounts reported in the Statement of Fiduciary Net Position.

**Investment Income**

Dividends, interest and realized gains and losses are recorded as earned. Investment income is allocated to each individual fund based on fund balances at the beginning of the year.

**Estimates**

The financial statements are presented in conformity with generally accepted accounting principles. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

**Capitalization**

The Retirement System capitalizes hardware and software development costs. Amounts incurred for hardware (including printers, monitors, disk drives, network infrastructure, switches) are capitalized in a yearly hardware pool and depreciated over three years. Capitalized costs are depreciated over their useful lives, with a half of a year's depreciation expensed in the year of acquisition.

Costs related to the development of the Pension Management Information System were capitalized as Software Development costs. The system went live in 2006 and as of December 31, 2014, the development costs were fully depreciated. As of December 31, 2020, the cost of the Retirement System's hardware and software development totaled \$18,592,927 and accumulated depreciation totaled \$18,449,331. During 2020, depreciation of \$264,849 was recognized and included in Administrative Expenses in the accompanying Statement of Changes in Fiduciary Net Position.

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**Contingencies**

Claims and judgments are recorded if all the conditions of GASB pronouncements are met. Claims and judgments are recorded as expenses when the related liabilities are probable and management can reasonably estimate the amounts.

**Tax Status**

The Plan is a tax-exempt governmental plan qualified under Section 401 and exempt under Section 501(a) of the Internal Revenue Code.

**New Pronouncements**

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities (an amendment of GASB Statements No. 67, No. 68, and No.73). The objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. ERS adopted the guidance for the 2020 fiscal year and the adoption of the standard had no impact on the basic financial statements or note disclosures.

In June 2017, the GASB issued Statement No. 87. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement improves the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases.

In May 2020, the GASB issued Statement No. 95. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This Statement postponed the effective date of the provisions of Statements No. 84 and No. 87. Statement No. 84 was postponed to be effective in the 2020 fiscal year and Statement No. 87 will now be effective in the 2021 fiscal year. When Statement No. 87 becomes effective, the application of this standard may result in the restatement of a portion of these financial statements.

In May 2020, the GASB issued Statement No. 96. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. This Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for transactions that meet that definition. The requirements of this Statement will become effective in the 2023 fiscal year. When Statement No. 96 becomes effective, the application of this standard may result in the restatement of a portion of these financial statements.

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

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**2. DESCRIPTION OF RETIREMENT SYSTEM**

The following description of the more common provisions of the Employees' Retirement System of the City of Milwaukee is provided for financial statement purposes only. The provisions reflect changes to the Retirement System enacted in 2000, known as the Global Pension Settlement (GPS). GPS increased benefits to current and future retirees and also allowed changes to the ERS administration, including permitting the use of ERS funds to pay costs related to plan administration. The 99.1% of existing members who have consented to GPS are accounted for in the Global Combined Fund. Members who have not consented are accounted for in one or more of the non-consenter funds. Refer to Chapter 36 of the City of Milwaukee Charter for more complete information.

GPS requires that members enrolled through June 28, 2000 provide written consent to ERS in order to be eligible for the benefit enhancements of GPS. Members enrolled after June 28, 2000, are automatically eligible and are included in the Combined Fund.

Subsequent to completion of the January 1, 2020 actuarial valuation, 8 members who were enrolled as of June 28, 2000 and had not consented to GPS, elected to consent. The January 1, 2021 actuarial valuation reflects the impact of this change.

**Plan Administration**

The Retirement System was established pursuant to the Retirement Act (Chapter 396 of the Laws of Wisconsin of 1937) to provide payment of retirement and other benefits to employees of the City of Milwaukee (City). Chapter 441 of the Laws of Wisconsin of 1947 made the benefits contractual and vested. The ERS is a cost-sharing, multi-employer plan, which provides benefits to employees of the Milwaukee Metropolitan Sewerage District, Wisconsin Center District, Veolia Water Milwaukee LLC, Milwaukee Housing Authority, and non-certified staff of Milwaukee Public Schools (Agencies). City employees comprise approximately 53.5% of the active participants in the Retirement System.

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

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**2. DESCRIPTION OF RETIREMENT SYSTEM (cont.)**

**Membership**

Full-time employees, part-time employees who are eligible under adopted rules and regulations, and elected officials who have evidenced their intent to join are members of the Retirement System.

At January 1, 2020, the measurement date, the membership of the plan was as follows:

Plan members currently receiving benefits	13,555
Inactive plan members entitled to, but not yet receiving benefits	4,568
Current employees:	
Vested	7,319
Non-vested	<u>3,655</u>
Total	<u>29,097</u>

This membership data is as of January 1, 2020, and reasonably approximates membership data through December 31, 2020.

**Contributions**

Member contributions to the ERS are required under Chapter 36-08-7. The City of Milwaukee, in its legislative capacity, has sole authority to make changes to Chapter 36, and to set contribution requirements and benefit terms. It is a section 401(a), Internal Revenue Code, qualified cost-sharing, multiple-employer defined benefit plan for participating public employees.

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

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**2. DESCRIPTION OF RETIREMENT SYSTEM (cont.)**

Contribution rates, as a percentage of earnable compensation, are as follows:

- a) General Employees
  - i. Tier 1 (enrolled prior to January 1, 2014) – 5.5%
  - ii. Tier 2 (enrolled on or after January 1, 2014) – 4.0%
- b) Firemen and Policemen – 7.0%
- c) Elected Officials
  - i. Tier 1
    - i. Enrolled prior to January 1, 2014 and elected to an office prior to January 1, 2014 – 7.0%
    - ii. Enrolled prior to January 1, 2014, and elected for the first time to an office on or after January 1, 2014, and employee was paying contributions prior to being elected – employee pays contributions at the rate they were paying prior to becoming an elected official
    - iii. Enrolled prior to January 1, 2014, and elected for the first time to an office on or after January 1, 2014, and employer was paying contributions on behalf of the employee prior to being elected – employer pays 7.0%
  - ii. Tier 2 (enrolled on or after January 1, 2014) – 4.0%

Commencing in 1999, contributions of one dollar of each police officer's longevity pay per year are made by police officers on their own behalf. This excludes sergeant of police, detective lieutenant and any ranks above same.

In addition to the above percentage contributions, additional contributions were required of general city employees who were enrolled as active members after January 1, 2000. To participate in the Global Combined Fund, each new member was required to contribute 1.6% of his or her pensionable earnings for a period of eight years. However, the 1.6% required contributions did not apply to members required to make member contributions under 36-08-7-a or c.

The Retirement System requires regular payroll contributions from its agencies and members for all active employees covered by the plan on a biweekly basis. To provide for disciplined, predictable and stable funding of pension obligations as a percentage of covered compensation, the City amended its charter to revise the method used to determine employer contributions to the ERS Combined Fund (referred to as the Stable Employer Contribution Policy). This amendment repealed the full-funding limit. The amendment achieves stable and predictable contribution levels.

The 2011 Wisconsin Act 10, known as the governor's Budget Repair Bill, created Wis. Stat. 62.623 addresses payment of contributions in an employee retirement system of a first class city. The Act requires certain members to pay employee required contributions, and prohibits their employer from making contributions on their behalf.

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

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**2. DESCRIPTION OF RETIREMENT SYSTEM (cont.)**

**Benefits Provided**

The normal retirement benefit is a monthly pension for the life of the member. A service retirement allowance is payable to any member who meets one of the following eligibility criteria:

<u>Class</u>	<u>Enrollment Date</u>	<u>Eligibility for Service Retirement*</u>
General City	Prior to January 1, 2014	Age 60, or age 55 with 30 years of creditable service
General City	On/after January 1, 2014	Age 65, or age 60 with 30 years of creditable service
Fire	Prior to July 30, 2016	Age 57, or age 49 with 22 years of creditable fire or police service
Fire	On/after July 30, 2016	Age 57, or age 52 with 25 years of creditable fire service
Police	Prior to December 20, 2015	Age 57, or any age with 25 years of creditable fire or police service
Police	On/after December 20, 2015	Age 57, or age 50 with 25 years of creditable police service

*\*These eligibility criteria assume consent to the provisions of the Global Pension Settlement (GPS); most members have consented to GPS.*

For General City employees, the service retirement allowance is 2%, or 1.6% for members enrolled on or after January 1, 2014, of the member's final average salary (the highest average of earnable compensation during any 3 years preceding retirement, death or termination) for each year of creditable service. The service retirement allowance for General City employees who retire after January 1, 1989, cannot exceed 70% of their final average salary.

For police officers and firefighters, the retirement allowance is 2.5% of their final average salary (computed on the year of creditable service during which earnable compensation was highest) for each year of creditable service. The retirement allowance for firefighters hired after March 1, 1989, and police officers hired after July 1, 1989, is limited to 90% of their final average salary (excluding any imputed service credit provided under the GPS).

For elected officials enrolled prior to January 1, 2014, the retirement allowance is 2.6% of their final average salary for each year of creditable service as an elected official for years before 1996 and is limited to 70% of the final average salary. For the years 1996 and forward, the accrual rate is 2.5% (For the Mayor, the accrual rate is 2.0%) for creditable service, imputed military service, or seasonal service and is limited to 70% of their final average salary. However, elected officials who were enrolled prior to 2014 and are first elected to office on or after January 1, 2014, have an accrual rate of 2% for each year if they contribute 5.5% of their earnable compensation, or 2.5% for each year if they contribute 7% of their earnable compensation. For elected officials enrolled on or after January 1, 2014, the accrual rate is 1.6%

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

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**2. DESCRIPTION OF RETIREMENT SYSTEM (cont.)**

of their final average salary for each year of creditable service as an elected official, and is limited to 70% of their final average salary.

Chapter 36 of the Milwaukee City Charter addresses pension escalators. General City employees participating in the Global Combined Fund and enrolled prior to January 1, 2014 and retiring on a service retirement allowance on or after January 1, 2000, are eligible for a pension escalator of 1.5% on the second, third and fourth anniversaries of their retirement, and 2% on each anniversary thereafter. Police officers and firefighters participating in the Global Combined Fund retiring on a service retirement allowance on or after January 1, 2000, are eligible for a pension escalator based upon the percentage increase in the prior year's Consumer Price Index-All Urban Consumers (CPI-U), effective on their first anniversary and each anniversary thereafter. The percentage increase is determined annually by measuring the change in the Index from November to November of each year. The pension escalator is guaranteed to be at least two percent, but is capped at three percent.

General City employees enrolled on or after January 1, 2014, retiring on a service retirement allowance are eligible for a pension escalator of 2% on their fifth anniversary of retirement and each anniversary thereafter.

Rules governing pension escalators provided to retirees retiring prior to January 1, 2000, before the Global Pension Settlement, differ from those described herein. In addition, a one-time "catch up" adjustment was provided in January of 1996 to employees who retired on a service retirement allowance on or before September 30, 1987, to partially offset the increase in inflation. For a complete description of the escalator rules, see Chapter 36 of the Milwaukee City Charter.

**3. CONSENT STATUS CHANGES**

Members who have not consented to the GPS have either objected to the settlement or never responded. The deadline to consent of April 24, 2004, has been extended indefinitely for those who never responded. Often, non-responders consent to GPS at the time they apply for benefits. As of the January 1, 2020 actuarial valuation, 283 members were non-consenting, including 61 active members, 210 inactive members, and 12 benefit recipients. During 2020, eight members elected to consent to the GPS, resulting in a transfer of \$1,097,000 to the Global Combined Fund from the non-consenter funds.

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**4. EMPLOYERS' RESERVE FUND**

The City of Milwaukee and other Agencies participating in the Retirement System may voluntarily contribute to the Employers' Reserve Fund, which was established per Section 36-08-8 of Chapter 36. Deposits to the Employers' Reserve Fund may be used to fund contribution requirements, but this requires a formal resolution directing a fund transfer. Employers' Reserve Fund resources are invested according to City of Milwaukee investment policies.

In 2020, the City of Milwaukee contributed \$8,000,000 to the Employers' Reserve Fund. The City of Milwaukee also transferred \$5,000,000 from the Employers' Reserve Fund to fund contribution requirements for 2020. As of December 31, 2020, the City of Milwaukee is the only employer participating in the fund.

**5. NET PENSION LIABILITY**

The components of the pension liability at December 31, 2020, were as follows (in thousands):

Total pension liability	\$ 6,742,352
Plan fiduciary net position	<u>(5,649,734)</u>
Net pension liability	<u>\$ 1,092,618</u>
Plan fiduciary net position as a percentage of the total pension liability	83.79%

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**5. NET PENSION LIABILITY (cont.)**

**Actuarial Assumptions:** The last actuarial valuation was performed as of January 1, 2020, and these amounts were used to roll-forward the total pension liability for the year ended December 31, 2020. The valuation was determined using the following actuarial assumptions, which were applied to all prior periods included in the measurement:

Valuation Date	January 1, 2020
Actuarial Cost Method	Entry Age Normal - Level Percentage of Pay
Amortization Method	Level percent of payroll, closed
Asset Valuation Method	5-year smoothing of difference between expected return on actuarial value and actual return on fair value
Actuarial Assumptions:	
Long-term Rate of Return, net of investment expense, including price inflation	7.50%
Projected Salary Increases	General City: 2.5% - 5.5% Police & Fire: 4.0% - 13.4%
Inflation Assumption	2.50%
Cost of Living Adjustments	Varies by employee group and decrement type (see plan provisions)
Mortality Table	Pre-retirement mortality rates were based on the RP-2014 Healthy Non-Annuitant Mortality Table, projected generationally with Scale MP-2016. Post-retirement mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table, using 111% of rates for males and 110% of rates for females, projected generationally with Scale MP-2016. Disabled mortality rates were based on the RP-2014 Disabled Mortality Table, using 102% of rates for males and 98% of rates for females, projected generationally with Scale MP-2016.
Experience Study	The actuarial assumptions used in this valuation, other than the long-term rate of return, are based on the results of the most recent experience study covering the five-year period ending December 31, 2016. The long-term rate of return is based on analysis performed by Cavanaugh Macdonald and adopted by the Board of Trustees on April 29, 2019.

The total pension liability as of December 31, 2020 was determined by rolling forward the total pension liability as of January 1, 2020 to December 31, 2020.

The actuarial assumptions used in this valuation, other than the long-term rate of return, are based on the results of the most recent experience review performed by the consultants, Conduent HR Consulting, LLC. The results of the experience review were adopted by the Board at the October 23, 2017 meeting. The long-term rate of return is based on analysis performed by Cavanaugh Macdonald Consulting, LLC and adopted by the Board at the April 29, 2019 meeting.

The rate of return assumption was based on the Retirement System's target asset allocation. In the experience review, the consultants developed best estimate ranges of expected future real rates of return (net of inflation) for the portfolio, based on the expected returns of each major asset class and their weights within the portfolio.

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**5. NET PENSION LIABILITY (cont.)**

The consultants used an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. Expected investment expenses were subtracted and expected inflation was added to arrive at the long-term expected nominal return. The rate for the long term expected return was selected for the portfolio such that there was a better than 50% likelihood of the emerging returns exceeding the expected return.

Best estimates of arithmetic real rates of return (net of inflation) for each major asset class included in the Retirement System's target asset allocation as of December 31, 2020 are listed in the table below:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Public Equity	43.0%	7.3%
Fixed Income & Cash	26.0%	3.1%
Real Estate	7.7%	5.6%
Real Assets	3.3%	4.5%
Private Equity	10.0%	10.6%
Absolute Return	10.0%	2.9%
	100.0%	

*\* Rates provided by Cavanaugh Macdonald*

**Discount Rate:** The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the City and Agencies will be made at contractually required rates, as determined by the actuary. Based on those assumptions, the ERS' fiduciary net position was projected to be available to make projected future benefit payments for current members. The crossover analysis produced a single rate of 7.50 percent, which reflects the long-term expected rate of return on ERS investments. Based on the analysis, the discount rate was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the net pension liability to changes in the discount rate:** The following presents the net pension liability calculated using the discount rate of 7.50 percent, a discount rate that is 1-percentage-point lower (6.50 percent) and a discount rate that is 1-percentage-point higher (8.50 percent) (in thousands):

	<u>1% Decrease (6.50%)</u>	<u>Current Discount (7.50%)</u>	<u>1% Increase (8.50%)</u>
Net pension liability	\$ 1,896,326	\$ 1,092,618	\$ 424,588

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**6. EXPENSES**

Under the Milwaukee City Charter, as provided in the GPS, administrative and investment expenses of the Retirement System are the direct obligation of the Global Combined Fund. Expenses are normally paid by the City of Milwaukee and then reimbursed to the City by ERS.

Investment-related fees of approximately \$61,806,000 and administrative expenses of approximately \$7,381,000 were charged to the Retirement System in 2020. In addition, the Annuity and Pension Board authorized the payment of \$815,000 of administrative costs from the Securities Lending Fund during 2020. This reduced the amount needed from the Global Combined Fund for costs to administer the Retirement System (see Note 8).

**7. INCOME TAX STATUS**

The most recent determination letter is dated February 7, 2017, with the Internal Revenue Service (IRS) stating that the Retirement System, as then designed and in conjunction with the proposed amendments required by the IRS, was in compliance with the applicable requirements of the Internal Revenue Code. The Retirement System's management believes that the plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, the accompanying basic financial statements reflect no provision for income taxes.

**8. INVESTMENTS**

**Investment Policies**

The Retirement System's policy for the allocation of invested assets is established, and amended, as needed, by the ERS Board. The ERS Board's adopted asset allocation policy as of December 31, 2020 is provided on page 40. ERS publishes its latest Investment Policy on its website. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Retirement System.

**Rate of Return**

For the year ended December 31, 2020, the annual money-weighted rate of return on ERS investments, net of pension plan investment expense, was 5.88 percent, as calculated by the custodian. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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**8. INVESTMENTS (cont.)**

**Fair Value Measurement**

The Retirement System categorizes their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. ERS had the following recurring fair value measurements as of December 31, 2020 (in thousands):

Investment Type	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Public Equity	\$ 2,571,936	\$ 1,273,832	\$ 1,183,161	\$ 114,943
Fixed Income	1,221,813	-	1,221,813	-
Absolute Return	520,174	-	184,582	335,592
Public Diversified Real Assets	214,618	-	214,618	-
Total assets in the Fair Value Hierarchy	\$ 4,528,541	\$ 1,273,832	\$ 2,804,174	\$ 450,535
Investments measured at Net Asset Value *	1,021,380			
Investments at Fair Value	<u>\$ 5,549,921</u>			

*\* Per GASB 72, investments that are measured using the net asset value per share (or its equivalent) are not classified in the fair value hierarchy. The fair value presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Statement of Fiduciary Net Position.*

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority (Level 1) to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority (Level 3) to unobservable inputs.

**Level 1:** Unadjusted quoted prices for identical instruments in active markets.

**Level 2:** Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

**Level 3:** Valuations derived from valuation techniques in which significant inputs are unobservable.

The following is a description of the valuation methodologies used for assets measured at fair value. There were no changes to the methodologies during the year ended December 31, 2020.

U.S. treasury securities, equity securities, Real Estate Investment Trusts, and Exchange Traded Funds classified in Level 1 are valued using prices quoted in active markets for those securities.

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**8. INVESTMENTS (cont.)**

Debt and debt derivative securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices.

Index linked debt securities are valued by multiplying the external market price feed by the applicable day's Index Ratio. Level 2 debt securities also have nonproprietary information from multiple independent sources that were readily available to market participants who are known to be actively involved in the market. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities.

The System's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. When inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

Real estate and private equity are valued using the net asset value (NAV) per share (or its equivalent). These investments are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable fair values and take the form of limited partnerships. These investments are valued based on the partnerships' audited financial statements. If December 31 statements are available, those values are used. If December 31 values are not available, the valuation is adjusted from the most recently available valuation taking into account subsequent calls and distributions, adjusted for unrealized appreciation/depreciation, other income, and fees.

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**8. INVESTMENTS (cont.)**

The summary of unfunded commitments for these types of alternative investments is reported below (in thousands).

<b>Investment Type</b>	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency (If Currently Eligible)</b>	<b>Redemption Notice Period</b>
Private Equities	\$ 622,397	\$ 296,060	N/A	N/A
Real Assets - Non-Core	34,225	13,364	N/A	N/A
Real Assets - Core	364,758	56,000	Quarterly	90 Days
Totals	<u>\$ 1,021,380</u>	<u>\$ 365,424</u>		

**Private Equities**

This consists of four “fund of funds” managers that invest in a multitude of underlying private equity funds. The primary investment type of the underlying funds is buyout and growth equity. Investments can never be redeemed from the funds. Instead, distributions are received through the liquidation of the underlying assets of the funds. It is expected that the funds will be liquidated over the next 15-20 years. The funds are valued on a quarterly basis using appraisals based on the best estimate of fair value.

**Real Estate Investments – Non-Core**

This consists of 18 closed-end funds that invest primarily in U.S. commercial real estate. Investments can never be redeemed from the funds. Instead, distributions are received through the liquidation of the underlying assets of the funds. It is expected that the funds will be liquidated over the next 7 to 10 years. The funds are valued on a quarterly basis using appraisals based on the best estimate of fair value.

**Real Estate Investments – Core**

This consists of four open-end funds that invest primarily in U.S. commercial real estate. Investments can be redeemed from the funds on a quarterly basis with 90 days’ notice, subject to availability of sufficient capital to cover the redemption. The funds are valued on a quarterly basis using appraisals based on the best estimate of fair value.

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**8. INVESTMENTS (cont.)**

**Deposits and Custodial Credit Risk**

Custodial credit risk is the risk that, in the event a financial institution or counterparty fails, the Retirement System will not be able to recover the value of its deposits, investments, or securities. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the Retirement System's name, and held by the counterparty. As of December 31, 2020, no investments or securities were exposed to custodial credit risk.

The Retirement System is also exposed to custodial credit risk for uncollateralized cash and cash equivalents that are not covered by federal depository insurance. As of December 31, 2020, approximately \$262,000 of cash and cash equivalents was exposed to custodial credit risk.

The Retirement System was established to provide for the present and future retirement, disability, and death and survivor benefit payments for all city and city agency employees. All of the funds of the Retirement System taken in the aggregate constitute a special trust subject to applicable local, state, and federal laws, including but not limited to sections 36-15, 36-09-1, and 36-09-6 of the Milwaukee City Charter.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. As of December 31, 2020, the Retirement System has no single issuer that exceeds 5% of total investments. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded.

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**8. INVESTMENTS (cont.)**

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Retirement System's investment guidelines limit how much each fixed income manager may deviate duration from their respective benchmarks. Duration is the approximate percentage change in price for a 100-basis-point change in yield. Depending on the investment manager, the duration of the Retirement Systems active fixed income managers must either be between 50% and 250% of the duration of the Bloomberg Barclays U.S. Aggregate Index or +/- 2 years of the Bloomberg Barclays U.S. Aggregate Index. As of December 31, 2020, the segmented time distribution of the various investment types of debt securities for the Retirement System is as follows (in thousands):

<b>Investment Type</b>	<b>Fair Value</b>	<b>1 Year or Less</b>	<b>1 to 5 Years</b>	<b>6 to 10 Years</b>	<b>More than 10 Years</b>
Asset Backed Securities	\$ 29,554	\$ 747	\$ 28,807	\$ -	\$ -
Commercial Mortgage-Backed	13,994	-	-	-	13,994
Corporate Bonds	541,066	1,893	269,055	132,506	137,612
Corporate Convertible Bonds	11,984	1,107	9,864	-	1,013
Government Bonds	347,512	69,223	119,855	54,473	103,961
Government Mortgage Backed Securities	198,356	853	85,149	41,802	70,552
Gov't-issued Commercial Mortgage-Backed	4,901	-	4,901	-	-
Municipal/Provincial Bonds	4,258	-	-	-	4,258
Non-Government Backed C.M.O.s	325	-	325	-	-
Short Term Bills and Notes	81,847	81,847	-	-	-
Totals	<u>\$1,233,797</u>	<u>\$ 155,670</u>	<u>\$ 517,956</u>	<u>\$ 228,781</u>	<u>\$ 331,390</u>

The risk above is disclosed only for investments evidenced by securities in separate accounts and commingled funds. Assets held in commingled funds are classified based on the individual fund's characteristics as of December 31, 2020.

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**8. INVESTMENTS (cont.)**

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment or deposit. ERS investment guidelines allow foreign currency contracts for defensive hedging purposes. In addition, the guidelines recommend adequate diversification by country and currency. As of December 31, 2020, the Retirement System's exposure to foreign currency risk, expressed in U.S. Dollars, is as follows (in thousands):

<b>Foreign Currency</b>	<b>Equities</b>	<b>Fixed Income</b>	<b>Real Estate and Private Equity</b>	<b>Total Fair Value</b>
Australian dollar	\$ 4,191	\$ -	\$ -	\$ 4,191
Brazilian real	12,307	1,393	-	13,700
British pound sterling	105,877	-	482	106,359
Canadian dollar	10,096	1,101	-	11,197
Chinese Yuan Renminbi	1,553	-	-	1,553
Danish krone	13,466	-	-	13,466
Euro	209,083	-	340	209,423
Hong Kong dollar	15,610	-	-	15,610
Japanese yen	85,086	-	367	85,453
Mexican peso	9,859	8,364	-	18,223
New Taiwan dollar	4,413	-	-	4,413
Norwegian krone	1,122	179	-	1,301
South Korean won	23,317	-	-	23,317
Swedish krona	15,746	-	-	15,746
Swiss franc	61,545	-	-	61,545
Totals	<u>\$ 573,271</u>	<u>\$ 11,037</u>	<u>\$ 1,189</u>	<u>\$ 585,497</u>

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**8. INVESTMENTS (cont.)**

**Credit Risk of Debt Securities**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Retirement System's investment guidelines require its fixed income managers to have an Investment Grade average portfolio. The Retirement System's active fixed income managers are allowed to hold a maximum of 20% of their respective portfolio's fair value in issues rated B- or B3, and an additional 5% may be invested in non-rated issues. The quality ratings of investments in fixed income securities of the Retirement System as described by Standard & Poor's as of December 31, 2020, are as follows (in thousands):

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	CCC	CC	C	Not Rated	
											US Government Guaranteed	Quality Rating Not Available
Asset Backed Securities	\$ 29,554	\$ 14,333	\$ 368	\$ 1,008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,845 **
Commercial Mortgage-Backed	13,994	1,363	-	-	-	-	-	-	-	-	-	12,631 **
Corporate Bonds	541,066	18,414	17,007	112,815	258,391	84,091	28,133	11,017	612	104	-	10,482 **
Corporate Convertible Bonds	11,984	-	-	1,107	-	2,505	-	7,534	-	-	-	838 **
Government Bonds	347,512	179	1,720	-	7,945	1,393	-	-	-	-	336,275	-
Government Mortgage Backed Securities	198,356	-	-	-	-	-	-	-	-	-	198,356	-
Gov't-issued Commercial Mortgage-Backed Securities	4,901	-	-	-	-	-	-	-	-	-	4,901	-
Municipal/Provincial Bonds	4,258	-	-	-	-	-	4,258	-	-	-	-	-
Non-Government Backed C.M.O.s	325	-	-	-	-	-	-	-	-	-	-	325 **
Short Term Bills and Notes	81,847	-	-	-	-	-	-	-	-	-	81,847	-
Totals	\$ 1,233,797	\$ 34,289	\$ 19,095	\$ 114,930	\$ 266,336	\$ 87,989	\$ 32,391	\$ 18,551	\$ 612	\$ 104	\$ 621,379	\$ 38,121

\*\* \$166,000 of Asset Backed Securities, \$250,000 of Corporate Bonds, and \$137,000 of Corporate Convertible Bonds are not rated by either S&P or Moody's. The remaining \$37,568,000 of bonds listed as Not Rated by S&P are rated Investment Grade by Moody's.

Fair Values for individual Investment Types within this table may differ from the Basic Financial Statements provided on page 25 and the Summary of Investment Holdings provided on page 72 due to Corporate Convertible Bonds classified as Public Equities on those pages.

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**8. INVESTMENTS (cont.)**

**Derivatives**

The ERS' Statement of Investment Policy written objectives and guidelines governing the investment of Fund assets allows separate account investment managers to use forward contracts and derivatives traded on a recognized derivatives exchange for hedging and efficient portfolio management purposes if the Board approves their use within the individual manager's written guidelines. No assets shall be committed to futures, options, options on futures, forwards and other derivatives unless approved by the Board.

Prohibited investments in separate accounts include mortgage interest only, principal only, inverse floaters or other CMO derivatives that have uncertain or volatile duration or price movement.

In 2020, the Retirement System's separate account investment managers utilized currency forwards, bond futures, and credit default swaps. Currency forwards are necessary to purchase or sell non-U.S. securities. Bond forwards and futures are sometimes more liquid and easier to trade than the respective underlying security and can allow an investment manager to reduce the costs of constructing an efficient portfolio.

Currency Forwards

A foreign currency forward is a contractual agreement between two parties to pay or receive amounts of foreign currency at a future date in exchange for another currency at an agreed upon exchange rate. The Retirement System's International Equity and Global Equity managers entered into foreign exchange positions, such as forward and spot contracts, to hedge foreign currency exposure or obtain a currency for a pending cash transaction. The ERS has two Fixed Income managers who are allowed to invest globally, and they enter into spot contracts to obtain a currency for a pending cash transaction. The majority of the contracts are short-term in duration and mature within 90 days.

Bond Futures

A futures contract is a standardized contractual agreement between two parties, made through an organized exchange, to buy or sell a pre-determined amount of a bond at a future date in exchange for a price agreed upon today. The counterparty credit risk for a futures contract is generally less than privately negotiated forward contracts because the organized exchange acts as a clearinghouse that typically settles net changes to futures contract values daily. ERS had no futures contracts as of December 31, 2020.

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**8. INVESTMENTS (cont.)**

The following table summarizes the aggregate notional or contractual amounts for the ERS' separate account managers as of December 31, 2020 (in thousands):

	<b>Notational/ Contractual Amounts</b>	<b>Fair Value</b>	<b>Gain/(Loss)</b>
Foreign exchange forward spot contracts receivable	\$ 1,045	\$ 1,045	\$ -
Foreign exchange forward spot contracts payable	(1,045)	(1,050)	(5)

These instruments are recorded in cash and cash equivalents, investment receivables, and investments in the Statements of Fiduciary Net Position. The changes in fair value are included in investment income in the Statement of Changes in Fiduciary Net Position.

Fixed Income Index Credit Default Swaps

A credit default swap is a type of swap designed to transfer the credit exposure of a fixed income product from one party to another. ERS grants one of its managers the ability to sell protection on the CDS index. This position is equivalent to the credit risk of holding the underlying bonds, but carries significantly lower trading costs. The CDSs may not be used to create leverage, and must be fully collateralized by cash or US Treasury securities.

Derivative Risk

The total exposure of all hedges is limited to 100% of the total portfolio value, at market. Shorting currency exposure in countries without any underlying security exposure is prohibited.

The ERS is also exposed to market risk, the risk that future changes in market conditions may make an instrument less valuable. Exposure to market risk is managed through the limits placed on an investment manager within the Statement of Investment Policy.

The ERS is exposed to credit risk in the event of non-performance by counterparties to financial instruments. Typical counterparties for ERS are major financial institutions and broker-dealers. A counterparty's financial condition, cash on hand, and general credit worthiness is evaluated prior to entering into a transaction. In addition, ratings agencies' evaluations are reviewed.

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**8. INVESTMENTS (cont.)**

The following table summarizes the counterparty credit risk amounts for the ERS for derivatives as of December 31, 2020 (in thousands):

Investment Type		A	BBB	BB	B	CCC	Exchange Traded	Not Rated Quality Rating Not Available
<b>Assets</b>								
<b>Warrants</b>	Equity Contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 187
<b>Total Value by Rating</b>		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 187

**Securities Lending**

ERS started the securities lending program in 1993. Eligible securities are loaned out through the ERS custodian, Northern Trust. ERS earns a daily fee for securities loaned and incurs a reduction in earnings per the indemnification agreement with the custodian. Each security loan is initially collateralized by securities or cash for at least 102% of its fair value (105% for international securities). Collateral is held by the custodian. Cash collateral received from borrowers is invested in a short-term investment pool, which is managed by Northern Trust. The custodian's lending program does not operate the collateral investments as a "matched program" where the length of the loaned assets is specifically matched to the length of the portfolio investments. Loans are open and renewed each day until they are no longer needed. The loans can be terminated at any time by either the agent or the borrower, without agent or borrower default.

Revenue earned from securities lending is used to offset expenses of the Retirement System. If revenues are not expended within one calendar year following receipt, the remaining amount is distributed to the Non-Consenter Retirement Fund. For the year ended December 31, 2020, the Retirement System earned revenue from securities lending of approximately \$1,774,000, and paid custodian fees and rebates of approximately \$1,004,000. The ERS also disbursed \$815,000 to offset some of the Retirement System's administrative costs.

As of December 31, 2020, ERS has securities on loan with a fair value of approximately \$173,999,000 and the short-term collateral investment pool has a fair value of approximately \$178,065,000.

Investment Type	Securities on Loan
	Fair Value
Global Equities	\$ 1,234,644
US Corporate Fixed	18,862,873
US Equities	66,659,984
US Government Fixed	87,241,514
Totals	<u>\$ 173,999,015</u>

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

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**8. INVESTMENTS (cont.)**

The two main risks in securities lending are counterparty risk and collateral investment risk. Counterparty risk is the risk that the borrower defaults on a loan and is unable to return the security. The ERS' contract with Northern Trust indemnifies ERS of any losses suffered as a result of the securities lending program due to counterparty default. Collateral investment risk is the risk that an investment in a collateral option becomes impaired or decreases in value. ERS is responsible to refund any losses to the borrower as a result of losses in the collateral pool. As of December 31, 2020, the ERS' collateral pool was trading at or near fair value with no impairments.

**9. COMMITMENTS & CONTINGENCIES**

The Retirement System is involved in litigation and disputes arising during the normal course of operations. Management does not believe the settlement of such matters will have a material impact on the Retirement System's basic financial statements.

**10. SUBSEQUENT EVENTS**

The Retirement System evaluated events occurring through July 13, 2021, the date the financial statements were available to be issued, for subsequent events requiring recording or disclosure in the Plan's financial statements. Management feels no material events occurred.

# REQUIRED SUPPLEMENTARY INFORMATION

(See Independent Auditors' Report)

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**Required Supplementary Information**  
**Schedule of Changes in the Net Pension Liability**  
**Last 7 Fiscal Years**  
**(in thousands)**

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	88,215	87,285	75,119	77,681	70,377	70,500	69,693
Interest	482,120	463,215	464,845	441,811	430,745	418,874	409,899
Changes in benefit items	-	-	-	-	-	-	-
Differences between expected and actual experience	50,316	119,477	(91,515)	67,154	(9,921)	(30,035)	-
Changes of assumptions	-	-	475,766	244,993	-	(5,206)	-
Benefit payments including refunds of member contributions	(428,950)	(409,086)	(393,526)	(385,331)	(351,303)	(347,889)	(342,569)
Net change in total pension liability	191,701	260,891	530,689	446,308	139,898	106,244	137,023
Total pension liability - beginning	6,550,651	6,289,760	5,759,071	5,312,763	5,172,865	5,066,621	4,929,598
Total pension liability - ending	6,742,352	6,550,651	6,289,760	5,759,071	5,312,763	5,172,865	5,066,621
Plan fiduciary net position							
Contributions - employer	87,661	96,389	83,166	83,524	74,095	72,198	72,844
Contributions - member	32,191	32,633	32,085	32,494	35,918	49,553	43,663
Net investment income	409,136	893,278	(160,190)	787,809	383,747	34,982	238,985
Benefit payments, including refunds of member contributions	(428,950)	(409,086)	(393,526)	(385,332)	(351,303)	(347,889)	(342,569)
Administrative expense	(7,381)	(7,018)	(7,181)	(8,637)	(8,096)	(9,686)	(10,831)
Net change in plan fiduciary net pension	92,657	606,196	(445,646)	509,858	134,361	(200,842)	2,092
Plan fiduciary net position - beginning	5,557,077	4,950,881	5,396,527	4,886,669	4,752,308	4,953,150	4,951,058
Plan fiduciary net position - ending	5,649,734	5,557,077	4,950,881	5,396,527	4,886,669	4,752,308	4,953,150
Net pension liability - ending	1,092,618	993,574	1,338,879	362,544	426,094	420,557	113,471

Information in this schedule is not available prior to the implementation of GASB Statement No. 67 in the 2014 fiscal year.  
Additional years will be added to this schedule in future fiscal years until 10 years of data is presented.

*See independent auditors' report and notes to required supplementary information.*

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**Required Supplementary Information**  
**Schedules of Net Pension Liability and Investment Returns**  
**Last 7 Fiscal Years**  
**(in thousands)**

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**Schedule of Net Pension Liability**

	2020	2019	2018	2017	2016	2015	2014
Total pension liability	\$ 6,742,352	\$ 6,550,651	\$ 6,289,760	\$ 5,759,071	\$ 5,312,763	\$ 5,172,865	\$ 5,066,621
Plan fiduciary net position	(5,649,734)	(5,557,077)	(4,950,881)	(5,396,527)	(4,886,669)	(4,752,308)	(4,953,150)
Net pension liability	\$ 1,092,618	\$ 993,574	\$ 1,338,879	\$ 362,544	\$ 426,094	\$ 420,557	\$ 113,471
Plan fiduciary net position as a percentage of total pension liability	83.79%	84.83%	78.71%	93.70%	91.98%	91.87%	97.76%
Covered payroll	\$ 596,386	\$ 581,663	\$ 574,394	\$ 577,119	\$ 583,950	\$ 535,802	\$ 529,939
Net pension liability as a percentage of covered payroll	183.21%	170.82%	233.09%	62.82%	72.97%	78.49%	21.41%

**Schedule of Investment Returns**

	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	5.88%	18.51%	-2.75%	16.41%	8.77%	0.55%	5.17%

The returns on this schedule are calculated by the custodian.

Information in these schedules is not available prior to the implementation of GASB Statement No. 67 in the 2014 fiscal year. Additional years will be added to these schedules in future fiscal years until 10 years of data is presented.

*See independent auditors' report and notes to required supplementary information.*

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**Required Supplementary Information**  
**Schedule of Employers' Contributions**  
**For Last 10 Fiscal Years**  
**(in thousands)**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined employer contribution	\$ 84,661	\$ 83,025	\$ 83,166	\$ 83,524	\$ 74,095	\$ 72,198	\$ 72,844	\$ 79,533	\$ 73,159	\$ -
Actuarial required contributions	79,661	83,025	83,166	83,524	74,095	72,198	72,844	79,533	73,159	-
Contributions to the Employers' Reserve Fund	8,000	13,364	-	-	-	-	-	-	27,000	17,350
Actual employer contributions	87,661	96,389	83,166	83,524	74,095	72,198	72,844	79,533	100,159	17,350
Annual contribution deficiency (excess)	<u>\$ (3,000)</u>	<u>\$ (13,364)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (27,000)</u>	<u>\$ (17,350)</u>
Covered payroll	\$ 596,386	\$ 581,663	\$ 574,394	\$ 577,119	\$ 583,950	\$ 535,802	\$ 529,939	\$ 521,651	\$ 523,738	\$ 525,181
Actual contributions as a percentage of covered payroll	14.70%	16.57%	14.48%	14.47%	12.69%	13.47%	13.75%	15.25%	19.12%	3.30%

*See independent auditors' report and notes to required supplementary information.*

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**Notes to Required Supplementary Information**  
**As of and for the year ended December 31, 2020**

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1. This information presented in the required supplementary schedules, for pension funding purposes, was based on the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation Date	January 1, 2020
Actuarial Cost Method	Individual Entry Age Normal Cost
Amortization Method	Closed layered Payments for each base increasing by 2% per year
Remaining Amortization Period	The outstanding balance of the unfunded actuarial accrued liability (UAAL) as of January 1, 2019 is amortized over a fixed 25-year period. At each subsequent valuation date, any changes to the UAAL arising from actuarial gains or losses will be amortized over a fixed 15-year period and any changes to the UAAL arising from changes in assumptions, methods, or plan provisions will be amortized over a fixed 25-year period.
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions: Investment Rate of Return	7.50% per annum, compounded annually
Projected Salary Increases	General City 2.5% - 4.93% Police & Fire 4.0% - 9.47%
Inflation Assumption	2.50%
Cost of Living Adjustments	For retirees whose COLA is defined as the lesser of 3.00% and CPI-U, the assumed COLA is 2.50% per annum
Mortality Table	For regular retirees and survivors, the RP-2014 Healthy Annuitant Mortality Table, using 111% of rates for males and 110% of rates for females, projected generationally using Scale MP-2016, was used. For duty and ordinary disability retirees, the RP-2014 Disability Mortality Table, using 102% of rates for males and 98% of rates for females, projected generationally using Scale MP-2016, was used. For death in active service, the RP-2014 Non-annuitant Mortality Table projected generationally with Scale MP-2016 was used. All mortality rates are projected using generational improvement with Scale MP-2016.
Experience Study	The actuarial assumptions used in this valuation, other than the investment return assumption, are based on the results of the most recent experience study covering the five-year period ending December 31, 2016. The investment return assumption is based on analysis performed by Cavanaugh Macdonald and adopted by the Board of Trustees on April 29, 2019.

2. The total pension liability contained in the Schedule of Net Pension Liability was provided by the Retirement System's actuaries, Cavanaugh Macdonald Consulting, LLC for 2018 and subsequent years and Conduent HR Consulting, LLC for years prior to 2018. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the Retirement System.
3. The required employer contributions and percent of contributions made are presented in the Schedule of Contributions.

*See independent auditors' report and notes to required supplementary information.*

# SUPPLEMENTARY INFORMATION

(See Independent Auditors' Report)

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**Schedules of Administrative Expenses, Investment Expenses, and Payments to Consultants**  
**For the Year Ended December 31, 2020**

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**Schedule of Administrative Expenses**

Salaries	\$ 2,662,482
Fringe benefits	1,264,712
Professional services	879,342
Information technology services	1,094,154
Equipment rental	20,269
Facility rent & property services	519,227
General office expense	195,941
Other operating services & supplies	479,943
Depreciation	264,849
	<u>\$ 7,380,919</u>

**Schedule of Investment Expenses**

Investment manager expense	\$ 59,134,487
Employers' Reserve Fund investment manager expense	75,727
Security lending rebates	805,941
Security lending fees	198,388
Investment consulting fees	515,572
Investment custodian fees	300,000
Other investment related expenses	776,129
	<u>\$ 61,806,244</u>

**Schedule of Payments to Consultants**

Actuary services	\$ 108,138
Audit	181,569
Legal services	213,816
Medical advisors	353,860
Memberships	10,450
Other professional services	11,509
	<u>\$ 879,342</u>

(See Independent Auditors' Report)

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**Combining Statement of Fiduciary Net Position**  
**Non-Consenter Funds**  
**As of December 31, 2020**  
**(in thousands)**

	<b>Retirement Fund</b>	<b>Combined Retirement Fund</b>	<b>General Employees' Duty Disability Fund</b>	<b>Total</b>
<b>ASSETS</b>				
CASH AND CASH EQUIVALENTS	\$ 810	\$ 713	\$ 8	\$ 1,531
INVESTMENTS (Notes 1 and 8):				
Fixed income	2,226	1,106	20	3,352
Public equity	4,819	2,395	43	7,257
Absolute return	975	484	9	1,468
Real assets	1,150	571	10	1,731
Private equity	1,166	580	10	1,756
Total Investments	10,336	5,136	92	15,564
RECEIVABLES AND OTHER ASSETS				
Interest, dividends and foreign tax recoverable (Note 1)	16	8	-	24
Investments sold	142	72	1	215
Total Receivables and Other Assets	158	80	1	239
<b>Total Assets</b>	<b>11,304</b>	<b>5,929</b>	<b>101</b>	<b>17,334</b>
<b>LIABILITIES</b>				
Investments purchased	161	80	1	242
<b>Total Liabilities</b>	<b>161</b>	<b>80</b>	<b>1</b>	<b>242</b>
<b>NET POSITION RESTRICTED FOR PENSIONS</b>	<b>\$ 11,143</b>	<b>\$ 5,849</b>	<b>\$ 100</b>	<b>\$ 17,092</b>

See Independent Auditors' Report.

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Non-Consenter Funds**  
**For the Fiscal Year Ended December 31, 2020**  
**(in thousands)**

	<b>Retirement Fund</b>	<b>Combined Retirement Fund</b>	<b>General Employees' Duty Disability Fund</b>	<b>Total</b>
<b>ADDITIONS</b>				
<b>Contributions</b>				
Employer (Note 5)	\$ -	\$ 300	\$ -	\$ 300
Member	9	-	-	9
<b>Total Contributions</b>	9	300	-	309
<b>Investment Income</b>				
Net appreciation in fair value of investments	687	341	6	1,034
Interest, dividends and other investment income	189	94	2	285
<b>Total Investment Income</b>	876	435	8	1,319
Investment expense (Note 6)	-	-	-	-
<b>Net Investment Income</b>	876	435	8	1,319
<b>Total Additions</b>	885	735	8	1,628
<b>DEDUCTIONS</b>				
Benefits paid	(67)	(32)	-	(99)
Refunds of contributions	(29)	-	-	(29)
Interfund transfers	(391)	(703)	(3)	(1,097)
<b>Total Deductions</b>	(487)	(735)	(3)	(1,225)
<b>NET INCREASE IN NET POSITION</b>	398	-	5	403
<b>NET POSITION RESTRICTED FOR PENSIONS</b>				
<b>Beginning of Year</b>	10,745	5,849	95	16,689
<b>End of Year</b>	\$ 11,143	\$ 5,849	\$ 100	\$ 17,092

See Independent Auditors' Report.

# INVESTMENT SECTION



**City of Milwaukee**  
Employees' Retirement System

**Bernard J. Allen**  
Executive Director

**David M. Silber, CFA, CAIA**  
Chief Investment Officer

**Melody Johnson**  
Deputy Director

July 13, 2021

To the Annuity and Pension Board and Our Members:

The Annuity and Pension Board (Board), as trustee of the funds in the Employees' Retirement System of the City of Milwaukee ("the Fund"), employs a prudent investment process. Together with the Fund's staff and the Fund's investment consultant, Callan Associates, the Board oversees the investment strategy through periodic reviews of return and volatility assumptions, asset class structures, and investment manager implementation.

Major stock markets around the world have exhibited volatile calendar year returns in recent years, and 2020 was no exception. In 2020 alone, the S&P 500 was down over 30% at one point but ended the year up 18.4%. The Fund generated a positive return in 2020, net of fees, but underperformed its benchmark.

- The Fund had a return of 6.6% in 2020, net of investment management fees, which underperformed its benchmark by 589 basis points. The Fund had outperformed its benchmark the previous four calendar years.
- The Fund's 6.6% investment return generated enough value to increase the System's Fiduciary Net Position from \$5.56 billion in 2019 to \$5.65 billion in 2020, even after accounting for benefit payments that exceeded contributions.
- Over the past 10 years, the Fund generated annualized returns of 8.2%, net of investment management fees, which underperformed its benchmark by an annualized 34 basis points.
- Strong returns generated within the Fund's Private Equity and Public Equity allocations were partially offset by flat-to-negative returns reported within the Fund's Private Real Estate, Fixed Income, and Absolute Return allocations.

The Consultant's Commentary; a summary of the Fund's goals, objectives, and guidelines; and selected investment schedules follow for your review.<sup>1</sup>

David M. Silber, CFA, CAIA  
CMERS Chief Investment Officer

<sup>1</sup> Data provided to the Fund by its custodian and its investment consultant form the basis of the information that is presented throughout the Investment Section. All portfolio rates of return are presented using time and asset-weighted returns. Returns are calculated net of investment manager fees.

June 16, 2021

Annuity and Pension Board  
Employees' Retirement System of the City of Milwaukee  
789 N. Water Street, Suite 300  
Milwaukee, WI 53202

Dear Annuity and Pension Board,

Callan LLC is pleased to present the Employees' Retirement System of the City of Milwaukee ("Fund") results for fiscal year ended December 31, 2020. As of year-end, the Fund reported a fair value of \$5.65 billion.

The year of 2020 will be remembered as a tumultuous period with the COVID pandemic wreaking havoc on the world economies, and the monetary and fiscal interventions taken to stem the tide. The 2020 global recession will be remembered for its rapid decline and the massive stimulus that resulted in a swift market recovery. After the precipitous sell-off in the spring, markets rallied with some U.S. stock indices hitting record highs going into year-end, and yields on high yield bonds reaching record lows. The final estimate for 4th quarter U.S. GDP was 4.3% bringing its full year estimate to -3.5%, the largest decline since 1946.

The passage of the aptly titled Coronavirus Response and Relief Supplemental Appropriations Act provided a needed boost, but many economists feel that more is required. The Fed did their part as they cut rates to 0%-0.25% as the U.S. Treasury yields fell to record lows. The unemployment rate, which had peaked at 14.7% in April, fell to 6.7% by December. Inflation remained contained at 1.4% in December. The Fed introduced a new policy of "average inflation targeting" as the central bank will permit the inflation rate to run ahead of the Fed's goal of 2% "for some time" following periods where it has run below that objective.

U.S. stocks surged following the first quarter of 2020 and the S&P 500 Index hit a record high going into year end after generating an 18.4% for the year. Since the market low in March, the index was up over 70%, with all sectors posting increases greater than 40%.

The pandemic cast a pall over certain sectors while rewarding others; online retail stocks soared 69% in 2020, but hotels/cruise lines, airlines, and retail REITs dropped roughly 30%. Megacaps accounted for a disproportionate amount of the index and returns; the five largest stocks (Apple, Microsoft, Amazon, Facebook, Alphabet) accounted for over 12% of the 18.4% Index return. Smaller capitalization securities also performed strongly, as the Russell 2000 Index was up 20.0% for the year.

Non-U.S. developed markets trailed the U.S. markets, but still performed strongly in 2020 as measured by the MSCI ACWI ex-USA IMI Index which returned 11.1%. Emerging markets outperformed developed markets with an 18.3% annual return.

Fixed income markets posted another strong year in 2020 fueled by both falling interest rates and strong investor demand. The Bloomberg Barclays US Aggregate Bond Index rose 7.5%. U.S Treasuries which comprise 37% of the aforementioned index returned 8.0%, while corporate credit made up 27% of the index and was up almost 9.9%.

The COVID pandemic significantly disrupted the commercial real estate markets in 2020. The NCREIF Open Diversified Core Equity Index (Value-weighted Net) returned 0.3% for the year. Of the four primary commercial real estate sectors, the Housing and Retail sectors were the hardest hit. The exception to downturn was warehouse properties, which remained healthy due in large part to e-commerce sales. Some encouraging economic news did emerge in the second half of the year with gains in housing and rising consumer sentiment; however, transaction volumes remained down significantly from 2019 levels.

As noted in the Schedule of Investment Results, the Fund generated a total return of 6.6% (net-of-management fees) for the year ended December 31, 2020, which trailed the 12.5% return of the Fund's benchmark (the Policy Benchmark). In aggregate, the Fund's allocations to fixed income and absolute return strategies were the largest detractors. For the last five years, the Fund generated a 9.2% return, but trailed the benchmark return of 9.5%. For the last ten years, the Fund returned 8.2% versus the benchmark return of 8.5%.

Sincerely,



John P. Jackson, CFA  
Senior Vice President, Callan LLC

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

## **Summary of Investment Policies**

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### **INVESTMENT GOALS AND OBJECTIVES**

The overall investment goal is to provide participants with retirement, disability and death and survivor benefits. The purpose of the Fund establishing an investment policy is to obtain the highest return possible on Fund investments within corresponding acceptable levels of minimum investment risk and liquidity requirements in recognition of prudent person standards and compliance with applicable local, state, and federal laws governing the operation and activities of the Fund. In particular, the Fund is bound by the City of Milwaukee Charter Chapter 36.

### **FUNDING LEVELS AND LIQUIDITY REQUIREMENTS**

The Board seeks to keep Plan benefits as well funded as possible at all times. Additionally, the Board wishes to remain as fully invested as possible at all times, while maintaining appropriate liquidity. Generally, the Fund will maintain enough liquidity to meet one month of payments and expenses.

### **ASSET ALLOCATION CONSIDERATIONS**

The Board implements an asset allocation policy that is predicated on a number of factors, including:

1. A projection of actuarial assets, liabilities, and benefit payments and the cost of contributions;
2. Historical and expected long-term capital market risk and return behavior;
3. An assessment of future economic conditions, including inflation and interest rate levels; and
4. The current and projected funding status

# EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE

## Summary of Investment Policies

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### TARGET ALLOCATIONS

The Board has determined that the following asset allocation policy is appropriate for the Fund. This allocation policy will be reviewed periodically and may be modified, if appropriate, in light of changes in the structure or goals of the Fund. The following asset allocation policy reflects an interim implementation structure for the Fixed Income and Absolute Return allocations, respectively, that was approved by the Board at its April 27, 2020 Board meeting.

<b><u>Public Equity</u></b>	<b><u>Target</u></b>	<b><u>Minimum</u></b>	<b><u>Maximum</u></b>
Domestic Equity			
Passive Large Cap	7.8%		
Active Large Cap	5.1%		
Active Mid/Small Cap	6.7%		
Total Domestic Equity	<b>19.6%</b>	<b>15.6%</b>	<b>23.6%</b>
Total International Equity	<b>15.6%</b>	<b>12.6%</b>	<b>18.6%</b>
Total Global Equity	<b>7.8%</b>	<b>3.8%</b>	<b>11.8%</b>
<b>Total Public Equity</b>	<b>43%</b>	<b>38%</b>	<b>48%</b>
<b><u>Fixed Income</u></b>			
Cash	1%	0%	2.0%
Passive Fixed Income	9.0%		
Core Opportunistic Fixed Income	16.0%		
<b>Total Fixed Income</b>	<b>26%</b>	<b>23%</b>	<b>29%</b>
<b><u>Real Assets</u></b>			
Private Real Estate	7.7%	5.0%	10.0%
Public Diversified Real Assets	3.3%	1.3%	5.3%
<b>Total Real Assets</b>	<b>11%</b>	<b>8%</b>	<b>14%</b>
<b><u>Private Equity</u></b>	<b>10%</b>	<b>7%</b>	<b>15%</b>
<b><u>Absolute Return</u></b>	<b>10%</b>	<b>7%</b>	<b>15%</b>
<b><u>Total</u></b>	<b><u>100%</u></b>		

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**Schedule of Investment Results**  
**For the Year Ended December 31, 2020**

	<u>2020</u>	<u>3 Years</u>	<u>5 Years</u>
Total Fund	6.6%	7.0%	9.2%
Policy Benchmark <sup>1</sup>	12.5%	8.2%	9.5%
Fixed income	-2.0%	3.0%	4.3%
Bloomberg Barclays U.S. Aggregate Index	7.5%	5.3%	4.4%
Public equity	14.6%	9.3%	12.1%
ACWI IMI	16.3%	9.7%	12.2%
Absolute return	-14.2%	-0.7%	1.7%
90 Day Treasury Bill + 3%	3.4%	4.5%	4.2%
Public Diversified Real Assets	4.1%	3.4%	N/A
Blended Benchmark <sup>2</sup>	2.1%	2.8%	N/A
Private Real Estate	0.8%	5.2%	6.6%
NCREIF Fund Index ODCE	0.3%	4.0%	5.3%
Private equity <sup>3</sup>	22.1%	20.1%	17.2%
Cambridge Private Equity Index	27.5%	18.7%	17.3%

<sup>1</sup> The policy benchmark is a composite index designed to track the target asset allocation. Historical data on the Total Fund benchmark allocations can be found in the Fund's Statement of Investment Policy.

<sup>2</sup> The blended benchmark is as follows: 35% Barclays TIPS, 20% S&P Global Infrastructure, 20% Global Natural Resources, 15% Bloomberg Commodity Total Return, 10% FTSE NAREIT.

<sup>3</sup> Private Equity returns shown above are calculated by the Fund's custodian at a 1-quarter lag.

N/A - Not Applicable. Asset class not held during the stated time period.

Note: With the exception of Real Estate, returns are calculated by the Fund's custodian using geometrically-linked, time and asset-weighted returns, based on the market rate of return. Returns are calculated net of investment manager fees. Real Estate returns are calculated by the Fund's Real Estate consultant.

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**Schedules of Top Ten Largest Holdings**  
**For the Year Ended December 31, 2020**

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<u>Top 10 Equity Holdings</u>	<u>Fair Value</u>
Alphabet Inc.	\$ 22,339,866
Microsoft Corp.	19,720,202
AT&T Inc.	13,640,954
Takeda Pharmaceutical Co. Ltd.	13,488,540
Facebook Inc.	12,302,034
Accenture PLC	11,573,954
Visa Inc.	10,666,587
Adobe Inc.	10,592,041
Danone S.A.	10,000,961
Banco Actinver S.A.	9,859,570

<u>Top 10 Fixed Income Holdings</u>	<u>Fair Value</u>
U.S. Treasury Bonds 1.125% Due 8/31/2021	\$ 44,052,397
U.S. Treasury Bonds 1.25% Due 5/15/2050	40,651,072
U.S. Treasury Bonds 1.375% Due 8/15/2050	26,546,864
U.S. Treasury Notes 0.625% Due 8/15/2030	16,609,125
U.S. Treasury Notes 1.5% Due 11/30/2021	16,200,000
FNMA Single Family Mortgage 2% 15 Years	15,011,035
UMBS TBA 1.5% Due 1/5/2036	11,698,664
FNMA Pool 2% Due 9/1/2030	11,337,615
Pulte Homes Inc. 6% Due 2/15/2035	10,082,176
Ford Motor Credit Co LLC 4.389% Due 1/8/2026	9,751,527

*The schedules above exclude commingled funds.*

*A complete list of the portfolio holdings is available for review upon request.*

# EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE

## Summary of Management Fees For the Year Ended December 31, 2020

	Assets Under Management	Management Fee	Performance Fee	Fund of Fund Fee	Total Fees
<b>Public Equity</b>					
Domestic					
<i>Passive Large Cap Equity</i>	\$ 450,320,361	\$ 49,461	\$ -	\$ -	\$ 49,461
<i>Active Large Cap Equity</i>	303,932,508	857,271	-	-	857,271
<i>Active Mid/Small Cap Equity</i>	409,761,780	1,326,971	-	-	1,326,971
International					
<i>Active International Equity</i>	938,968,636	4,145,628	-	-	4,145,628
Global					
<i>Active Global Equity</i>	462,577,483	876,983	178,854	-	1,055,837
<b>Total Public Equity</b>	<u>\$ 2,565,560,768</u>	<u>\$ 7,256,314</u>	<u>\$ 178,854</u>	<u>\$ -</u>	<u>\$ 7,435,168</u>
<b>Private Equity Fund of Funds<sup>1</sup></b>	<u>\$ 622,397,230</u>	<u>\$ 5,908,695</u>	<u>\$ 14,608,080</u>	<u>\$ 4,464,497</u>	<u>\$ 24,981,272</u>
<b>Fixed Income</b>					
Cash	\$ 57,672,678	\$ -	\$ -	\$ -	\$ -
Passive Fixed Income	432,305,316	66,487	-	-	66,487
Active Fixed Income	793,244,775	991,284	-	-	991,284
<b>Total Fixed Income</b>	<u>\$ 1,283,222,769</u>	<u>\$ 1,057,771</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,057,771</u>
<b>Absolute Return<sup>1</sup></b>	<u>\$ 541,932,591</u>	<u>\$ 5,176,395</u>	<u>\$ 10,976,000</u>	<u>\$ 2,190,000</u>	<u>\$ 18,342,395</u>
<b>Real Estate</b>					
Private Real Estate - Core	\$ 364,757,796	\$ 3,225,939	\$ 1,890,526	\$ -	\$ 5,116,465
Private Real Estate - Non-Core	34,224,979	276,513	840,652	-	1,117,165
<b>Total Real Estate</b>	<u>\$ 398,982,775</u>	<u>\$ 3,502,452</u>	<u>\$ 2,731,178</u>	<u>\$ -</u>	<u>\$ 6,233,630</u>
<b>Real Assets</b>					
Public Real Assets	<u>\$ 214,618,870</u>	<u>\$ 1,084,251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,084,251</u>
<b><u>Employers' Reserve Fund</u></b>					
<b>Fixed Income</b>					
Active Fixed Income	\$ 34,196,038	\$ 75,727	\$ -	\$ -	\$ 75,727
<b>Total Fixed Income</b>	<u>\$ 34,196,038</u>	<u>\$ 75,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,727</u>
<b>Total External Management Fees</b>		<u>\$ 24,061,605</u>	<u>\$ 28,494,112</u>	<u>\$ 6,654,497</u>	<u>\$ 59,210,214</u>

Assets under management amounts may differ from the Basic Financial Statements on page 26. Assets under management reflect the categorization of the manager, not necessarily the categorization of the assets held within separate accounts.

Fees are paid quarterly on quarter-end asset values for the majority of investment managers. Basis point calculations made from the data presented here would not be reflective of the fund's true fee rates.

<sup>1</sup> Management Fee and Performance Fee for Private Equity Fund of Funds and Hedge Fund of Funds (included in Absolute Return) includes, but may not be limited to, management fees and performance/carry at the underlying fund level, respectively.

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**Schedule of Brokerage Commissions**  
**For the Year Ended December 31, 2020**

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<b>Broker Name</b>	<b>Number of Shares</b>	<b>Commissions</b>	<b>Cost Per Share</b>
Goldman Sachs	1,155,251,604	\$ 60,448	\$ 0.00005
J.P. Morgan Securities	755,564,071	42,304	0.00006
Merrill Lynch	505,727,905	41,865	0.00008
Citigroup Global Markets	276,011,847	29,431	0.00011
Credit Suisse	11,297,270	27,732	0.00245
Jefferies LLC	18,021,317	24,679	0.00137
Morgan Stanley & Co.	306,184,408	19,311	0.00006
Sanford C. Bernstein & Co.	1,244,624	18,985	0.01525
William Blair & Co.	616,997	18,388	0.02980
UBS Securities	16,237,838	16,306	0.00100
Total - Top Ten Brokers	3,046,157,881	299,449	0.00010
Total - Other Brokers	2,633,854,139	269,249	0.00010
<b>Grand Total</b>	<b>5,680,012,020</b>	<b>\$ 568,698</b>	<b>\$ 0.00010</b>

*The schedule above excludes commingled funds.*

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**Summary of Investment Holdings**  
**For the Year Ended December 31, 2020**  
**(in thousands)**

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<u>Asset Class</u>	<u>Fair Value</u>	<u>Percent of Total</u>	<u>Target Allocation</u>
Cash and cash equivalents	110,886	2%	1%
Fixed income	1,188,221	21%	25%
Public equity	2,571,936	46%	43%
Absolute return	520,174	9%	10%
Real assets	613,601	11%	11%
Private equity	622,397	11%	10%
	<u>5,627,215</u>	<u>100%</u>	<u>100%</u>

This chart excludes pending investment sales and purchases for the asset class totals.

The summary above excludes investments held as part of the Employers' Reserve Fund.

# ACTUARIAL SECTION



# Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

January 14, 2021  
Annuity and Pension Board  
Employees' Retirement System of the City of Milwaukee  
789 North Water Street, Suite 300  
Milwaukee, WI 53202

## Members of the Board:

At your request, we performed an actuarial valuation of the Employees' Retirement System of the City of Milwaukee (referred to as "ERS") as of January 1, 2020. The report has been prepared in accordance with Section 36-15-15 of the Milwaukee City Charter (MCC). The major findings of the valuation are contained in this report, which reflects the benefit and funding provisions in place on January 1, 2020. The benefit provisions, actuarial assumptions and actuarial methods remain unchanged from the prior valuation.

The valuation was based on the actuarial assumptions and methods adopted by the Annuity and Pension Board, as specified by the Charter. An amendment to the Milwaukee City Charter was adopted by the Common Council on April 30, 2013 to establish the Stable Employer Contribution Policy. Under that Policy, an actuarial contribution rate is separately calculated for three groups: Policemen, Fireman, and General Employees of the Combined Fund, and is applicable for the subsequent five-year period. These rates are established every five years following the Experience Study, performed by the actuary. The actuarial determined employer contribution rates under the Stable Contribution Policy for Policemen, Firemen, and General Employees are 25.22%, 26.83% and 7.48% of covered payroll, respectively, through December 31, 2022.

The primary purposes of the valuation report is to determine the actuarial contribution rate, to describe the current financial condition of the System, and to analyze changes in such condition. Use of the valuation results for any other purposes or by anyone other than the System and its auditors, may not be appropriate and may result in mistaken conclusions because of failure to understand applicable assumptions, methods, or inapplicability of the report for that purpose.

In preparing our report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, statutory provisions, member data and financial information. Although reviewed for reasonableness and consistency with the prior valuation, these elements have not been audited by Cavanaugh Macdonald Consulting, LLC and we cannot certify as to the accuracy and completeness of the data supplied. The valuation results depend on the integrity of this information. If any of the information is inaccurate or incomplete, our results may be different and our calculations may need to be revised. Sometimes assumptions are made to interpret membership data that is imperfect. The valuation is also based on benefit and contribution provisions as disclosed herein.



The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in the Summary of Actuarial Assumptions and Methods. We believe that these assumptions are appropriate and reasonable, and also comply with all applicable Actuarial Standards of Practice. We certify that all costs and liabilities have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the plan and reasonable expectations) and which, in combination, offer the best estimate of anticipated experience affecting the plan. Nevertheless, the emerging costs will vary from those presented in this report to the extent actual experience differs from that projected by the actuarial assumptions.

Future actuarial results may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period) and changes in plan provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of such future measurements.

Actuarial computations presented in this report are for purposes of evaluating the funding of the Plan and determining an actuarial contribution rate. The calculations in the enclosed report have been made on a basis consistent with our understanding of the Plan's funding requirements and goals. Determinations for other purposes may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes. For example, actuarial computations for purposes of fulfilling financial accounting requirements under Governmental Accounting Standard Number 67 and 68 are provided in separate reports.

This is to certify that the independent consulting actuaries are members of the American Academy of Actuaries and have experience in performing valuations for public retirement plans, that the valuation was prepared in accordance with standards of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement plan and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System. The Board of Trustees has the final decision regarding the appropriateness of the assumptions and adopted them as indicated later in this section.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'LL' with a stylized flourish at the end.

Larry Langer, ASA, EA, FCA, MAAA  
Principal and Consulting Actuary

A handwritten signature in blue ink, reading 'Patrice Beckham' in a cursive script.

Patrice A. Beckham, FSA, EA, FCA, MAAA  
Principal and Consulting Actuary

# MEMBER DATA

## Active Member Data by Group as of January 1, 2020

### General Employees

<u>Valuation January 1</u>	<u>Active Members</u>	<u>Annual Payroll</u>	<u>Annual Average Pay</u>	<u>% Increase in Average Pay</u>
2011	8,379	\$346,086,000	\$41,304	0.01%
2012	7,972	335,459,000	42,080	1.88%
2013	7,950	329,368,000	41,430	(1.54%)
2014	7,993	331,738,000	41,504	0.18%
2015	8,240	337,248,000	40,928	(1.39%)
2016	8,276	343,867,000	41,550	1.52%
2017	8,417	361,660,000	42,968	3.41%
2018	8,289	359,914,000	43,421	1.05%
2019	8,228	360,750,000	43,844	0.97%
2020	8,442	376,656,000	44,617	1.76%

### Policemen

<u>Valuation January 1</u>	<u>Active Members</u>	<u>Annual Payroll</u>	<u>Annual Average Pay</u>	<u>% Increase in Average Pay</u>
2011	1,986	\$132,590,000	\$66,762	1.70%
2012	1,922	130,716,000	68,010	1.87%
2013	1,907	134,151,000	70,347	3.44%
2014	1,847	131,568,000	71,233	1.26%
2015	1,920	136,104,000	70,888	(0.48%)
2016	1,912	135,571,000	70,906	0.03%
2017	1,922	160,106,000	83,302	17.48%
2018	1,855	157,864,000	85,102	2.16%
2019	1,916	159,971,000	83,492	(1.89%)
2020	1,827	158,596,000	86,807	3.97%

### Firemen

<b>Valuation January 1</b>	<b>Active Members</b>	<b>Annual Payroll</b>	<b>Annual Average Pay</b>	<b>% Increase in Average Pay</b>
2011	882	\$59,542,000	\$67,508	(0.07%)
2012	873	59,006,000	67,590	0.12%
2013	857	60,219,000	70,267	3.96%
2014	835	58,345,000	69,874	(0.56%)
2015	804	56,587,000	70,382	0.73%
2016	794	56,364,000	70,987	0.86%
2017	744	62,184,000	83,581	17.74%
2018	701	59,340,000	84,651	1.28%
2019	707	60,942,000	86,198	1.83%
2020	705	61,134,000	86,715	0.60%

### Total

<b>Valuation January 1</b>	<b>Active Members</b>	<b>Annual Payroll</b>	<b>Annual Average Pay</b>	<b>% Increase in Average Pay</b>
2011	11,247	\$538,218,000	\$47,854	0.78%
2012	10,767	525,181,000	48,777	1.93%
2013	10,714	523,738,000	48,884	0.22%
2014	10,675	521,651,000	48,867	(0.03%)
2015	10,964	529,939,000	48,334	(1.09%)
2016	10,982	535,802,000	48,789	0.94%
2017	11,083	583,950,000	52,689	7.99%
2018	10,845	577,118,000	53,215	1.00%
2019	10,851	581,663,000	53,605	0.73%
2020	10,974	596,386,000	54,345	1.38%

**Benefit Recipients by Group as of January 1, 2020**

**General Employees**

Amount of Monthly Benefits	Total Monthly Benefits	Total Number of Recipients	Type of Benefit		
			Retired	Beneficiary	Disability
1 to 500	\$625,028	2,279	1,925	318	36
501 to 1,000	1,333,135	1,819	1,325	355	139
1,001 to 1,500	1,529,284	1,239	859	290	90
1,501 to 2,000	1,641,792	938	702	183	53
2,001 to 2,500	2,199,424	981	851	99	31
2,501 to 3,000	2,356,124	861	772	69	20
3,001 to 3,500	1,917,215	592	539	38	15
3,501 to 4,000	1,274,642	342	324	15	3
4,001 to 4,500	1,072,218	254	239	13	2
4,501 to 5,000	639,299	135	128	6	1
Over 5,000	1,642,985	272	269	3	-

**Policemen**

Amount of Monthly Benefits	Total Monthly Benefits	Total Number of Recipients	Type of Benefit		
			Retired	Beneficiary	Disability
1 to 500	\$9,039	40	24	14	2
501 to 1,000	40,432	52	21	31	-
1,001 to 1,500	123,195	98	10	85	3
1,501 to 2,000	167,446	98	18	78	2
2,001 to 2,500	184,151	81	33	43	5
2,501 to 3,000	299,184	107	62	38	7
3,001 to 3,500	442,968	136	86	43	7
3,501 to 4,000	653,076	174	136	37	1
4,001 to 4,500	1,138,809	265	230	35	-
4,501 to 5,000	2,292,918	480	419	25	36
Over 5,000	5,584,824	940	887	35	18

**Firemen**

Amount of Monthly Benefits	Total Monthly Benefits	Total Number of Recipients	Type of Benefit		
			Retired	Beneficiary	Disability
1 to 500	\$4,759	20	10	10	-
501 to 1,000	7,810	10	1	9	-
1,001 to 1,500	54,921	42	5	37	-
1,501 to 2,000	84,629	48	4	42	2
2,001 to 2,500	109,274	48	16	29	3
2,501 to 3,000	192,891	70	33	29	8
3,001 to 3,500	266,444	82	49	28	5
3,501 to 4,000	405,571	107	92	15	-
4,001 to 4,500	795,509	188	168	20	-
4,501 to 5,000	1,225,498	256	209	7	40
Over 5,000	2,988,512	501	458	12	31

**Total**

Amount of Monthly Benefits	Total Monthly Benefits	Total Number of Recipients	Type of Benefit		
			Retired	Beneficiary	Disability
1 to 500	\$638,826	2,339	1,959	342	38
501 to 1,000	1,381,377	1,881	1,347	395	139
1,001 to 1,500	1,707,400	1,379	874	412	93
1,501 to 2,000	1,893,867	1,084	724	303	57
2,001 to 2,500	2,492,849	1,110	900	171	39
2,501 to 3,000	2,848,199	1,038	867	136	35
3,001 to 3,500	2,626,627	810	674	109	27
3,501 to 4,000	2,333,289	623	552	67	4
4,001 to 4,500	3,006,536	707	637	68	2
4,501 to 5,000	4,157,715	871	756	38	77
Over 5,000	10,216,321	1,713	1,614	50	49

## Reconciliation of Membership Data From January 1, 2019 to January 1, 2020

	Active Members	Refund Payable	Deferred Vested	Benefit Recipients			Total
				Disabled Members	Retirees	Beneficiaries	
Participants as of January 1, 2019	10,851	1,366	2,994	599	10,715	2,056	28,581
New Participants	1,333	5	3	0	0	163	1,504
Return to Work	66	(39)	(27)	0	0	0	0
Terminations							
- Refunded	(205)	(160)	(49)	0	0	0	(414)
- Refund Payable	(391)	391	0	0	0	0	0
- Deferred Vested	(259)	0	259	0	0	0	0
Service Retirements							
- Annuity	(396)	0	(162)	0	558	0	0
- Lump Sum	0	0	0	0	(19)	0	(19)
Disabilities							
- Duty-Related	(2)	0	0	2	0	0	0
- Non Duty-Related	(6)	0	(4)	10	0	0	0
Deaths	(17)	0	(9)	(25)	(376)	(124)	(551)
Benefit Payments Stopped	0	0	0	0	0	(4)	(4)
Reached Service Retirement							
Conversion Age*	0	0	0	(29)	29	0	0
Data Adjustments	0	(23)	23	3	(3)	0	0
Participants as of January 1, 2020	10,974	1,540	3,028	560	10,904	2,091	29,097

Notes: Duty disabled members who have reached their conversion age are included in the Retirees count.

Refund Payable counts include beneficiaries and estates that are owed a lump sum benefit as of January 1, 2020.

# ACTUARIAL EXHIBITS

## Short-Term Solvency Test

In a system that has been following the discipline of level percent of payroll financing, the liabilities for active participant accumulated contributions (liability 1) and the liabilities for future benefits to retirees, beneficiaries, and inactive participants (liability 2) will be fully covered by assets if all assumptions are met. In addition, the liabilities for service already rendered by active participants (liability 3) are normally partially covered by the remainder of the present assets. Generally, if the system has been using level percent of payroll financing, the funded portion of liability 3 will increase over time. The schedule below illustrates the history of the liabilities of the system and is indicative of the system following the discipline of level percent of compensation funding (dollar amounts in thousands).

Valuation January 1	Active Participants' Accumulated Contributions	Retirees, Beneficiaries and Inactive Participants	Active Participants (Employer Financed)	Valuation Assets	Percent Covered By Valuation Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
2011	\$483,331	\$2,936,289	\$1,027,928	\$4,641,425	100%	100%	119%
2012	482,924	3,097,577	1,007,414	4,404,635	100%	100%	82%
2013	493,263	3,210,639	985,912	4,259,889	100%	100%	56%
2014	501,712	3,347,689	982,288	4,580,729	100%	100%	74%
2015	510,917	3,434,355	990,210	4,797,437	100%	100%	86%
2016	512,752	3,552,301	1,000,088	4,899,155	100%	100%	83%
2017	508,005	3,625,511	1,125,784	5,055,700	100%	100%	82%
2018	482,151	4,140,458	1,197,153	5,233,486	100%	100%	51%
2019	468,584	4,642,839	1,289,478	5,218,294	100%	100%	8%
2020	462,798	4,842,098	1,292,561	5,285,205	100%	100%	0%

## Analysis of Financial Experience

	(Millions)
<b>Unfunded Actuarial Accrued Liability, January 1, 2019</b>	<b>\$ 1,204.7</b>
- Expected Change in UAAL	(0.3)
- Actual Contributions Versus Actuarial Contributions	73.5
- Investment Experience	24.7
- Demographic Experience	38.5
- Other experience	6.0
<b>Unfunded Actuarial Accrued Liability, January 1, 2020</b>	<b>\$ 1,347.1</b>

Note: This table shows the reconciliation of the unfunded actuarial accrued liability for the Combined Fund only.

## **Funded Ratio**

	Actuarial Value of Assets	Market Value of Assets
<b>January 1, 2019 Funded Ratio</b>	<b>81.5%</b>	<b>77.4%</b>
- Expected Change	0.5%	0.2%
- Actual Contributions Versus Actuarial Contributions	(1.0%)	(1.0%)
- Investment Experience	(0.4%)	8.1%
- Demographic Experience	(0.5%)	(0.5%)
- Other Experience	<u>0.0%</u>	<u>0.0%</u>
- Total change	(1.4%)	6.8%
<b>January 1, 2020 Funded Ratio</b>	<b>80.1%</b>	<b>84.2%</b>

## **Funding Progress**

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, or unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the System's funded status on an on-going concern basis. Analysis of this percentage over time indicates whether the System is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the System's funding. The unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the System's funding.

Actuarial Valuation Date	Actuarial Value of Assets (AVA)* (a)	Actuarial Accrued Liabilities (AAL)* (b)	Unfunded AAL (UAAL)* (b - a)	Funded Ratio (a / b)	Covered Payroll* (c)	UAAL as Percent of Covered Payroll [(b - a) / c]
1/1/2011	\$4,641,425	\$4,447,548	\$0	104.4%	\$538,218	0.0%
1/1/2012	4,404,635	4,587,915	183,280	96.0%	525,181	34.9%
1/1/2013	4,259,889	4,689,814	429,925	90.8%	523,738	82.1%
1/1/2014	4,580,729	4,831,689	250,960	94.8%	521,651	48.1%
1/1/2015	4,797,437	4,935,482	138,045	97.2%	529,939	26.0%
1/1/2016	4,899,155	5,065,141	165,986	96.7%	535,802	31.0%
1/1/2017	5,055,700	5,259,300	203,600	96.1%	583,950	34.9%
1/1/2018	5,233,486	5,819,762	586,276	89.9%	577,118	101.6%
1/1/2019	5,218,294	6,400,901	1,182,607	81.5%	581,663	203.3%
1/1/2020	5,285,205	6,597,457	1,312,252	80.1%	596,386	220.0%

\* Dollar amounts are in thousands.

# **SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS**

## **Actuarial Methods**

The method of financing the ERS is prescribed in Section 36.08 of the MCC.

## **Actuarial Cost Method**

The method used to determine Normal Cost and Accrued Actuarial Liability (AAL) is the Individual Entry Age Normal Cost Method. The UAAL, under this method, is the AAL over the Actuarial Value of Assets. The total Employer contribution is the sum of the Employer portion of the Normal Cost (Total Normal Cost less expected member contributions) plus an amount to amortize the UAAL according to the Amortization Method.

If the Actuarial Value of Assets exceeds the sum of the AAL and the Employer portion of the Normal Cost, there is no Employer contribution required for that year.

## **Asset Values**

Two asset values are used in various exhibits. A description of each and a brief explanation of where they are used follows:

- **Market Value**

The market value of assets is the value of investments if they were to be sold on the date valued. The market value of assets is used to develop the actuarial value of assets.

- **Actuarial Value**

The actuarial value of the assets in the Employers' Reserve Fund and the Securities Lending Fund is equal to the market value of assets. These Funds are not available to pay the benefits for ERS members so they are excluded from the allocation of the actuarial value of assets to the various funds and groups and the resulting calculations of employer contributions. The actuarial value of assets for the remaining funds is a smoothed value of assets. The difference between (1) the expected return on the actuarial value of assets at the beginning of the year, based on the investment return assumption and the net non-investment cash flows, and (2) the actual return on the market value of assets is smoothed equally over five years. As a result, there are five components of excess/shortfall returns to be smoothed each year.

The preliminary actuarial value for the current valuation is the preliminary actuarial value from the prior year plus non-investment cash flows (contributions less benefits and refunds) plus the expected return on the market value of assets at the applicable assumed investment return and the current year's recognition of each of the prior five year's excess/shortfall returns.

## **Amortization Method**

Closed layered amortization method with amortization payments for each base increasing by 2.00% per year. The outstanding balance of the unfunded actuarial accrued liability (UAAL) as of January 1, 2019 is amortized over a fixed 25-year period. At each subsequent valuation date, any changes to the UAAL arising from actuarial gains or losses will be amortized over a fixed 15-year period and any changes to the UAAL arising from changes in assumptions, methods, or plan provisions will be amortized over a fixed 25-year period.

## Actuarial Assumptions

Assumptions are based on the experience investigation prepared as of December 31, 2016 and adopted by the Board of Trustees on October 23, 2017 for use beginning with the January 1, 2018 actuarial valuation. The investment return assumption of 7.50% was adopted by the Board of Trustees on April 29, 2019, for use in the January 1, 2019 actuarial valuation.

**Investment Return Assumption:** 7.50% per annum, compounded annually.

**Inflation:** 2.50% per annum.

**Cost of Living Adjustments (COLA):** For retirees whose COLA is defined as the lesser of 3.00% and CPI-U, the assumed COLA is 2.50% per annum.

**Payroll Growth for UAAL amortization:** UAAL amortization payments increase at 2.00% per annum.

### Illustrative Rates of Salary Increase:

Age	Salary Increases	
	General Employees	Firemen and Policemen
25	4.93%	9.47%
30	3.79	7.72
35	3.78	5.78
40	2.89	4.68
45	2.50	4.28
50	2.50	4.08
55	2.50	4.00
60	2.50	4.00
65	2.50	4.00

Annual increases of 2.50% per annum is assumed for Policemen, Firemen and General Employees on duty disability. The increases for duty disabled Firemen and Policemen affect both current duty disability benefits and future service retirement or extended life conversion benefits. The increases for General Employees affect only service retirement conversion benefits.

**Deaths After Retirement:** For regular retirees and survivors, the RP-2014 Healthy Annuitant Mortality Table, using 111% of rates for males and 110% of rates for females, projected generationally using Scale MP-2016, was used. For duty and ordinary disability retirees, the RP-2014 Disability Mortality Table, using 102% of rates for males and 98% of rates for females, projected generationally using Scale MP-2016, was used.

**Deaths Prior to Retirement:** For death in active service, the RP-2014 Non-annuitant Mortality Table projected generationally with Scale MP-2016 was used.

**Mortality Projection:** All mortality rates are projected using generational improvement with Scale MP-2016.

### Illustrative Rates of Termination:

Age	<u>Less than 5 Years of Service</u>		<u>At least 5 Years of Service</u>	
	Males	Females	Males	Females
<b><u>General Employees</u></b>				
20	17.62%	24.05%	13.00%	14.30%
25	15.93	24.12	12.68	14.30
30	11.31	16.77	6.92	8.45
35	10.66	15.60	7.19	7.27
40	8.78	10.40	4.51	8.45
45	9.10	9.23	2.99	4.67
50	8.32	8.58	2.38	3.38
55	6.83	7.80	1.99	3.64
60	-	-	-	-
<b><u>Firemen and Policemen</u></b>				
20	6.15%	5.55%	-	-
25	2.33	4.65	1.34%	2.33%
30	2.75	7.38	1.13	3.34
35	3.38	6.63	1.10	1.88
40	4.40	4.40	0.90	0.97
45	5.40	4.40	1.08	1.53
50	8.80	4.40	4.05	6.70
55	10.00	4.40	-	-
60	-	-	-	-

All terminations are assumed to be involuntary.

Members who terminate vested are assumed to take a refund if it is more valuable than their deferred benefit.  
Regular interest credited on contribution account balances is assumed to be 4.0%.

**Illustrative Rates of Early and Normal Retirement:**

Age	Early Retirement		Normal Retirement			
	General Employees	General Employees		Firemen	Policemen	
		Males	Females		Not in Combined Fund	In Combined Fund
42						10%
43						25
44						25
45						25
46						32
47						32
48				10%		32
49				13		25
50				13		25
51				13	44%	25
52				18	44	25
53				18	24	25
54		35%	26%	20	24	25
55	4%	45	26	25	24	25
56	4	30	17	25	40	25
57	4	27	15	30	35	25
58	4	27	20	35	35	25
59	4	22	20	35	35	25
60	4	19	19	35	35	25
61	4	19	20	50	35	25
62	4	28	25	50	50	50
63	4	20	18	100	100	100
64	4	20	18	100	100	100
65		30	25	100	100	100
66		30	30	100	100	100
67		18	20	100	100	100
68		18	20	100	100	100
69		18	20	100	100	100
70		100	100	100	100	100

**Illustrative Rates of Disability:**

Age	Disability Rates		
	General Employees	Firemen	Policemen
20	0.050%	0.064%	0.030%
25	0.050	0.136	0.030
30	0.060	0.280	0.100
35	0.077	0.760	0.187
40	0.131	0.960	0.231
45	0.162	0.960	0.231
50	0.256	1.080	0.210
55	0.527	1.080	0.210
60	0.077	1.080	0.210
65	0.200	1.080	0.210

Elected officials are assumed to become disabled at the same rate as General Employees.

**Duty Disabilities:**

Employee Group	Percentage of Disabilities Incurred in the Performance of Duty	Percentage of Duty Disabilities Assumed Eligible For The 90% Benefit	Under The Heart & Lung Law	Assumption Adopted January 1
General Employees	10.0%	N/A	N/A	2018
Police other than MPA	70.0%	5.0%	N/A	2018
MPA enrolled on or before 4/18/2005	70.0%	5.0%	N/A	2018
MPA enrolled after 4/18/2005	62.5%	7.5%	N/A	2008
Fire other than MPFFA	90.0%	5.0%	15.0%	2008
MPFFA enrolled on or before 10/3/2005	90.0%	5.0%	15.0%	2008
MPFFA enrolled after 10/3/2005	81.2%	6.9%	20.8%	2008

Upon reaching their service conversion date, 100% of Policemen and Firemen who become duty disabled are assumed to convert to a service retirement benefit.

**Marriage Assumption and Duty Disability Child Allotments:**

It is assumed that female spouses are three years younger than males. In absence of evidence to the contrary, it is assumed that 85% of General Employees and 95% of Policemen and Firemen are married, with dependent children, described by the following table:

Member's Age at Death or Disability	Number of Dependent Children	Age of Youngest Child
20	0.0	-
25	1.5	1
30	2.5	2
35	2.5	5
40	2.5	8
45	2.0	11
50	1.5	14
55	1.0	15
60 and Over	0.0	-

The percentage of retiring employees assumed to elect option 3, the subsidized 50% option, is 25% for males and 15% for females. The percentage of General Employees assumed electing the 100% PSO option before retirement is 40% for males and 15% for females. For Firemen and Policemen, 95% are assumed to elect the 100% PSO option before retirement.

**Duty Deaths:**

The following percentages of deaths in active service are assumed to incur in the performance of duty:

General Employees: 5%  
Police & Fire: 10%. In addition, amongst firemen, 25% of duty deaths are assumed to occur under the Heart and Lung Law.

**Imputed Military Service:**

The following percentages of eligible members are assumed to earn 1 year of imputed military service credit:

General Employees: 10%  
Police: 13%  
Fire: 13%

These percentages are based on troop strength statistics from the Department of Defense website. (Adopted 1/1/2003)

**Seasonal Service Credit:** The following percentages of eligible members are assumed to receive one year of seasonable service credit:

Member's Union or Bargaining Group	Percentage with Seasonal Service	Assumption Adopted January 1
District Council 48, AFSCME	27.09%	2005
Fire Equipment Dispatchers Local 494, IBEW	0.00%	2006
Electrical Group Local 494, IBEW	31.00%	2006
Machine Shop Local 494, IBEW	12.00%	2005
Bridge Operators Local 195, IBEW	28.57%	2005
Joint 129/48 Local 139, IOUE & DC48	100.00%	2005
Machinists Local 510, IAM	5.00%	2005
Sanitation Local 61, LIUNA	98.06%	2005
TEAM (Techs, Eng, Archs of Milw)	5.00%	2005
MBCTC (Bricklayers, Carpenters, Cement Masons, Painters, Iron Workers)	10.00%	2005
Police Sworn Management, Police Civilian Management, Managers, Elected Officials (except mayor)	3.13%	2005
Non-represented in the Police Department and General City non-represented	5.00%	2005

### Miscellaneous

**Future Service Accrual:** For members active on the valuation date, credited service in each future year is assumed to be the greater of credited service earned in the year prior to the valuation, or the average of the three highest years of service credit out of the five years that preceded the valuation date. New hires are assumed to accrue a full year of service in each future year (adopted 1/1/2007).

**Annualized Compensation:** For active members, their prior year reported compensation amount is annualized based on their Future Service Accrual and further increased by a leap year adjustment factor of 1.0034 ( $26.089285 \div 26$ ).

**Deemed Inactives:** Active members who worked less than 100 hours in the prior year, but who have not officially terminated employment are treated as Inactives. These members are not assumed to earn additional service credit in future years.

**Decrement Timing:** All withdrawals, deaths, disabilities, and retirements are assumed to occur mid-year.

**Liability for Inactive Members:** The data provided for inactive members does not contain all the elements to calculate the member's deferred benefit. The deferred benefit amounts for these members are estimated using the member's life-to-date earnings and assumed salary increases. For terminated members who are missing a termination date on their record, it is assumed that they terminated at age 35. The actuary is collecting data so that future members' deferred benefits can be estimated.

**Administrative Expenses:** Based on the most recent fiscal year end.

**Normal Cost:** Normal cost rate reflects the impact of new entrants during the year.

**Changes Since Prior Valuation:** None.

# **SUMMARY OF BENEFIT PROVISIONS**

A summary of the main benefit provisions of the Retirement System and of the sources of revenue from which benefits are paid is presented in the following digest. Items in parentheses in the text are the provisions applicable to law enforcement officers.

## **Eligibility for Membership**

Membership is optional for all Employees that were in service as of January 1, 1938. New Employees are automatically members as a condition of employment. Membership is optional for elected officials. Note that unless specifically stated, elected officials follow the same rules as General Employees.

Additionally, effective January 1, 2014, there are two tiers of benefits. Tier 1 is for General Employees enrolled prior to January 1, 2014, and all Fire and Police Employees. Tier 2 is for General Employees enrolled on or after January 1, 2014.

## **Participation in the Combined Fund**

On January 19, 2001 the Combined Fund was created and was retroactive to January 1, 2000. Individuals who participate in the Combined Fund may be eligible for certain benefit enhancements which are described in this Summary of Plan Provisions. Members who enroll in the ERS after June 28, 2000, and their eligible survivors, are automatically participants in the Combined Fund. Members enrolled in the ERS on or before June 28, 2000, and their eligible survivors, participate in the Combined Fund provided that the members consented in writing to the Global Pension Settlement. Eligible survivors of members or retirees who died on or before June 28, 2000 participate in the Combined Fund provided that the eligible survivors consented in writing to the Global Pension Settlement. Members or survivors whose benefit payments ceased prior to January 1, 2000, are not eligible for benefits from the Combined Fund.

## **Creditable Service**

Creditable service equals prior service plus membership service. Prior service includes service as an employee prior to January 1, 1938, or prior to an amendment which made the employee eligible for membership in the ERS. Membership service means service as an employee since last becoming a member, on account of which contributions are made.

- For most Employees, 2080 hours of service constitute one year of creditable service. For prevailing wage Employees (carpenters and other tradespeople) 2000 hours constitute one year. For members employed by the school board for a 10-month school year, 1600 hours of service constitute a year of creditable service. After July 2006, for members serving as firefighters, 2590 hours of service constitutes one year of creditable service. After September 2016, for members serving as firefighters, 2756 hours of service constitutes one year of creditable service.
- Under certain conditions creditable service may be granted for periods of absence due to military service.
- For purposes of computing the service retirement allowance only, creditable service is granted for periods of eligibility for a duty disability retirement allowance.
- No more than one year of creditable service is granted for service in a single calendar year.

## **Imputed Service**

Imputed service credit may be granted, under specified conditions, to members who consented to the Global Pension Settlement. Imputed service credit is used to calculate the amount of certain benefits, but is not used to determine eligibility for any kind of benefit. An individual may be eligible for one or more types of imputed service credit.

### **Eligibility for Imputed Service Credit**

Only individuals participating in the Combined Fund can become eligible for the following types of imputed service credit.

- a) Imputed military service credit: The member must have been active in the armed forces of the United States of America prior to his or her enrollment in the ERS, and must have been honorably discharged. A member must be described as in 36-04-1-c. An individual eligible for imputed military service credit must apply for the credit.
- b) Imputed fire and police service credit: The member must be described as in 36-04-4-a. The member must have been in active ERS service as a fireman or policeman as of January 1, 2000, and must also retire from ERS service as a fireman or policeman, or die while a fireman or policeman eligible for protective survivorship option benefits. To be eligible, the member must retire or die as a policeman or fireman and must have attained the minimum service retirement requirements as outlined in 36-05-1.
- c) Imputed service credit under the dissolution of the Firemen and Policemen's Survivorship Fund, (the "Fund"): The member must be described as in 36-04-4-b. The member must have been a policeman who was an active member of the "Fund" as of January 1, 2000. If the policeman was in active ERS service as of January 1, 2000, he must either retire as a policeman on a service retirement allowance at the minimum service retirement age of 57 or after completing 25 years of creditable service as a fireman or policeman; or he must retire on a policeman's duty disability retirement allowance and subsequently convert to a service retirement allowance. If the policeman was retired on a duty disability retirement allowance as of January 1, 2000, then he must subsequently convert to a service retirement allowance.

### **Benefits Affected by Imputed Service Credit**

- a) Imputed military service credit and/or imputed fire and police service credit: The amount of the service retirement allowance, the conversion service retirement allowance, protective survivorship option benefits, and the extended life duty disability retirement allowance are affected. If the eligible individual is also entitled to a 5% Lump Sum Bonus, and/or an 8.6% Dissolution Bonus that is based on the affected benefit, then the imputed service credit is included in calculating the base for the bonus payment(s).
- b) Imputed service credit under the dissolution of the Firemen and Policemen's Survivorship Fund: The amount of the service retirement allowance and the conversion service retirement allowance are affected. If the service retirement allowance is affected, then the imputed service credit is included in calculating the base for the 5% Lump Sum Bonus.

See the benefit descriptions later in this summary for further details on how imputed service credit is used.

### Amount of Imputed Service Credit

- a) Imputed military service credit: A period of eligible military service consists of a period of at least 90 consecutive days of active service in the armed forces of the United States prior to enrollment in the ERS. Total eligible military service equals the sum of all periods of eligible military service. Imputed military service credit equals one-third of the member's total eligible military service, to a maximum of three years of imputed military service credit.
- b) Imputed fire and police service credit: For policemen and firemen with 20 years of creditable service as a fireman or policeman - 1.5 years. For firemen with less than 20 years of creditable service as a fireman or policeman: 1.5 years times the full years of creditable fire and police service, divided by 20.
- c) Imputed service credit under the dissolution of the Firemen and Policemen's Survivorship Fund: 2 years.

### Seasonal Service

Seasonal service credit may be granted under specified conditions to certain General City Employees. Seasonal service credit is used to calculate the amount of certain benefits but is not used to determine eligibility for any kind of benefit.

### Eligibility for Seasonal Service Credit

In order to be eligible for seasonal service credit, a member must be a General City employee with five or more years of City service credit, and a member of one of the groups as outlined in 36-04-1-d.

### Benefits Affected by Seasonal Service Credit

Seasonal service credit affects the amount of the service retirement allowance, the conversion service retirement allowance and protective survivorship option benefits. If the eligible individual is also entitled to a 5% Lump Sum Bonus that is based on the affected benefit, then the seasonal service credit is included in calculating the base for the bonus payment.

### Amount of Seasonal Service Credit

Seasonal service is based on the hours worked as a City Labor-Seasonal employee and/or Playground Laborer-Seasonal employee (MPS), but limited to one year of additional service credit.

### Qualifying for an ERS Benefit

Rules regarding qualifying time are encapsulated in the ERS Board Rules & Regulations, XV.G. The rules have been adopted and applied prospectively for enrollments prior to 1995, 1995 to 2001 and post 2001. All members are fully vested after attaining four years of qualifying time.

### **Earnable Compensation**

The annual regular base salary that would be payable to a member if he or she worked the full normal working time for his or her position as described in 36-02-12. Earnable compensation for the calendar year preceding retirement may also include special pays as negotiated in labor agreements such as longevity in rank pay, (limited) variable shift assignment pay, police liaison officer pay, and/or certification pay for policemen; and emergency medical technician pay for firemen. Earnable compensation for school board Employees represented by Local 950, OEIU, also includes site differential pay.

### **Final Average Salary**

- a) For General Employees, final average salary means the average annual earnable compensation computed on the 3 years of creditable service preceding retirement, death or separation from service during which earnable compensation was the highest.
- b) For policemen and firemen, final average salary means the average annual earnable compensation computed on the year of creditable service preceding retirement, death or separation from service during which earnable compensation was the highest.
- c) For members converting from a duty disability retirement allowance to a service retirement allowance, the service retirement allowance is computed on the basis of the current compensation of the member's position at the service retirement date.

### **Service Retirement**

#### **Eligibility for Service Retirement**

For Tier 1 Benefits (applicable to General Employees enrolled prior to January 1, 2014 and all Fire and Police Employees), eligibility for service retirement is as defined under 36-05-01 as follows:

- a) A service retirement allowance is payable to any member who elects to retire after attaining the minimum service retirement age, which is age 60 for General Employees and age 57 for policemen and firemen.
- b) General Employees that have attained age 55 and completed 30 years of qualifying time are eligible for service retirement.
- c) Policemen who participate in the Combined Fund are eligible for service retirement at any age after attaining 25 years of fire or police qualifying time, if they were hired prior to December 20, 2015.
- d) Policemen who participate in the Combined Fund, who have attained age 50 are eligible for service retirement after completing 25 years of police qualifying time, if they were hired on/after December 20, 2015.
- e) Firemen who participate in the Combined Fund, who have attained age 49 and completed 22 years of fire or police qualifying time, are eligible for service retirement, if they were hired prior to July 30, 2016.
- f) Firemen who participate in the Combined Fund, who have attained age 52 and completed 25 years of fire qualifying time, are eligible for service retirement, if they were hired on/after July 30, 2016.

- g) Policeman and firemen who are not participants in the Combined Fund are eligible for service retirement after attaining age 52 and completing 25 years of fire or police qualifying time.

For Tier 2 Benefits (applicable to General Employees enrolled on or after January 1, 2014), eligibility for service retirement is as defined under 36-05-01 as follows:

- a) A service retirement allowance is payable to any member who elects to retire after attaining the minimum service retirement age, which is age 65 for General Employees.
- b) General Employees that have attained age 60 and completed 30 years of qualifying time are eligible for service retirement.

#### Amount of Service Retirement Allowance

The amount of a member's service retirement allowance under 36-05-01 is equal to the following:

- a) For General Employees, enrolled prior to January 1, 2014, 2% of final average salary for each year of creditable service, imputed military service, or seasonal service limited to 70% of final average salary. For General Employees, enrolled on or after January 1, 2014, 1.6% of final average salary for each year of creditable service, imputed military service, or seasonal service limited to 70% of final average salary.
- b) For firemen enrolled prior to March 1, 1989, and policemen enrolled prior to July 1, 1989, and who were in active service on or after January 1, 1995, 2.5% of final average salary for each year of creditable service or imputed service (of any kind).
- c) For firemen enrolled after February 28, 1989, and policemen enrolled after June 30, 1989, 2.5% of final average salary for each year of creditable service or imputed military service, limited to 90% of final average salary, plus 2.5% of final average salary for each year of imputed fire and police service or imputed service under the dissolution of the Firemen and Policemen's Survivorship Fund.
- d) For elected officials enrolled prior to January 1, 2014, 2.6% of final average salary for each year of creditable service as an elected official for years before 1996, limited to 70% of the final average salary; from 1996 forward the rate of accrual for creditable service, imputed military service, or seasonal service is 2.5% except for the mayor, who will have an accrual rate of 2.0%, limited to 70% of the final average salary, except for elected officials who were enrolled prior to 2014 and are first elected to office on or after January 1, 2014, in which case their accrual rate is 2% for each year if they contribute 5.5% of their earnable compensation, or 2.5% for each year if they contribute 7% of their earnable compensation. For elected officials enrolled on or after January 1, 2014, 1.6% of final average salary for each year of creditable service as an elected official limited to 70% of the final average salary.

#### Funds Charged with Service Retirement Allowance

For individuals participating in the Combined Fund, service retirement allowance payments are charged to the Combined Fund. For all other individuals, the service retirement allowance is charged to (i) the Retirement Fund if the member's enrollment date is prior to February 1, 1996, and (ii) the Combined Retirement and Disability Fund if the member enrolled on or after February 1, 1996.

## **Ordinary Disability Retirement Allowance**

### **Eligibility for Ordinary Disability Retirement Allowance**

A member who the medical council certifies is mentally or physically incapacitated for further performance of duty that such incapacity is likely to be permanent and that such member should be retired, is eligible for the ordinary disability retirement allowance. The ordinary disability allowance is not payable if the member qualifies for the duty disability allowance.

### **Amount of Ordinary Disability Retirement Allowance**

Imputed service credit and seasonal service credit are not used in any part of the calculation of the Ordinary Disability Retirement Allowance. The “service retirement allowance” referred to below is calculated based on creditable service only.

- a) For General Employees, 90% of the service retirement allowance based on creditable service to date of disability retirement, but no less than 25% of final average salary, provided such amount does not exceed 90% of the retirement allowance payable had the member continued in service to the minimum service retirement age.
- b) For policemen and firemen hired after January 1, 1971, who have 5 years of service, 25% of final average salary plus 2% thereof for each year of creditable service in excess of 5 years up to a maximum of 50% of final average salary.
- c) For policemen and firemen hired before January 1, 1971, the greater of the benefit described in (a), or the benefit described in (b).
- d) The benefit is payable for life while the member remains disabled, except that for General Employees with less than 10 years of qualifying time, the duration is limited to one-fourth (1/4) of the period of the service accrued to the date of disability.
- e) Members receiving benefits for life may elect reduced benefits under an optional form of payment in order to provide a death benefit to a designated beneficiary.

### **Funds Charged with Ordinary Disability Retirement Allowance**

Ordinary disability retirement allowance payments are charged to the Combined Fund if the eligible individual is a participant in the Combined Fund. Otherwise, the allowance is charged to (i) the Retirement Fund, if the member’s enrollment date is before February 1, 1996, and (ii) the Combined Retirement and Disability Fund, if the member’s enrollment date is on or after February 1, 1996.

## **Duty Disability Retirement Allowance**

### **Eligibility for Duty Disability Retirement Allowance**

If a member becomes permanently and totally incapacitated for duty as a result of the performance of his duty, and his mental or physical incapacitation is medically certified, such member is eligible for a duty disability retirement allowance. Unless the member is beyond his/her conversion age, in which case the member would be eligible for an extended lifetime Duty Disability benefit. The medical certification is made by the Medical Council for General Employees, for members of the MPA enrolled after June 28, 2005, and for members of the MPFFA enrolled after December 13, 2005 with disability based on a mental injury. For all other members, the medical certification is made by the Medical Panel, except as indicated below. There are certain diseases that are considered presumptive for purposes of duty disabilities.

All new duty disability applications are reviewed by the Medical Council effective June 19, 2016 for MPA members, effective January 1, 2016 for MPSO members, and effective July 29, 2016 for MPFFA members.

Effective July 14, 2015, a new state law was enacted related to duty disability benefits for mental injuries (section 62.624 Wis. Stat.). The ERS may only provide a duty disability benefit for a mental injury if the following criteria are met:

- a) The mental injury resulted from a situation of greater dimensions than the day-to-day mental stresses and tension and post-traumatic stress that all similarly situated Employees must experience as part of the employment, **and**
- b) The employer certifies that the mental injury is a duty-related injury.

Only if a duty-related mental injury has occurred, can the duty disability application be forwarded to the Medical Panel or Medical Council for the examination and requisite certification.

### **Amount of Duty Disability Related Benefits**

Imputed service credit and seasonal service credit are not used when calculating a duty disability retirement allowance. Imputed service credit or seasonal service credit is used when calculating the conversion service retirement allowance referred to in paragraphs (a) - (c) below. Eligibility for imputed military service credit depends upon the date of the conversion, not upon the date of the duty disability retirement.

- a) For General Employees, the duty disability retirement allowance equals 75% of the member's final average salary. Members receive the allowance, while disability continues, until the later of age 65, or for a period of 5 years, at which time they convert to a service retirement allowance. General Employees receiving duty disability benefits may elect reduced benefits under an optional form of payment in order to provide a death benefit to a designated beneficiary.
- b) For firemen and policemen, the duty disability retirement allowance is 75% of the current annual salary for the position held by the member at retirement, plus \$40 per month for each child younger than age 18 (up to a maximum of 20% of the member's salary). In certain cases of extreme disability, when approved by a panel of physicians, the disability allowance will be 90% of such salary. Duty disability benefits paid to firemen on account of heart and lung disease are at the 75% level. In the event of the death of a policeman or fireman receiving a 75% or 90% disability allowance, 70% or 75%, respectively, of the amount of the member's allowance shall be paid to the member's spouse during her lifetime.

The 90% duty disability allowances are payable for life. For policemen enrolled on or after January 1, 1990, and firemen enrolled on or after December 17, 1989, the 75% duty disability allowances are payable until the earlier of attainment of age 57, or completion of 25 years of service and attainment of age 52, at which time the member must either convert to a service retirement allowance or irrevocably elect to receive a recalculated duty disability allowance, referred to as an extended life duty disability allowance, as described in (c), below. Different conversion age requirements apply to policemen enrolled prior to January 1, 1990, and firemen enrolled prior to December 17, 1989, as discussed in (d), below. A fireman or policeman who becomes duty disabled on or after his conversion age may choose between a service retirement or extended life duty disability retirement.

- c) The extended life duty disability allowance referred to in (b), above, equals the lesser of the conversion service retirement allowance, or 75% of the current annual salary, provided further that the benefit will not be less than 57% of current annual salary for a fireman, or 60% of current annual salary for a policeman. "Current annual salary" here refers to the salary at the conversion age, for the position held by the member at the time of injury. The extended life duty disability allowance is payable for life and, unlike the duty disability allowance, is a fixed amount that does not change after the conversion age, notwithstanding any cost of living adjustments. Firemen or policemen receiving extended life duty disability benefits may elect reduced benefits under an optional form of payment in order to provide a death benefit to a designated beneficiary. Their spouses are not eligible to receive the 70% benefit payable to surviving spouses of firemen and policemen who die while in receipt of the 75% duty disability benefit.
- d) For policemen enrolled prior to January 1, 1990, and firemen enrolled prior to December 17, 1989, the conversion age determination depends upon the member's enrollment date and whether or not the member signed the DeBraska II release form.

Under Charter Ordinance 980130 Substitute 2 (DeBraska I), duty disabled firemen and policemen who retired on duty disability before October 17, 1992, have a conversion age equal to the greater of the conversion age in effect when they were enrolled, or the conversion age in effect at the time of their disability retirement.

Under Charter Ordinance 000789 (DeBraska II), duty disabled firemen and policemen who signed the DeBraska II release form are subject to the following conversion requirements: (i) members retired on duty disability prior to February 8, 1972, will receive duty disability benefits for life; (ii) members enrolled prior to February 8, 1972, who are either policemen who retired on duty disability on or after August 1, 1985, or firemen who retired on duty disability on or after March 1, 1984, will have a conversion age of 63; (iii) members enrolled on or after February 8, 1972, who retired on duty disability on or after October 17, 1992, will not be required to convert to service retirement prior to the conversion age requirements that were in effect when they enrolled; and (iv) for all other members who signed the DeBraska II release form, there is no difference between the conversion requirements of Charter Ordinance 980130 Substitute 2, and Charter Ordinance 000789. In general, only members who were duty disabled prior to January 1, 2001 were given the opportunity to sign the DeBraska II release form.

Under the Charter Ordinance (which reflects the Rehrauer decision) firemen and policemen who retire (or previously retired) on duty disability and who did not sign the DeBraska II release form will convert at the highest conversion age agreed upon during their

employment (Section 36-05-3). Members who enrolled prior to February 8, 1972, who are either policemen who retired on duty disability on or after November 1, 1976, or firemen who retired on duty disability on or after October 1, 1977, will receive duty disability for life if they did not sign the DeBraska II release form, and will have a conversion age of 63 if they did sign the DeBraska II release form.

#### Funds Charged with Duty Disability Related Benefits

- a) For participants in the Combined Fund, duty disability benefits paid to members, benefits paid to survivors of members who die while duty disabled, child allotment payments, conversion service retirement benefits, and extended life duty disability benefits are paid from the Combined Fund.
- b) For General Employees who do not participate in the Combined Fund, duty disability benefits, and survivor benefits paid to beneficiaries of General Employees who elect an optional form of payment and die while disabled, are paid from (i) the General Employees Duty Disability Fund if the member's enrollment date is prior to February 1, 1996, and (ii) the Combined Retirement and Disability Fund if the member's enrollment date is on or after February 1, 1996.
- c) For members who do not participate in the Combined Fund, benefits paid after conversion to either a service retirement allowance or an extended life disability benefit are charged to (i) the Retirement Fund if the member's enrollment date is prior to February 1, 1996, and (ii) the Combined Retirement and Disability Fund if the member's enrollment date is on or after February 1, 1996.

#### **Ordinary Death Benefit**

##### Eligibility and Amount of Ordinary Death Benefit

- a) In the event of death of a member while in service, a death benefit equal to the sum of the member's accumulated contributions, plus if the member has one or more years of active service, one-half his final average salary is payable to the designated beneficiary. Optional forms of payment of such benefit to the beneficiary are provided. If the member had elected a protective survivorship option – and duty death benefits are not payable – such option will become effective and the ordinary death benefit will not be payable. If a duty death benefit is payable the ordinary death benefit will not be paid.
- b) Unless the member elects an optional death benefit, the death benefit subsequent to retirement is the amount remaining, if any, of the member's contributions with interest to retirement less the sum of the allowance payments made prior to the member's death.

##### Funds Charged with Ordinary Death Benefits

Ordinary death benefits paid on behalf of a participant in the Combined Fund are charged to the Combined Fund. Otherwise, ordinary death benefits are charged to (i) the Retirement Fund if the member's enrollment date is prior to February 1, 1996, and (ii) the Combined Retirement and Disability Fund if the member's enrollment date is on or after February 1, 1996.

## **Protective Survivorship Option**

### **Eligibility and Amount of Protective Survivorship Option**

Firemen may elect a Protective Survivorship Option (PSO) during the 6 months that precede the earlier of attainment of age 49 and completion of 22 years of qualifying time as a fireman or policeman, or age 52 and 25 years of qualifying time as a fireman or policeman, or age 57. Policemen may elect a Protective Survivorship Option (PSO) during the 6 months that precede the earlier of attainment of age 57, or completion of 25 years of qualifying time as a policeman or fireman. Firemen and policemen who fail to elect a PSO during the eligible period are deemed to have elected an Option 2 PSO with the spouse as the named beneficiary.

General Employees who enrolled prior to January 1, 2014, may elect a PSO during the 6 months that precede the earlier of attainment of age 60 or completion of 30 years of qualifying time and attainment of age 55. General Employees who enrolled on or after January 1, 2014, may elect a PSO during the 6 months that precede the earlier of attainment of age 65, or completion of 30 years of qualifying time and attainment of age 60.

Firemen and policemen are allowed to reselect a PSO if they marry, or divorce, and to select a different option and/or beneficiary at retirement, if they wish. As of June 5, 2012, General Employees may also reselect a PSO if they marry, or divorce, or select a different option and/or beneficiary at retirement.

The PSO may be canceled if the joint annuitant predeceases the member before retirement; or if the member is divorced from the joint annuitant before retirement.

Under a PSO, if a member eligible to retire on a service retirement allowance dies prior to retirement, benefits begin to the named beneficiary just as if the member retired under such option immediately prior to his or her death, except that imputed service credit arising from the dissolution of the Firemen and Policemen's Survivorship Fund will not be used in the calculation of the PSO benefit. If a fireman eligible for PSO coverage dies prior to age 49, benefits for the named beneficiary will be deferred until the date the fireman would have attained age 49. Imputed military service, imputed fire and police service, and seasonal service credit may be used in the calculation of the deferred PSO benefit.

In all cases where the requirements are met for both a PSO benefit and a duty death benefit, the duty death benefit will be payable in lieu of the PSO.

### **Funds Charged with PSO Benefits**

PSO benefits for participants in the Combined Fund are charged to the Combined Fund. Benefits for individuals who do not participate in the Combined Fund are charged to (i) the Retirement Fund if the member's enrollment date is prior to February 1, 1996, and (ii) the Combined Retirement and Disability Fund if the member's enrollment date is on or after February 1, 1996.

## **Duty Death Benefits**

### **Eligibility and Amount of Duty Death Benefits**

In the event the member's death occurs in the performance of his duty, a lump sum payment equal to the member's accumulated contributions, plus an annuity of 60% of such deceased member's final average salary will be paid to one of the following (payable in this order):

- The member's surviving spouse
- The member's children until their 21st birthday
- The member's dependent parents
- Death of a fireman that is due to heart or lung disease is considered a duty death.

### **Funds Charged with Duty Death Benefits**

Benefits payable to participants in the Combined Fund are charged to the Combined Fund. Heart & Lung duty death benefits payable to individuals who are not participants in the Combined Fund are charged to the Heart & Lung Fund. Duty death benefits (other than Heart & Lung) payable to individuals who are not participants in the Combined Fund are charged to (i) the Retirement Fund for members whose enrollment dates are prior to February 1, 1996; and (ii) the Combined Retirement and Disability Fund for members whose enrollment dates are on or after February 1, 1996.

## **Member Contributions**

Member contribution rates are the following percentages of annual salary:

General Employees	5.5% (tier 1 – enrolled prior to January 1, 2014) 4.0% (tier 2 – enrolled on or after January 1, 2014)
Firemen and Policemen	7.0%
Elected Officials	7.0% (tier 1 – enrolled prior to January 1, 2014 and elected to an office prior to January 1, 2014; if enrolled prior to January 1, 2014, and elected or the first time to an office on or after January 1, 2014, and employee was paying contributions prior to being elected, employee pays contributions at the rate they were paying prior to becoming an elected official; if enrolled prior to January 1, 2014, and elected or the first time to an office on or after January 1, 2014, and employer was picking up contributions on behalf of the employee prior to being elected, employer pays 7.0%)  4.0% (tier 2 – enrolled on or after January 1, 2014)

Under state law, per 2011 Wisconsin Act 10, participating employers are no longer permitted to make contributions on the member's behalf (with the exception of contractually agreed upon arrangements).

Member contributions made for or by participants in the Combined Fund are credited to the Combined Fund. Member contributions made for or by individuals who are not participants in the Combined Fund are credited to (i) the Retirement Fund for members whose enrollment dates are prior to February 1, 1996; and (ii) the Combined Retirement and Disability Fund for members whose enrollment dates are on or after February 1, 1996.

## **Pension Escalators**

Several different pension escalators are paid by the ERS as listed and described under section 36-05-1(h). They are as follows:

- Fire and Police \$50 Escalator

### **Eligible Groups and Amounts**

- a) Firemen in Local 215 who retired under a service retirement allowance between March 1, 1990, and December 31, 1992; members of the Milwaukee Police Association (MPA) who retired under a service retirement allowance between January 1, 1990, and December 31, 1992; members of the Milwaukee Police Supervisors Organization who retired under a service retirement allowance between January 1, 1991, and December 31, 1992; and firemen in Local 215 or members of the MPA who elect a deferred retirement allowance after separating from service between January 1, 1993, and December 31, 1994, with 25 years of service; are eligible for a pension escalator which increases their allowance by \$50 per month on the 4th, 7th, and 10th anniversary of retirement.
- b) Members who both retired on duty disability and converted from duty disability to service retirement during the eligibility period are eligible for the escalators on the 4th, 7th, and 10th anniversaries of their conversion dates.
- c) The surviving spouses of eligible retirees, or of members who died during the eligibility period, are eligible provided that the member elected an optional benefit at retirement – or elected a protective survivorship option (PSO) prior to retirement – with the spouse as beneficiary. The member's surviving spouse receives increases on the member's 4th, 7th, and 10th anniversary of retirement (or spouse's retirement date in the case of a PSO) with the amount of the escalator adjusted to reflect the option elected by the member.

### **Funds Charged with Duty Death Benefits**

Fire and Police \$50 escalators paid to participants in the Combined Fund are charged to the Combined Fund.

Fire and Police \$50 escalators paid to individuals who are not participants in the Combined Fund are charged to the Retirement Fund.

- January 1996 Catch-up COLA for pre-October, 1987 Retirees

### **Eligible Group**

- a) General Employees that attained the minimum service retirement age and retired with a service retirement allowance prior to October 1, 1987, or who retired on a duty disability allowance and converted to a service retirement allowance prior to October 1, 1987.
- b) Firemen and policemen who retired prior to October 1, 1987, who became eligible to retire on service retirement at age 57, or after attaining age 52 and completing 25 years of service. Also, firemen and policemen who retired on a duty disability allowance and converted to a service retirement allowance prior to October 1, 1987.

- c) Surviving spouses of eligible retirees, or of members who elected a PSO and died prior to October 1 1987, after naming their spouse as the designated beneficiary under Option 2, Option 3, or Option 4 with a percentage to the beneficiary.

#### Timing and Amount of Increase

The catch-up COLA was a permanent increase in the ERS monthly benefit which was granted effective January 1, 1996. The increase was an amount equal to (i) the total ERS benefit in payment, multiplied by the greater of (ii) the total percentage change in the cost of living for each full calendar month between the 8th anniversary of service retirement and October 1, 1995, and (iii) the total percentage change required to bring the member's allowance to 60% of its full inflation adjusted value considering inflation for the period from retirement to October 1, 1995. The percentage change in the cost of living was measured by the increase in the CPI-U, U.S. Cities, as reported by the U.S. Department of Labor, Bureau of Labor Statistics.

When the catch-up COLA was calculated, the factor was not applied to supplemental, pass through benefits, which are paid by the ERS but are not a liability of the ERS. These pass through benefits, which appear on the pension payroll data supplied to the actuary, are part of an old guaranteed minimum program. The ERS is a paying agent for these benefits, but is reimbursed by the City for all such payments.

#### Funds Charged

Catch-up COLA amounts paid to participants in the Combined Fund are charged to the Combined Fund. Catch-up COLA amounts paid to individuals who are not participants in the Combined Fund are charged to the Retirement Fund.

- 2% Escalator for pre-1993 Retirees

#### Eligible Group

- a) General Employees that attained the minimum service retirement age and retired with a service retirement allowance prior to January 1, 1993, or who retired on a duty disability allowance and converted to a service retirement allowance prior to January 1, 1993.
- b) Firemen and policemen who retired prior to January 1, 1993, who became eligible to retire on service retirement at age 57, or after attaining age 52 and completing 25 years of service. Also, firemen and policemen who retired on a duty disability allowance and converted to a service retirement allowance prior to January 1, 1993.
- c) Surviving spouses of eligible members who elected Option 3 with the spouse as the beneficiary, or of members who died prior to January 1, 1993 after electing an Option 3 PSO with the spouse as the beneficiary.

### Timing and Amount of Increase

The first increase occurs with the later of the January 1996 installment or the installment next following the 8th anniversary of the member's service retirement date (or the 8th anniversary of the surviving spouse's retirement date in the case of a PSO). Thereafter, increases occur annually on the anniversary of the first increase.

The first increase is 2% of the total ERS benefit in payment. That is, the monthly benefit to which the increase is applied includes \$50 fire and police escalators, and the January, 1996 catch-up COLA amount, if any, but it excludes supplemental pass through payments, if any. Increases after the first are also 2%, and are compounded -- that is, they are applied to the total ERS benefit in payment, including all prior increases, and again, excluding any supplemental pass through payments. (The benefit initially payable to an eligible spouse upon the member's death includes 50% of any increases in payment at the member's death.)

### Funds Charged

2% escalators paid to participants in the Combined Fund are charged to the Combined Fund. 2% escalators paid to individuals who are not participants in the Combined Fund are charged to the Retirement Fund.

- CPI Escalator for post-1992 Fire and Police Retirees who don't Participate in the Combined Fund and Pre-2000 CPI Escalator for post-1992 Fire and Police Retirees who do Participate in the Combined Fund

### Eligible Group

- a) Firemen and policemen in active service on or after January 1, 1993, who become eligible to retire on service retirement at age 57 or after attaining age 52 and completing 25 years of service.
- b) Firemen and policemen who retire on either a 75% Fire & Police duty disability benefit or a Heart & Lung duty disability benefit (i) between January 1, 1993, and December 31, 1994, and thereafter convert to service retirement; or (ii) on or after January 1, 1995, and who are eligible to elect between service retirement and extended life duty disability benefits at their conversion age.
- c) Police in active service on or after January 1, 1995, who separate with 25 years of service and elect a deferred retirement allowance.
- d) Surviving spouses of eligible members who elect Option 2 or 3, or who elect Option 4 with a percentage to the spouse, or who elect a PSO with a percentage to the spouse.

### Timing and Amount of Increase

For members who retired on service retirement between January 1, 1993, and December 31, 1994; or who retired on duty disability between January 1, 1993, and December 31, 1994, and later convert to service retirement; and for eligible surviving spouses of members who died prior to retirement between January 1, 1993, and December 31, 1994, with PSO coverage in effect; the first increase occurs for March of the year following the first full calendar year of service retirement. For all others, the first increase occurs one full year after the member's service retirement date. Thereafter, increases occur annually on the anniversary of the first increase.

The monthly benefit is increased by an amount equal to (i) the total allowance for the preceding December (including all prior increases), multiplied by the lesser of (ii) 3%, and (iii) the increase in the CPI-U, U.S. Cities Average, for the calendar year preceding the increase. (The benefit initially payable to an eligible spouse upon the member's death includes a proportionate share of any increases in payment at the member's death, based on the option elected.)

### Funds Charged

Benefits payable to participants in the Combined Fund are charged to the Combined Fund. For individuals who are not participants in the Combined Fund: (i) benefits are charged to the Retirement Fund for members whose enrollment dates are prior to February 1, 1996; and (ii) benefits are charged to the Combined Retirement and Disability Fund for members whose enrollment dates are on or after February 1, 1996.

- Post-1999 CPI Escalator for post-1992 Fire and Police Retirees who Participate in the Combined Fund

### Eligible Group

The eligible group is restricted to individuals who were firemen and policemen who retired on duty disability between October 17, 1992, and December 31, 1992; or who were in active service on or after January 1, 1993, who either retire as firemen or policemen, or who die in active service as firemen or policemen; and their eligible surviving spouses. The types of benefits that receive the CPI escalator include:

- a) The service retirement allowance and ordinary disability retirement allowance.
- b) Benefits paid to members after the duty disability conversion age: the conversion service retirement allowance or the extended life duty disability retirement allowance.
- c) Benefits paid to members after separation from service: the deferred retirement allowance, early retirement allowance, involuntary separation allowance, or the ERS allowance paid under the County transfer or State reciprocity provisions.
- d) The spouse survivor allowance paid to the surviving spouse of an eligible member who elects Option 2 or 3, or who elects Option 4 with a percentage to the spouse, or who elects a PSO with a percentage to the spouse.
- e) The fire and police or heart & lung duty disability surviving spouse allowance.
- f) The duty death surviving spouse allowance.

#### Timing and Amount of Increases that occur after 1999

- a) The first post-1999 increase occurs the later of March 2000 and March of the year following the first full calendar year of retirement for: members who retired on service retirement or ordinary disability between January 1, 1993, and December 31, 1994; or who convert to service retirement after a period of duty disability which commenced between January 1, 1993, and December 31, 1994; or who separated from service between January 1, 1993, and December 31, 1994, and subsequently retire on a deferred, early, involuntary separation, or County transfer/ State reciprocity allowance; eligible spouse survivors of such members, including PSO spouse survivors when the member died between January 1, 1993, and December 31, 1994; duty death surviving spouses of members who died between January 1, 1993, and December 31, 1994; and duty disability surviving spouses where both the member's duty disability retirement date and duty disabled death date were between January 1, 1993, and December 31, 1994.
- b) The first post-1999 increase occurs the later of the year 2000 anniversary or the first anniversary of the member's date of death for: duty disability surviving spouses where the member's duty disability death date is on or after January 1, 1995.
- c) For all others, the first post-1999 increase occurs the later of the year 2000 anniversary or the first anniversary of the member's retirement or pre-retirement death. (Note: this group includes members who retired on duty disability between October 17, 1992, and December 31, 1994, who subsequently elect an extended life duty disability retirement allowance, and members who retired on duty disability between October 17, 1992, and December 31, 1992, who subsequently convert to service retirement.)

Thereafter, increases occur annually on the anniversary of the first post-1999 increase.

The monthly benefit is increased by an amount equal to (i) the total allowance for the preceding December (including all prior increases), multiplied by the lesser of (ii) 3%, and (iii) the increase in the CPI-U, U.S. Cities Average, for the calendar year preceding the increase. If the member retired on duty disability between October 17, 1992, and December 31, 1992, and subsequently converts to service retirement, then the 2nd, 3rd, and 4th increases will not be less than 1.5%, and the 5th and subsequent increases will not be less than 2%. (The benefit initially payable to an eligible spouse upon the member's death includes a proportionate share of any increases in payment at the member's death, based on the option elected.)

#### Funds Charged

The CPI escalator is charged to the Combined Fund.

- 2% Guarantee for Fire and Police CPI Escalator for Participants in Combined Fund

The eligible group is restricted to firemen and policemen who retire on service retirement, their spouse survivors, and PSO spouse survivors. In addition, firemen members of Local 215 and policemen members of the MPA must have been in active service on or after January 1, 1998; policemen members of the MPSO must have been in active service on or after January 1, 1999; and non-represented firemen and policemen must have been in active service on or after January 1, 2000. The benefit is a guarantee that the CPI Escalator will not be less than 2% per annum.

- 2% Escalator for post-1992 General Employee Retirees who do Not Participate in Combined Fund

#### Eligible Group

- a) General Employees who retire on a service retirement allowance on or after January 1, 1993 who have either (i) attained age 60, or (ii) completed 30 years of service and attained age 55.
- b) General Employees receiving a duty disability retirement allowance who convert to service retirement on or after January 1, 1993.
- c) Spouses of eligible members who either elect Option 3 at retirement with the spouse as beneficiary, or who die after electing an Option 3 PSO with the spouse as beneficiary.

#### Timing and Amount of Increase

The first increase occurs with the installment next following the 8th anniversary of the member's service retirement or conversion to service retirement date (or the 8th anniversary of the surviving spouse's retirement date in the case of a PSO). Thereafter, increases occur annually on the anniversary of the first increase.

Each increase is 2%, and increases after the first are compounded -- that is, they are applied to the total benefit in payment, including all prior increases. (The benefit initially payable to an eligible spouse upon the member's death includes 50% of any increases in payment at the member's death.)

#### Funds Charged

For members whose enrollment dates are prior to February 1, 1996, the 2% escalator for post-1992 general employee retirees is paid from the Retirement Fund. For members whose enrollment dates are on or after February 1, 1996, the 2% escalator for post-1992 general employee retirees is paid from the Combined Retirement and Disability Fund.

- Post-1999 1.5% / 2% Escalator for General Employee Retirees and for Pre-1993 Fire and Police Retirees who Participate in the Combined Fund

#### Eligible Group

The eligible group includes (i) pre-1993 retirees and surviving spouses who are not eligible for either the 2% Escalator for pre-1993 retirees, or the Post-1999 CPI Escalator for post-1992 fire and police retirees; and (ii) post-1992 general employee retirees and their surviving spouses. The types of benefits that receive the 1.5%/2% escalator include:

- a) The service retirement allowance and ordinary disability retirement allowance for all members, and the duty disability retirement allowance for General Employees.

- b) Benefits paid to members after the duty disability conversion age: the conversion service retirement allowance for all members or the extended life duty disability retirement allowance for fire and police.
- c) Benefits paid to members after separation from service: the deferred retirement allowance, early retirement allowance, involuntary separation allowance, or the ERS allowance paid under the County transfer or State reciprocity provisions.
- d) The spouse survivor allowance paid to the surviving spouse of an eligible member who elects Option 2 or 3, or who elects Option 4 with a percentage to the spouse, or who elects a PSO with a percentage to the spouse.
- e) The fire and police or heart & lung duty disability surviving spouse allowance.
- f) The duty death surviving spouse allowance.

#### Timing and Amount of Increases that occur after 1999

- a) The first post-1999 increase occurs for January 2000 for eligible Option 2 and 4 spouse survivors of members retired on a service retirement allowance or a conversion service retirement allowance - and for eligible Option 2 and 4 PSO spouse survivors - when the member's date of retirement or pre-retirement death was prior to January 1988.
- b) The first post-1999 increase occurs the later of the year 2000 anniversary or the 2nd anniversary of the member's date of death for: duty disability surviving spouses of firemen and policemen.
- c) For all others, the first post-1999 increase occurs the later of the year 2000 anniversary or the 2nd anniversary of the member's retirement or pre-retirement death.

Thereafter, increases occur annually on the anniversary of the first increase.

All increases for the group described in paragraph (a) are 2% increases. For paragraphs (b) and (c), an increase which takes effect on the 2nd, 3rd, or 4th anniversary is a 1.5% increase. An increase which takes effect on the 5th or subsequent anniversary is a 2% increase. Increases after the first one are compounded -- that is, they are applied to the total benefit in payment, including all prior increases. (The benefit initially payable to an eligible spouse upon the member's death includes the spouse's proportionate share of any increases in payment at the member's death, based on the option elected.)

Tier 2 Employees receive an increase of 2% on the fifth anniversary of their retirement and on each anniversary that follows, but only for service retirement.

#### **Fire and Police Survivorship Benefits Prior to the Global Pension Settlement**

The survivors of firemen or policemen who die in active service or while in receipt of a disability allowance may be entitled to a survivorship benefit. The survivorship benefit is payable to the spouse of the deceased member provided the spouse has one or more eligible children in her care. Eligible children include unmarried children who are either under the age of 18, or are over age 18, but who suffer from a disability which commenced before the age of 18. The amount of the survivorship benefit for a death occurring in 2000 is \$600 monthly for the spouse and one child or for two or more eligible children. If there is no surviving widow and only one child, the benefit is \$300. Upon attainment of age 57, \$300 is payable to the spouse for her lifetime. Benefits payable to a spouse cease on remarriage and benefits payable in respect of children cease on attainment of age 18 (unless disabled prior to age 18) or marriage. For member deaths that occurred prior to 2000 the monthly amount payable depends upon the plan provisions in effect at the member's death.

## **Fire and Police Survivorship Benefits for Survivors Participating in the Combined Fund**

Survivors of firemen or policemen who died prior to 2000 while in active service or while retired on disability (and contributing to the Fire and Police Survivorship Fund) may be entitled to a survivorship benefit. The survivorship benefit is payable to the spouse of the deceased member provided the spouse has one or more eligible children in her care. For participants in the Combined Fund, the amount of the survivorship benefit for a death occurring prior to 2000 is \$600 monthly for the spouse and one child under age 18, or for two or more children under age 18. If there is no surviving widow and only one child, the benefit is \$300. The monthly amount payable to a disabled child over the age of 18 depends upon the plan provisions in effect at the member's death. Upon attainment of age 57, \$300 is payable to the spouse for her lifetime. Benefits payable to a spouse cease on remarriage and benefits payable in respect of children cease on attainment of age 18 (unless disability commenced prior to age 18) or marriage.

Survivorship Benefits for Participants in the Combined Fund are charged to the Combined Fund.

## **Separation Benefits**

### **Eligibility and Amounts**

Should a member separate from service, and no other benefit is payable, such a member will possibly be entitled to one of the options outlined below. Additional eligibility information about Separation Benefits is provided under 36-05-6.

- a) If the member has less than four years of creditable service, a refund of member contributions (not paid by the member's employer). Interest at 4.0% per annum on the 4%, 5.5%, or 7% member paid contributions is also payable.
- b) If the member has four years of creditable service, a deferred allowance payable at the minimum service retirement age.
- c) A refund of the member contributions and interest, including contributions paid on the member's behalf, is payable to (i) General Employees after 4 years of creditable service, or (ii) firemen or policemen after 10 years of creditable service.
- d) If the member's service is involuntarily terminated, or the member terminates voluntarily after attaining age 55 and completing 15 years of creditable service, such member may elect to receive a deferred allowance at the minimum service retirement age, or an immediate allowance that is the actuarial equivalent of the deferred allowance.
- e) If the member has 25 years of qualifying time as a fireman or policeman, and is not participating in the Combined Fund, a deferred allowance payable at age 52.
- f) If the member is a fireman with 25 years of qualifying time as a fireman or policeman, had not attained age 49 at the date of separation from service, and is participating in the Combined Fund, a deferred allowance payable at age 52.

Imputed service credit and seasonal service credit are not used when calculating separation benefits.

### Funds Charged with Separation Benefits

Benefits paid to participants in the Combined Fund are charged to the Combined Fund. Separation benefits paid to individuals not participating in the Combined Fund are charged to (i) the Retirement Fund if the member's enrollment date is prior to February 1, 1996, and (ii) the Combined Fund if the member's enrollment date is on or after February 1, 1996.

### Lump Sum Bonus Payments

Under the Global Pension Settlement, various lump sum bonus payments may be made to eligible individuals participating in the Combined Fund. An individual may be eligible for one or more types of lump sum bonus payments.

### Eligibility for Lump Sum Bonus Payments

Only individuals participating in the Combined Fund can become eligible for the following types of lump sum bonus payments. In addition, the following conditions apply to the individual lump sum bonuses.

- a) 5% lump sum bonus: Members who are inactive as of January 1, 2000, will become eligible at the time that their deferred retirement allowance commences.

Members in active service as of January 1, 2000, will become eligible when they first retire.

If a member in active service as of January 1, 2000, dies prior to retirement and the member's surviving spouse is eligible for either a surviving spouse duty death benefit (including Heart & Lung duty death) or a PSO spouse survivor benefit then the surviving spouse is eligible for this bonus payment.

Only one 5% lump sum bonus will be paid on account of an individual member. Thus, if a member receiving a duty disability retirement allowance receives a 5% lump sum bonus on account of the duty disability benefit, then the member will not be eligible for an additional 5% lump sum bonus at the time of conversion.

- b) 8.6% lump sum bonus: A fireman or policeman in active service as of January 1, 2000, who (i) retires as a fireman or policeman on a service retirement allowance; or (ii) converts to service retirement or elects an extended life duty disability retirement allowance after retiring as a fireman or policeman on duty disability; (iii) attains age 63 while in receipt of an ordinary disability retirement allowance or a lifetime Fire & Police or Heart & Lung duty disability retirement allowance, is eligible for this bonus so long as the member did not receive 2 years of imputed service credit under the dissolution of the Firemen and Policemen's Survivorship Fund; (iv) or retires as a fireman or policeman on an extended life duty disability.

If a fireman or policeman in active service as of January 1, 2000, dies prior to retirement and the member's surviving spouse is eligible for either a surviving spouse duty death benefit (including Heart & Lung duty death) or a PSO spouse survivor benefit then the surviving spouse is eligible for this bonus payment.

A fireman or policeman retired on disability as of January 1, 2000, who is also an active member of the Firemen and Policemen's Survivorship Fund as of January 1, 2000 - under age 57 at 1/1/2000, and made all required contributions to the Survivorship Fund – is eligible for this bonus if he (i) converts to service retirement or elects an extended life duty disability retirement allowance; or (ii) is ineligible to convert to service retirement and attains age 63 while in receipt of the disability retirement allowance; provided that he (iii) did not receive 2 years of imputed service credit under the dissolution of the Firemen and Policemen's Survivorship Fund.

#### Amount of Lump Sum Bonus Payments

Age factors are used in the 5% lump sum bonus and the 8.6% lump sum bonus calculations. The age factors for these bonus payments are contained in s. 36-05-11-a.

- a) 5% lump sum bonus: For members who are either inactive or active as of January 1, 2000, who retire in the future, the bonus payment equals 5% times their initial annual retirement allowance times a factor based on attained age on the retirement date. The retirement allowance used in the bonus calculation is to be reduced for early retirement, if applicable, but is not to be reduced for any optional election the member might have made under s. 36-05-7.

If a member in active service as of January 1, 2000 dies prior to retirement and the member's surviving spouse is eligible for this bonus payment, then the bonus will equal 5% times the spouse's initial annual benefit times a factor based on the spouse's attained age when the benefit commences.

- b) 8.6% lump sum bonus: In the explanation that follows, whenever an annual allowance is used in calculating a bonus due to a member, the allowance used is the allowance that would be paid if the member did not elect an option under s. 36-05-7.

For members who retire on service retirement: 8.6% times the annual service retirement allowance times a factor based on attained age at retirement.

For surviving spouses who receive either a PSO benefit or a duty death benefit: 8.6% times the initial annual allowance payable to the spouse times a factor based on the spouse's attained age when the benefit commences.

For a member who is retired on duty disability as of January 1, 2000 - or who retires on duty disability thereafter - and who is eligible to convert to service retirement: 8.6% times the annual conversion service retirement allowance earned as of the conversion age times a factor based on attained age at conversion.

For a member who is retired on disability as of January 1, 2000 – or who retired on disability thereafter – who is ineligible to convert to service retirement, and who is age 63 or younger at the later of 1/1/2000 or the disability retirement date: 8.6% times the “hypothetical” annual conversion service retirement allowance earned at age 63 times the attained age factor for age 63. The “hypothetical” allowance is calculated as if the member were eligible to convert at age 63.

For a member who retires on disability after January 1, 2000, who is older than age 63 at the disability retirement date: 8.6% times the annual disability allowance payable when the allowance commences times a factor based on the member's attained age at retirement.

Funds Charged

The 5% lump sum bonus and the 8.6% lump sum bonus are paid from the Combined Fund.

**Benefits Not Valued**

None.

# STATISTICAL SECTION

## Overview of the Statistical Section

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The Statistical Section presents detailed information that assists users in using the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of ERS. The source of the information in this section is derived from ERS internal records.

### *Financial Trends*

The following schedule shows trend information about the changes and growth in ERS's fiduciary net position over the past 10 years:

- Changes in Fiduciary Net Position

### *Demographic and Economic Information*

These schedules offer demographic and economic indicators to help readers understand the environment within which the System's financial activities take place.

- Schedule of Retired Members by Type of Pension Benefit
- Schedule of Average Benefit Payment Amounts – Age/Service
- Schedule of Average Benefit Payment Amounts – Death
- Schedule of Average Benefit Payment Amounts – Disability
- Principal Participating Employers

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**Changes in Fiduciary Net Position**  
**For Last Ten Fiscal Years**  
**(in thousands)**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Additions</b>										
Member contributions	\$ 32,191	\$ 32,633	\$ 32,085	\$ 32,494	\$ 35,918	\$ 49,553	\$ 43,663	\$ 42,624	\$ 38,809	\$ 35,325
Employer contributions	87,661	96,389	83,166	83,524	74,095	72,198	72,844	79,533	100,159	17,350
Investment earnings (net of expenses)	409,136	893,279	(160,190)	787,809	383,747	34,982	238,985	798,204	539,970	(67,932)
<b>Total additions to fiduciary net position</b>	<b>528,988</b>	<b>1,022,301</b>	<b>(44,939)</b>	<b>903,827</b>	<b>493,760</b>	<b>156,733</b>	<b>355,492</b>	<b>920,361</b>	<b>678,938</b>	<b>(15,257)</b>
<b>Deductions</b>										
Benefit payments										
Age/Service	391,317	371,719	354,553	343,430	313,927	301,667	289,877	280,110	269,885	254,487
Death	2,366	1,148	1,970	2,305	2,167	2,287	2,208	2,170	1,883	1,699
Disability	31,712	32,349	32,366	34,266	30,843	29,382	29,194	28,416	27,711	26,942
<b>Total benefit payments</b>	<b>425,395</b>	<b>405,216</b>	<b>388,889</b>	<b>380,001</b>	<b>346,937</b>	<b>333,336</b>	<b>321,279</b>	<b>310,696</b>	<b>299,479</b>	<b>283,128</b>
Refund of contributions										
Final death payout	1,287	1,150	1,647	1,688	971	949	1,486	1,624	1,223	1,272
Retirement lump sum equivalent	1,504	215	142	223	332	294	359	437	505	432
Withdrawal	764	2,505	2,848	3,420	3,063	2,910	6,045	3,702	1,232	733
<b>Total refunds of contributions</b>	<b>3,555</b>	<b>3,870</b>	<b>4,637</b>	<b>5,331</b>	<b>4,366</b>	<b>4,153</b>	<b>7,890</b>	<b>5,763</b>	<b>2,960</b>	<b>2,437</b>
Administrative expenses	7,381	7,018	7,181	8,637	8,096	9,686	10,831	11,745	9,739	12,134
Interfund Transfers	-	-	-	-	-	10,400	13,400	18,399	-	-
<b>Total deductions from fiduciary net position</b>	<b>436,331</b>	<b>416,104</b>	<b>400,707</b>	<b>393,969</b>	<b>359,399</b>	<b>357,575</b>	<b>353,400</b>	<b>346,603</b>	<b>312,178</b>	<b>297,699</b>
<b>Change in fiduciary net position</b>	<b>\$ 92,657</b>	<b>\$ 606,197</b>	<b>\$ (445,646)</b>	<b>\$ 509,858</b>	<b>\$ 134,361</b>	<b>\$ (200,842)</b>	<b>\$ 2,092</b>	<b>\$ 573,758</b>	<b>\$ 366,760</b>	<b>\$ (312,956)</b>

*For the fiscal years ended 2013, 2014, and 2015, the presentation of interfund transfers has been reclassified from refunds of contributions to interfund transfers.*

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**Schedule of Retired Members by Type of Pension Benefit**  
**As of December 31, 2020**

Amount of Annual Pension Benefit	Number of Recipients	Type of Pension Benefit		
		Age/Service	Death	Disability
General City				
\$0 - \$10,000	4,311	3,833	136	342
\$10,001 - \$20,000	2,286	2,031	50	205
\$20,001 - \$30,000	1,695	1,594	4	97
\$30,001 - \$40,000	1,239	1,198	1	40
\$40,001 - \$50,000	615	607	-	8
\$50,001 - \$60,000	288	284	-	4
\$60,001 - \$70,000	147	147	-	-
\$70,001 - \$80,000	74	74	-	-
\$80,001 - \$90,000	28	28	-	-
\$90,001 - \$100,000	18	18	-	-
\$100,001 - \$110,000	6	6	-	-
\$110,001 - \$120,000	3	3	-	-
\$130,001 - \$140,000	1	1	-	-
Totals	10,711	9,824	191	696
Police				
\$0 - \$10,000	145	130	12	3
\$10,001 - \$20,000	203	184	12	7
\$20,001 - \$30,000	164	145	5	14
\$30,001 - \$40,000	284	258	2	24
\$40,001 - \$50,000	318	298	1	19
\$50,001 - \$60,000	678	616	1	61
\$60,001 - \$70,000	592	557	-	35
\$70,001 - \$80,000	236	226	-	10
\$80,001 - \$90,000	95	93	-	2
\$90,001 - \$100,000	30	30	-	-
\$100,001 - \$110,000	23	23	-	-
\$110,001 - \$120,000	8	8	-	-
\$120,001 - \$130,000	2	2	-	-
\$130,001 - \$140,000	3	3	-	-
\$140,001 - \$150,000	2	2	-	-
\$150,001 - \$160,000	-	-	-	-
\$160,001 - \$170,000	1	1	-	-
Totals	2,784	2,576	33	175
Fire				
\$0 - \$10,000	71	56	7	8
\$10,001 - \$20,000	82	71	2	9
\$20,001 - \$30,000	92	69	5	18
\$30,001 - \$40,000	141	109	-	32
\$40,001 - \$50,000	205	171	-	34
\$50,001 - \$60,000	330	274	-	56
\$60,001 - \$70,000	364	268	-	96
\$70,001 - \$80,000	109	97	-	12
\$80,001 - \$90,000	79	77	-	2
\$90,001 - \$100,000	42	41	-	1
\$100,001 - \$110,000	12	12	-	-
\$110,001 - \$120,000	9	9	-	-
\$120,001 - \$130,000	4	4	-	-
\$130,001 - \$140,000	3	3	-	-
\$140,001 - \$150,000	3	3	-	-

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**Schedule of Average Benefit Payment Amounts – Age/Service**  
**For Last Ten Fiscal Years**

Retirement Year	Employment Class	Category	Age/Service						
			Service Credit						
			0-5	5-10	11-15	16-20	20-25	26-30	31+
2011	General City	Average Annual Benefits	\$ 1,681	\$ 3,558	\$ 7,201	\$ 10,732	\$ 15,271	\$ 21,538	\$ 27,433
		Average Final Average Salary	\$ 19,829	\$ 21,785	\$ 24,505	\$ 28,297	\$ 32,941	\$ 36,374	\$ 39,101
		Number of Retired Members	508	1,226	1,017	1,064	979	1,218	2,236
	Police	Average Annual Benefits	\$ 12,343	\$ 8,249	\$ 12,021	\$ 19,971	\$ 33,770	\$ 37,467	\$ 42,827
		Average Final Average Salary	\$ 62,188	\$ 36,345	\$ 36,906	\$ 39,599	\$ 43,400	\$ 44,493	\$ 44,188
		Number of Retired Members	10	15	9	15	226	904	863
	Fire	Average Annual Benefits	\$ 2,654	\$ 10,774	\$ 10,507	\$ 15,377	\$ 32,590	\$ 38,092	\$ 42,684
		Average Final Average Salary	\$ 17,505	\$ 23,134	\$ 43,226	\$ 29,446	\$ 49,529	\$ 46,011	\$ 44,930
		Number of Retired Members	4	5	3	5	79	313	552
2012	General City	Average Annual Benefits	\$ 1,752	\$ 3,757	\$ 7,395	\$ 11,231	\$ 16,116	\$ 22,446	\$ 29,186
		Average Final Average Salary	\$ 20,581	\$ 22,750	\$ 25,361	\$ 29,649	\$ 33,909	\$ 37,763	\$ 40,200
		Number of Retired Members	524	1,288	1,039	1,103	1,006	1,239	2,259
	Police	Average Annual Benefits	\$ 10,976	\$ 8,452	\$ 13,502	\$ 21,093	\$ 34,833	\$ 39,836	\$ 45,298
		Average Final Average Salary	\$ 53,178	\$ 36,345	\$ 37,337	\$ 40,257	\$ 44,020	\$ 45,456	\$ 45,213
		Number of Retired Members	12	15	10	18	227	905	869
	Fire	Average Annual Benefits	\$ 2,699	\$ 10,518	\$ 16,107	\$ 16,000	\$ 36,774	\$ 39,413	\$ 44,719
		Average Final Average Salary	\$ 17,505	\$ 24,102	\$ 43,226	\$ 35,371	\$ 52,276	\$ 48,444	\$ 45,710
		Number of Retired Members	4	6	3	6	80	326	556
2013	General City	Average Annual Benefits	\$ 1,837	\$ 3,870	\$ 7,633	\$ 11,726	\$ 16,806	\$ 23,178	\$ 30,200
		Average Final Average Salary	\$ 21,545	\$ 23,675	\$ 26,459	\$ 30,661	\$ 35,368	\$ 39,095	\$ 41,391
		Number of Retired Members	541	1,341	1,061	1,123	1,014	1,264	2,254
	Police	Average Annual Benefits	\$ 10,704	\$ 7,571	\$ 14,146	\$ 21,041	\$ 35,993	\$ 41,140	\$ 47,335
		Average Final Average Salary	\$ 51,974	\$ 37,145	\$ 40,425	\$ 42,244	\$ 46,552	\$ 46,433	\$ 46,235
		Number of Retired Members	13	17	11	19	226	914	868
	Fire	Average Annual Benefits	\$ 2,745	\$ 10,105	\$ 16,521	\$ 17,930	\$ 36,802	\$ 42,199	\$ 45,320
		Average Final Average Salary	\$ 17,505	\$ 25,052	\$ 43,226	\$ 40,650	\$ 53,476	\$ 50,684	\$ 46,605
		Number of Retired Members	4	7	3	7	86	331	565
2014	General City	Average Annual Benefits	\$ 1,932	\$ 4,083	\$ 7,888	\$ 12,092	\$ 17,610	\$ 23,781	\$ 30,727
		Average Final Average Salary	\$ 21,809	\$ 24,397	\$ 27,271	\$ 31,455	\$ 36,225	\$ 40,389	\$ 42,471
		Number of Retired Members	551	1,402	1,070	1,143	1,006	1,296	2,280
	Police	Average Annual Benefits	\$ 11,032	\$ 7,979	\$ 14,413	\$ 21,691	\$ 36,392	\$ 42,096	\$ 48,371
		Average Final Average Salary	\$ 51,974	\$ 35,813	\$ 43,783	\$ 45,067	\$ 46,953	\$ 47,130	\$ 47,082
		Number of Retired Members	13	17	13	20	228	924	872
	Fire	Average Annual Benefits	\$ 2,792	\$ 10,382	\$ 16,804	\$ 19,832	\$ 38,748	\$ 43,372	\$ 47,302
		Average Final Average Salary	\$ 17,505	\$ 25,052	\$ 43,226	\$ 43,025	\$ 55,286	\$ 51,958	\$ 48,195
		Number of Retired Members	4	7	3	8	90	341	562
2015	General City	Average Annual Benefits	\$ 1,991	\$ 4,255	\$ 8,309	\$ 12,541	\$ 18,101	\$ 24,946	\$ 31,947
		Average Final Average Salary	\$ 22,370	\$ 25,181	\$ 28,282	\$ 32,174	\$ 37,678	\$ 42,241	\$ 43,590
		Number of Retired Members	572	1,441	1,068	1,148	1,008	1,323	2,286
	Police	Average Annual Benefits	\$ 11,241	\$ 6,993	\$ 15,952	\$ 24,070	\$ 39,029	\$ 42,750	\$ 49,811
		Average Final Average Salary	\$ 51,974	\$ 36,363	\$ 45,816	\$ 45,734	\$ 48,781	\$ 49,122	\$ 47,978
		Number of Retired Members	13	21	14	19	218	950	870
	Fire	Average Annual Benefits	\$ 2,841	\$ 9,707	\$ 13,086	\$ 22,290	\$ 39,423	\$ 44,635	\$ 48,604
		Average Final Average Salary	\$ 17,505	\$ 25,720	\$ 43,802	\$ 43,025	\$ 56,688	\$ 53,316	\$ 49,154
		Number of Retired Members	4	8	4	8	94	347	557

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**Schedule of Average Benefit Payment Amounts – Age/Service**  
**For Last Ten Fiscal Years**

Age/Service - Continued									
Retirement Year	Employment Class	Category	Service Credit						
			0-5	5-10	11-15	16-20	20-25	26-30	31+
2016	General City	Average Annual Benefits	\$ 2,029	\$ 4,342	\$ 8,455	\$ 12,760	\$ 18,514	\$ 25,975	\$ 32,531
		Average Final Average Salary	\$ 22,634	\$ 25,694	\$ 29,210	\$ 33,330	\$ 38,696	\$ 43,430	\$ 44,644
		Number of Retired Members	591	1,493	1,094	1,176	1,018	1,337	2,313
	Police	Average Annual Benefits	\$ 10,689	\$ 7,428	\$ 16,958	\$ 24,777	\$ 38,908	\$ 43,989	\$ 51,088
		Average Final Average Salary	\$ 50,632	\$ 36,078	\$ 45,816	\$ 47,087	\$ 48,979	\$ 51,967	\$ 48,721
		Number of Retired Members	14	24	14	19	222	985	866
	Fire	Average Annual Benefits	\$ 2,890	\$ 9,782	\$ 16,452	\$ 22,595	\$ 38,227	\$ 45,319	\$ 48,852
		Average Final Average Salary	\$ 17,505	\$ 25,720	\$ 43,802	\$ 43,025	\$ 59,582	\$ 55,504	\$ 51,893
		Number of Retired Members	4	8	4	8	106	363	567
2017	General City	Average Annual Benefits	\$ 2,096	\$ 4,430	\$ 8,763	\$ 13,324	\$ 19,037	\$ 26,583	\$ 33,276
		Average Final Average Salary	\$ 23,289	\$ 26,128	\$ 29,934	\$ 34,209	\$ 39,784	\$ 44,761	\$ 46,059
		Number of Retired Members	602	1,522	1,104	1,185	1,031	1,357	2,363
	Police	Average Annual Benefits	\$ 11,044	\$ 8,016	\$ 15,306	\$ 26,203	\$ 41,359	\$ 45,231	\$ 52,108
		Average Final Average Salary	\$ 50,632	\$ 37,646	\$ 46,698	\$ 47,087	\$ 50,984	\$ 55,902	\$ 50,640
		Number of Retired Members	14	24	17	19	212	1,092	878
	Fire	Average Annual Benefits	\$ 2,829	\$ 11,696	\$ 15,561	\$ 21,233	\$ 40,455	\$ 47,937	\$ 52,389
		Average Final Average Salary	\$ 20,169	\$ 25,720	\$ 43,471	\$ 43,025	\$ 62,265	\$ 57,378	\$ 53,802
		Number of Retired Members	5	8	5	8	117	376	575
2018	General City	Average Annual Benefits	\$ 2,149	\$ 4,552	\$ 9,001	\$ 13,492	\$ 19,642	\$ 27,379	\$ 34,536
		Average Final Average Salary	\$ 23,695	\$ 26,975	\$ 30,734	\$ 34,961	\$ 40,767	\$ 46,009	\$ 47,329
		Number of Retired Members	617	1,560	1,118	1,202	1,054	1,377	2,373
	Police	Average Annual Benefits	\$ 8,578	\$ 8,543	\$ 16,217	\$ 24,061	\$ 42,583	\$ 48,585	\$ 54,637
		Average Final Average Salary	\$ 49,931	\$ 41,594	\$ 45,854	\$ 47,632	\$ 51,925	\$ 58,490	\$ 51,979
		Number of Retired Members	16	29	17	22	210	1,133	866
	Fire	Average Annual Benefits	\$ 3,064	\$ 11,342	\$ 16,304	\$ 24,575	\$ 43,416	\$ 49,715	\$ 54,200
		Average Final Average Salary	\$ 20,169	\$ 28,340	\$ 43,471	\$ 47,079	\$ 63,897	\$ 58,938	\$ 54,760
		Number of Retired Members	5	8	5	7	125	384	578
2019	General City	Average Annual Benefits	\$ 2,309	\$ 4,766	\$ 9,444	\$ 14,051	\$ 20,978	\$ 29,037	\$ 36,204
		Average Final Average Salary	\$ 26,240	\$ 27,951	\$ 32,337	\$ 37,201	\$ 43,600	\$ 49,907	\$ 52,564
		Number of Retired Members	631	1,569	1,131	1,207	1,064	1,392	2,389
	Police	Average Annual Benefits	\$ 8,073	\$ 9,459	\$ 17,060	\$ 28,387	\$ 45,532	\$ 53,442	\$ 57,435
		Average Final Average Salary	\$ 40,409	\$ 41,313	\$ 48,305	\$ 56,393	\$ 58,400	\$ 66,113	\$ 59,847
		Number of Retired Members	17	32	17	28	198	1,176	865
	Fire	Average Annual Benefits	\$ 3,113	\$ 4,594	\$ 16,662	\$ 25,403	\$ 50,046	\$ 55,691	\$ 58,175
		Average Final Average Salary	\$ 20,169	\$ 28,340	\$ 43,470	\$ 53,147	\$ 69,313	\$ 65,246	\$ 62,582
		Number of Retired Members	5	7	5	8	131	405	576
2020	General City	Average Annual Benefits	\$ 2,358	\$ 4,745	\$ 9,383	\$ 13,913	\$ 20,112	\$ 28,116	\$ 35,985
		Average Final Average Salary	\$ 24,536	\$ 28,345	\$ 32,249	\$ 36,965	\$ 42,323	\$ 48,065	\$ 50,085
		Number of Retired Members	675	1,625	1,192	1,249	1,133	1,489	2,461
	Police	Average Annual Benefits	\$ 6,653	\$ 8,321	\$ 16,475	\$ 27,689	\$ 43,869	\$ 51,077	\$ 57,421
		Average Final Average Salary	\$ 40,253	\$ 41,058	\$ 46,638	\$ 59,151	\$ 53,897	\$ 63,925	\$ 55,786
		Number of Retired Members	23	41	19	33	208	1,345	907
	Fire	Average Annual Benefits	\$ 3,156	\$ 4,871	\$ 24,186	\$ 25,208	\$ 47,578	\$ 53,518	\$ 58,473
		Average Final Average Salary	\$ 20,169	\$ 43,405	\$ 43,471	\$ 57,604	\$ 67,320	\$ 64,965	\$ 58,130
		Number of Retired Members	5	8	6	14	141	492	599

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**Schedule of Average Benefit Payment Amounts – Death**  
**For Last Ten Fiscal Years**

Retirement Year	Employment Class	Category	Death						
			Service Credit						
			0-5	5-10	11-15	16-20	20-25	26-30	31+
2011	General City	Average Annual Benefits	\$ 3,218	\$ 4,135	\$ 6,337	\$23,774	\$ 7,534	\$ 8,773	\$11,704
		Average Final Average Salary	\$28,788	\$37,916	\$30,832	\$62,669	\$41,232	\$42,778	\$34,887
		Number of Retired Members	12	21	20	9	22	13	19
	Police	Average Annual Benefits	\$ 7,862	\$ 9,857	\$ 6,435	\$13,573	\$ 3,667	\$ 8,974	\$ 3,600
		Average Final Average Salary	\$38,070	\$45,226	\$39,073	\$42,317	\$ 6,666	\$41,827	N/A
		Number of Retired Members	16	14	7	7	6	4	1
	Fire	Average Annual Benefits	\$ 7,868	\$16,879	\$11,856	\$ 5,684	\$14,675	\$ 8,915	\$20,464
		Average Final Average Salary	\$18,719	\$28,131	\$22,685	\$16,421	\$33,687	\$24,215	\$34,107
		Number of Retired Members	6	2	4	3	3	2	2
2012	General City	Average Annual Benefits	\$ 4,101	\$ 4,473	\$ 7,018	\$22,843	\$ 6,635	\$10,617	\$10,788
		Average Final Average Salary	\$28,853	\$37,953	\$32,645	\$61,443	\$47,838	\$52,597	\$38,765
		Number of Retired Members	12	21	19	13	26	21	23
	Police	Average Annual Benefits	\$11,476	\$ 9,966	\$ 6,406	\$13,780	\$ 3,600	\$ 8,782	\$ 3,600
		Average Final Average Salary	\$23,692	\$45,409	\$39,734	\$43,123	N/A	\$42,543	N/A
		Number of Retired Members	9	14	7	7	5	4	1
	Fire	Average Annual Benefits	\$ 7,987	\$17,209	\$12,162	\$ 5,715	\$13,990	\$ 9,202	\$13,121
		Average Final Average Salary	\$19,116	\$28,683	\$24,912	\$16,574	\$34,225	\$24,674	\$21,868
		Number of Retired Members	6	2	3	3	3	2	2
2013	General City	Average Annual Benefits	\$ 4,416	\$ 3,965	\$ 6,086	\$16,268	\$ 9,348	\$12,462	\$13,035
		Average Final Average Salary	\$30,623	\$39,497	\$30,286	\$61,443	\$47,868	\$52,597	\$47,181
		Number of Retired Members	11	28	23	13	26	21	38
	Police	Average Annual Benefits	\$12,653	\$10,165	\$ 7,041	\$13,992	\$ 3,120	\$11,055	\$ 3,600
		Average Final Average Salary	\$23,244	\$45,740	\$40,409	\$43,946	N/A	\$43,274	N/A
		Number of Retired Members	8	14	6	7	5	3	1
	Fire	Average Annual Benefits	\$ 8,084	\$17,547	\$12,323	\$ 5,746	\$20,864	\$ 9,342	\$23,581
		Average Final Average Salary	\$19,438	\$29,245	\$25,317	\$16,731	\$34,774	\$25,141	\$39,301
		Number of Retired Members	6	2	3	3	2	2	1
2014	General City	Average Annual Benefits	\$ 4,842	\$ 4,614	\$ 8,328	\$15,425	\$ 9,285	\$12,560	\$16,308
		Average Final Average Salary	\$30,966	\$42,453	\$37,102	\$48,370	\$47,899	\$52,597	\$47,181
		Number of Retired Members	10	28	14	13	26	20	38
	Police	Average Annual Benefits	\$12,326	\$ 7,946	\$ 7,110	\$15,975	\$ 3,150	\$11,204	\$ 3,600
		Average Final Average Salary	\$22,621	\$46,388	\$41,097	\$44,785	N/A	\$44,020	N/A
		Number of Retired Members	8	14	6	6	4	3	1
	Fire	Average Annual Benefits	\$ 7,546	\$17,891	\$12,488	\$ 5,778	\$21,200	\$ 3,076	\$23,980
		Average Final Average Salary	\$19,692	\$29,819	\$25,729	\$16,890	\$35,334	\$ 4,252	\$39,967
		Number of Retired Members	6	2	3	3	2	2	1
2015	General City	Average Annual Benefits	\$ 4,891	\$ 4,931	\$ 7,908	\$12,165	\$ 9,508	\$12,560	\$15,342
		Average Final Average Salary	\$31,048	\$42,480	\$38,019	\$48,744	\$47,930	\$52,597	\$47,181
		Number of Retired Members	10	28	17	17	25	20	38
	Police	Average Annual Benefits	\$13,367	\$17,139	\$14,770	\$15,782	\$ 3,600	\$11,356	\$ 3,600
		Average Final Average Salary	\$24,992	\$28,565	\$62,160	\$45,640	N/A	\$44,780	N/A
		Number of Retired Members	7	6	10	6	3	3	1
	Fire	Average Annual Benefits	\$ 8,621	\$18,242	\$12,657	\$ 5,611	\$21,543	\$ 3,600	\$24,388
		Average Final Average Salary	\$19,948	\$30,403	\$26,150	\$17,053	\$35,905	N/A	\$40,647
		Number of Retired Members	5	2	3	3	2	1	1

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**Schedule of Average Benefit Payment Amounts – Death**  
**For Last Ten Fiscal Years**

<b>Death - Continued</b>									
<b>Retirement Year</b>	<b>Employment Class</b>	<b>Category</b>	<b>Service Credit</b>						
			<b>0-5</b>	<b>5-10</b>	<b>11-15</b>	<b>16-20</b>	<b>20-25</b>	<b>26-30</b>	<b>31+</b>
<b>2016</b>	<b>General City</b>	Average Annual Benefits	\$ 4,941	\$ 4,947	\$ 5,086	\$10,037	\$ 8,530	\$ 9,749	\$16,988
		Average Final Average Salary	\$31,132	\$42,508	\$38,019	\$45,675	\$51,104	\$56,809	\$50,694
		Number of Retired Members	10	28	17	21	29	24	30
	<b>Police</b>	Average Annual Benefits	\$13,450	\$17,415	\$14,813	\$19,073	\$ 3,600	\$11,511	\$ 3,600
		Average Final Average Salary	\$25,153	\$29,026	\$62,303	\$46,513	N/A	\$45,556	N/A
		Number of Retired Members	7	6	10	5	3	3	1
	<b>Fire</b>	Average Annual Benefits	\$ 7,416	\$18,600	\$12,828	\$ 6,966	\$21,892	\$ 3,600	\$24,804
		Average Final Average Salary	\$20,127	\$31,000	\$26,579	\$17,219	\$36,488	N/A	\$41,339
		Number of Retired Members	6	2	3	2	2	1	1
<b>2017</b>	<b>General City</b>	Average Annual Benefits	\$ 3,881	\$ 4,963	\$ 5,857	\$ 7,816	\$ 7,885	\$10,255	\$17,341
		Average Final Average Salary	\$33,585	\$42,537	\$35,417	\$43,227	\$50,959	\$57,001	\$51,088
		Number of Retired Members	14	28	13	25	45	24	31
	<b>Police</b>	Average Annual Benefits	\$13,593	\$17,698	\$14,857	\$19,393	\$ 3,600	\$10,118	\$ 3,600
		Average Final Average Salary	\$25,431	\$29,496	\$62,449	\$47,403	N/A	\$38,592	N/A
		Number of Retired Members	7	6	10	5	3	3	1
	<b>Fire</b>	Average Annual Benefits	\$ 7,924	\$18,965	\$13,003	\$ 7,017	\$22,249	\$ 3,600	\$25,228
		Average Final Average Salary	\$20,413	\$31,609	\$27,017	\$17,388	\$37,082	N/A	\$42,046
		Number of Retired Members	6	2	3	2	2	1	1
<b>2018</b>	<b>General City</b>	Average Annual Benefits	\$ 5,360	\$ 4,015	\$ 3,240	\$ 8,988	\$ 8,875	\$11,469	\$ 9,726
		Average Final Average Salary	\$35,969	\$42,566	\$45,266	\$39,896	\$48,195	\$51,554	\$57,259
		Number of Retired Members	13	28	17	25	41	20	23
	<b>Police</b>	Average Annual Benefits	\$10,530	\$17,985	\$14,451	\$17,851	\$ 8,117	\$ 3,600	\$ 3,600
		Average Final Average Salary	\$19,474	\$29,976	\$62,598	\$59,005	\$79,173	N/A	N/A
		Number of Retired Members	7	6	10	5	7	2	1
	<b>Fire</b>	Average Annual Benefits	\$ 7,784	\$19,338	\$13,182	\$ 7,068	\$22,613	\$ 3,600	\$25,660
		Average Final Average Salary	\$20,780	\$32,230	\$27,463	\$17,561	\$37,688	N/A	\$42,767
		Number of Retired Members	6	2	3	2	2	1	1
<b>2019</b>	<b>General City</b>	Average Annual Benefits	\$11,427	\$ 7,943	\$ 4,924	\$ 9,618	\$12,830	\$ 9,992	\$17,703
		Average Final Average Salary	\$37,487	\$47,985	\$48,432	\$39,576	\$38,736	\$32,327	\$36,499
		Number of Retired Members	5	8	7	8	11	8	4
	<b>Police</b>	Average Annual Benefits	\$12,261	\$17,162	\$12,761	\$32,230	\$ 6,151	\$ 3,300	\$ 3,600
		Average Final Average Salary	\$19,435	\$28,604	\$28,926	\$55,925	\$24,483	N/A	N/A
		Number of Retired Members	6	6	5	5	4	2	1
	<b>Fire</b>	Average Annual Benefits	\$ 9,059	\$19,718	\$11,612	\$ 7,121	\$24,337	\$ 3,600	\$26,101
		Average Final Average Salary	\$12,698	\$32,863	\$22,080	\$13,212	\$40,562	\$ 5,026	\$43,502
		Number of Retired Members	5	2	3	2	1	1	1
<b>2020</b>	<b>General City</b>	Average Annual Benefits	\$ 5,636	\$ 5,157	\$ 7,972	\$ 9,791	\$ 9,225	\$11,433	\$14,290
		Average Final Average Salary	\$37,581	\$44,012	\$60,477	\$39,633	\$48,498	\$51,554	\$55,845
		Number of Retired Members	18	16	37	29	64	20	7
	<b>Police</b>	Average Annual Benefits	\$12,423	\$20,595	\$ 9,498	\$23,234	\$ 9,401	\$ 3,600	\$ 3,600
		Average Final Average Salary	\$23,725	\$34,434	\$45,525	\$75,128	\$79,173	NA	NA
		Number of Retired Members	6	5	4	9	7	1	1
	<b>Fire</b>	Average Annual Benefits	\$ 8,866	\$20,041	\$16,721	\$ 7,152	\$24,671	\$ 3,600	\$26,467
		Average Final Average Salary	\$21,539	\$33,509	\$44,931	\$17,917	\$41,249	NA	\$44,252
		Number of Retired Members	5	2	2	2	1	1	1

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**Schedule of Average Benefit Payment Amounts – Disability**  
**For Last Ten Fiscal Years**

Retirement Year	Employment Class	Category	Disability						
			Service Credit						
			0-5	5-10	11-15	16-20	20-25	26-30	
2011	General City	Average Annual Benefits	\$ 17,881	\$ 8,467	\$ 8,995	\$ 11,294	\$ 13,053	\$ 16,090	\$ 18,187
		Average Final Average Salary	\$ 28,509	\$ 26,516	\$ 30,936	\$ 28,352	\$ 29,591	\$ 30,313	\$ 25,700
		Number of Retired Members	17	130	161	133	128	89	36
	Police	Average Annual Benefits	\$ 44,119	\$ 38,374	\$ 38,993	\$ 40,832	\$ 36,809	\$ 47,684	\$ 47,199
		Average Final Average Salary	\$ 55,844	\$ 64,018	\$ 59,208	\$ 60,139	\$ 53,699	\$ 68,483	\$ 67,088
		Number of Retired Members	17	28	30	33	29	14	20
	Fire	Average Annual Benefits	\$ 42,025	\$ 44,601	\$ 39,683	\$ 37,799	\$ 37,947	\$ 41,417	\$ 50,275
		Average Final Average Salary	\$ 60,245	\$ 61,846	\$ 63,139	\$ 62,914	\$ 56,472	\$ 64,088	\$ 76,566
		Number of Retired Members	20	31	28	49	41	50	27
2012	General City	Average Annual Benefits	\$ 14,894	\$ 9,325	\$ 9,480	\$ 11,248	\$ 13,687	\$ 17,014	\$ 19,268
		Average Final Average Salary	\$ 28,106	\$ 28,012	\$ 31,240	\$ 28,535	\$ 31,508	\$ 31,218	\$ 26,284
		Number of Retired Members	20	126	160	139	130	86	33
	Police	Average Annual Benefits	\$ 50,074	\$ 38,996	\$ 39,347	\$ 41,205	\$ 38,927	\$ 49,263	\$ 48,324
		Average Final Average Salary	\$ 65,276	\$ 66,229	\$ 60,353	\$ 62,198	\$ 55,809	\$ 69,579	\$ 67,088
		Number of Retired Members	15	30	31	35	28	14	20
	Fire	Average Annual Benefits	\$ 41,831	\$ 45,039	\$ 41,368	\$ 41,587	\$ 37,969	\$ 45,162	\$ 53,882
		Average Final Average Salary	\$ 61,065	\$ 64,243	\$ 65,431	\$ 63,677	\$ 57,428	\$ 66,849	\$ 77,336
		Number of Retired Members	20	32	30	50	42	50	28
2013	General City	Average Annual Benefits	\$ 19,451	\$ 9,389	\$ 9,211	\$ 10,314	\$ 14,517	\$ 17,107	\$ 18,194
		Average Final Average Salary	\$ 29,493	\$ 28,834	\$ 32,100	\$ 31,909	\$ 31,776	\$ 32,180	\$ 25,708
		Number of Retired Members	16	133	171	160	128	86	34
	Police	Average Annual Benefits	\$ 46,399	\$ 39,871	\$ 40,416	\$ 41,971	\$ 38,977	\$ 49,794	\$ 45,931
		Average Final Average Salary	\$ 61,480	\$ 64,090	\$ 62,804	\$ 61,593	\$ 59,361	\$ 69,842	\$ 67,886
		Number of Retired Members	16	32	33	36	28	14	21
	Fire	Average Annual Benefits	\$ 40,499	\$ 44,276	\$ 43,185	\$ 40,821	\$ 39,697	\$ 44,907	\$ 49,953
		Average Final Average Salary	\$ 59,775	\$ 61,483	\$ 66,071	\$ 63,440	\$ 59,370	\$ 66,115	\$ 75,187
		Number of Retired Members	20	34	32	52	42	50	30
2014	General City	Average Annual Benefits	\$ 18,708	\$ 9,611	\$ 9,403	\$ 11,043	\$ 13,646	\$ 18,109	\$ 18,019
		Average Final Average Salary	\$ 27,539	\$ 28,279	\$ 32,087	\$ 31,994	\$ 37,437	\$ 32,818	\$ 26,283
		Number of Retired Members	15	133	180	158	145	84	33
	Police	Average Annual Benefits	\$ 50,123	\$ 41,520	\$ 42,712	\$ 44,306	\$ 40,681	\$ 50,023	\$ 45,903
		Average Final Average Salary	\$ 66,647	\$ 66,192	\$ 62,040	\$ 64,594	\$ 58,626	\$ 69,890	\$ 65,227
		Number of Retired Members	15	33	34	36	28	14	21
	Fire	Average Annual Benefits	\$ 39,685	\$ 44,593	\$ 44,023	\$ 43,369	\$ 39,094	\$ 44,944	\$ 52,578
		Average Final Average Salary	\$ 59,781	\$ 62,726	\$ 65,435	\$ 64,797	\$ 58,235	\$ 68,050	\$ 77,203
		Number of Retired Members	20	33	33	50	41	54	30
2015	General City	Average Annual Benefits	\$ 19,075	\$ 9,537	\$ 9,559	\$ 11,193	\$ 14,170	\$ 19,033	\$ 19,735
		Average Final Average Salary	\$ 25,491	\$ 28,147	\$ 32,507	\$ 32,202	\$ 37,795	\$ 34,539	\$ 27,379
		Number of Retired Members	14	133	182	161	144	81	29
	Police	Average Annual Benefits	\$ 48,855	\$ 39,124	\$ 40,842	\$ 42,403	\$ 42,757	\$ 52,008	\$ 48,977
		Average Final Average Salary	\$ 64,689	\$ 62,994	\$ 59,312	\$ 61,801	\$ 62,513	\$ 71,666	\$ 66,246
		Number of Retired Members	15	33	36	36	28	14	20
	Fire	Average Annual Benefits	\$ 42,449	\$ 45,206	\$ 40,620	\$ 42,980	\$ 40,457	\$ 44,829	\$ 52,367
		Average Final Average Salary	\$ 65,481	\$ 64,009	\$ 64,085	\$ 63,882	\$ 61,057	\$ 68,086	\$ 76,838
		Number of Retired Members	18	32	36	50	39	58	32

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**Schedule of Average Benefit Payment Amounts – Disability**  
**For Last Ten Fiscal Years**

<b>Disability - Continued</b>									
<b>Retirement Year</b>	<b>Employment Class</b>	<b>Category</b>	<b>Service Credit</b>						
			<b>0-5</b>	<b>5-10</b>	<b>11-15</b>	<b>16-20</b>	<b>20-25</b>	<b>26-30</b>	<b>31+</b>
<b>2016</b>	<b>General City</b>	Average Annual Benefits	\$ 22,435	\$ 9,875	\$ 9,937	\$ 11,213	\$ 14,344	\$ 19,527	\$ 19,635
		Average Final Average Salary	\$ 29,740	\$ 28,875	\$ 32,647	\$ 32,813	\$ 38,407	\$ 35,348	\$ 27,993
		Number of Retired Members	12	133	176	161	140	78	28
	<b>Police</b>	Average Annual Benefits	\$ 60,448	\$ 47,224	\$ 48,980	\$ 47,777	\$ 51,388	\$ 56,365	\$ 52,484
		Average Final Average Salary	\$ 79,452	\$ 74,098	\$ 71,998	\$ 69,675	\$ 71,002	\$ 75,847	\$ 66,246
		Number of Retired Members	14	33	38	37	28	14	20
	<b>Fire</b>	Average Annual Benefits	\$ 41,396	\$ 44,862	\$ 41,587	\$ 40,471	\$ 40,655	\$ 47,560	\$ 53,366
		Average Final Average Salary	\$ 63,475	\$ 63,765	\$ 64,241	\$ 61,942	\$ 61,880	\$ 70,091	\$ 77,702
		Number of Retired Members	18	32	37	52	41	58	31
<b>2017</b>	<b>General City</b>	Average Annual Benefits	\$ 22,882	\$ 9,417	\$ 9,600	\$ 11,875	\$ 13,920	\$ 20,423	\$ 20,586
		Average Final Average Salary	\$ 30,090	\$ 29,583	\$ 32,948	\$ 33,274	\$ 36,145	\$ 36,187	\$ 27,036
		Number of Retired Members	12	141	186	158	144	77	26
	<b>Police</b>	Average Annual Benefits	\$ 56,361	\$ 42,779	\$ 48,749	\$ 46,454	\$ 47,113	\$ 56,586	\$ 51,247
		Average Final Average Salary	\$ 74,193	\$ 67,398	\$ 71,253	\$ 72,135	\$ 67,831	\$ 78,723	\$ 66,246
		Number of Retired Members	13	34	36	35	29	14	20
	<b>Fire</b>	Average Annual Benefits	\$ 48,429	\$ 55,565	\$ 50,837	\$ 55,184	\$ 48,302	\$ 54,320	\$ 63,596
		Average Final Average Salary	\$ 71,007	\$ 78,164	\$ 76,053	\$ 81,113	\$ 71,530	\$ 76,761	\$ 82,874
		Number of Retired Members	17	33	38	52	43	58	31
<b>2018</b>	<b>General City</b>	Average Annual Benefits	\$ 23,339	\$ 9,790	\$ 9,501	\$ 11,967	\$ 14,533	\$ 18,635	\$ 21,735
		Average Final Average Salary	\$ 30,448	\$ 29,746	\$ 33,471	\$ 34,062	\$ 36,476	\$ 36,728	\$ 27,571
		Number of Retired Members	12	133	193	160	137	85	23
	<b>Police</b>	Average Annual Benefits	\$ 53,898	\$ 44,200	\$ 49,099	\$ 48,487	\$ 47,837	\$ 57,648	\$ 48,808
		Average Final Average Salary	\$ 71,524	\$ 69,497	\$ 71,315	\$ 71,307	\$ 70,565	\$ 78,998	\$ 65,601
		Number of Retired Members	13	33	37	34	28	14	21
	<b>Fire</b>	Average Annual Benefits	\$ 49,931	\$ 47,452	\$ 47,234	\$ 49,220	\$ 48,607	\$ 51,174	\$ 59,296
		Average Final Average Salary	\$ 72,619	\$ 68,957	\$ 72,578	\$ 71,919	\$ 69,912	\$ 72,998	\$ 81,132
		Number of Retired Members	13	34	37	52	44	59	31
<b>2019</b>	<b>General City</b>	Average Annual Benefits	\$ 23,804	\$ 10,056	\$ 10,441	\$ 13,968	\$ 17,351	\$ 21,468	\$ 22,182
		Average Final Average Salary	\$ 30,743	\$ 29,828	\$ 34,414	\$ 37,022	\$ 41,194	\$ 44,100	\$ 36,060
		Number of Retired Members	12	121	172	137	115	71	21
	<b>Police</b>	Average Annual Benefits	\$ 58,446	\$ 48,053	\$ 50,976	\$ 45,527	\$ 57,926	\$ 63,741	\$ 56,804
		Average Final Average Salary	\$ 77,626	\$ 77,381	\$ 75,704	\$ 79,160	\$ 79,635	\$ 81,557	\$ 71,296
		Number of Retired Members	12	29	37	34	30	15	21
	<b>Fire</b>	Average Annual Benefits	\$ 50,358	\$ 50,626	\$ 46,885	\$ 51,367	\$ 48,879	\$ 55,498	\$ 68,092
		Average Final Average Salary	\$ 73,019	\$ 79,171	\$ 78,986	\$ 81,735	\$ 71,652	\$ 78,708	\$ 82,455
		Number of Retired Members	13	28	38	46	42	58	33
<b>2020</b>	<b>General City</b>	Average Annual Benefits	\$ 24,262	\$ 9,760	\$ 9,976	\$ 12,622	\$ 15,156	\$ 19,207	\$ 22,139
		Average Final Average Salary	\$ 31,156	\$ 30,114	\$ 34,153	\$ 35,447	\$ 37,703	\$ 35,821	\$ 29,132
		Number of Retired Members	11	118	182	157	132	76	20
	<b>Police</b>	Average Annual Benefits	\$ 57,599	\$ 46,814	\$ 51,089	\$ 46,024	\$ 50,060	\$ 59,407	\$ 53,095
		Average Final Average Salary	\$ 77,380	\$ 74,533	\$ 74,106	\$ 72,929	\$ 72,885	\$ 81,146	\$ 67,200
		Number of Retired Members	10	29	37	31	31	17	20
	<b>Fire</b>	Average Annual Benefits	\$ 44,270	\$ 51,043	\$ 44,850	\$ 47,361	\$ 47,255	\$ 54,210	\$ 61,644
		Average Final Average Salary	\$ 66,094	\$ 76,339	\$ 72,091	\$ 72,133	\$ 67,948	\$ 76,378	\$ 83,112
		Number of Retired Members	14	26	38	43	36	69	42

# EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE

## Principal Participating Employers Current Year and Nine Years Ago

	<u>As of December 31, 2020</u>			<u>As of December 31, 2011</u>		
	<u>Active</u>	<u>Percentage</u>	<u>Rank</u>	<u>Active</u>	<u>Percentage</u>	<u>Rank</u>
	<u>Members</u>	<u>of Total Plan</u>		<u>Members</u>	<u>of Total Plan</u>	
<b>Participating Government</b>						
City of Milwaukee	5,657	53.53%	1	6,102	57.33%	1
Milwaukee Public Schools	4,111	38.90%	2	3,635	34.15%	2
Milwaukee Water Works	343	3.25%	3	305	2.87%	3
Milwaukee Metropolitan Sewerage District	228	2.16%	4	225	2.11%	4
Housing Authority - City of Milwaukee	125	1.18%	5	186	1.75%	5
Wisconsin Center District	88	0.83%	6	91	0.85%	7
Veolia Water	15	0.14%	7	99	0.93%	6
Milwaukee Technical College	-	0.00%	N/A	1	0.01%	8
<b>Total</b>	<u>10,567</u>	<u>100%</u>		<u>10,644</u>	<u>100%</u>	

# Reporting and insights from 2020 audit:

## Employees' Retirement System of the City of Milwaukee

December 31, 2020

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# Executive summary

We have completed our audit of the financial statements of the Employees' Retirement System of the City of Milwaukee (the Plan) for the year ended December 31, 2020, and have issued our report thereon dated July 13, 2021. This letter presents communications required by our professional standards.

Your audit should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of your Plan's operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audit.

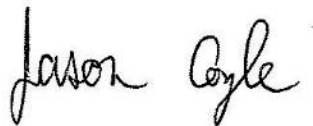
Additionally, we have included information on key risk areas plan management should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization's financial stability and future planning.

If you have questions at any point, please connect with us:

- Jason Coyle, CPA, Partner: [jason.coyle@bakertilly.com](mailto:jason.coyle@bakertilly.com) or +1 (630) 645 6205
- Darlene Middleman, CPA, Senior Manager: [darlene.middleman@bakertilly.com](mailto:darlene.middleman@bakertilly.com) or +1 (414) 777 5352

Sincerely,

Baker Tilly US, LLP

A handwritten signature in black ink that reads "Jason Coyle". The signature is written in a cursive, flowing style.

Jason Coyle, CPA, Partner

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THIS COMMUNICATION IS INTENDED SOLELY FOR THE INFORMATION AND USE OF THOSE CHARGED WITH GOVERNANCE, AND, IF APPROPRIATE, MANAGEMENT, AND IS NOT INTENDED TO BE AND SHOULD NOT BE USED BY ANYONE OTHER THAN THESE SPECIFIED PARTIES.

# Responsibilities

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# Responsibilities

## Our responsibilities




As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the Plan's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of those charged with governance:
  - Are free from material misstatement
  - Present fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America
- Performing tests related to compliance with certain provisions of laws, regulations, contracts and grants, as required by *Government Auditing Standards*

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of the Annuity and Pension Board ("those charged with governance"), including:

- Qualitative aspects of the Plan's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant difficulties encountered
- Disagreements with management
- Corrected and uncorrected misstatements
- Internal control matters
- Significant estimates
- Other findings or issues arising from the audit

## Management's responsibilities

Management	Auditor
 <p>Prepare and fairly present the financial statements</p>	<p>Our audit does not relieve management or those charged with governance of their responsibilities</p>
 <p>Establish and maintain effective internal control over financial reporting and compliance with laws and regulations</p>	<p>An audit includes consideration of internal control over financial reporting, but not an expression of an opinion on those controls</p>
 <p>Provide us with written representations at the conclusion of the audit</p>	<p>See Appendix for a copy of management's representations</p>

# Audit status



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# Audit status

## Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

## **Audit approach and results**



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# Audit approach and results

## Planned scope and timing

### Audit focus

Based on our understanding of the Plan and environment in which you operate, we focused our audit on the following key areas:

- Internal control over financial reporting and related tests of controls, including the risk of management override of controls.
- Fair value measurements and disclosures
- Revenue recognition related to contributions and investment income at the plan level, where applicable
- Benefit payment testing, including the appropriateness of the payment to eligible participants and compliance with plan documents.
- Areas with significant estimates

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about the Plan's current year results.

## Key areas of focus and significant findings

### Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinion
Improper revenue recognition due to fraud	Validation of certain revenues, including participant and agency contributions and investment transactions and income	Procedures identified provided sufficient evidence for our audit opinion

## Internal control matters

We considered the Plan's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements. We are not expressing an opinion on the effectiveness of the Plan's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

# Required communications

## Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Plan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing accounting policies was not changed during 2020. We noted no transactions entered into by the Plan during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.
- Accounting estimates: Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Actuarial Present Value of Accumulated Plan Benefits	Evaluation of information provided by the plan management and actuary calculations	Reasonable in relation to the financial statements as a whole
Fair Value of Investments	Investments are valued at fair market value based on information provided by investment brokers, including investments without readily available market values. Management estimates the fair market value of investments using the net asset value (NAV) of the underlying investments which is supported by audited financial statements at the financial statement date	Reasonable in relation to the financial statements as a whole

There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates, noted above.

- Financial statement disclosures: The disclosures in the financial statements are neutral, consistent and clear.

## **Significant difficulties encountered during the audit**

We encountered no significant difficulties in dealing with management and completing our audit.

## **Other audit findings or issues**

We encountered no other audit findings or issues that require communication at this time.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **Disagreements with management**

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

## **Uncorrected misstatements and corrected misstatements**

Professional standards require us to accumulate misstatements identified during the audit, other than those that are clearly trivial, and to communicate accumulated misstatements to management. The schedule within the Appendix summarizes the uncorrected misstatements that we presented to management, other than those that are clearly trivial, that, in our judgment, may not have been detected except through our auditing procedures. In our judgment, none of the uncorrected misstatements, either individually or in the aggregate, indicate matters that could have had a significant effect on the Plan's financial reporting process.

## **Significant unusual transactions**

There have been no significant transactions that are outside the normal course of business for the Plan or that otherwise appear to be unusual due to their timing, size or nature.

## **Management's consultations with other accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

## **Written communications between management and Baker Tilly**

The Appendix includes copies of other material written communications, including a copy of the management representation letter.

## **Compliance with laws and regulations**

We did not identify any non-compliance with laws and regulations during our audit.

## **Fraud**

We did not identify any known or suspected fraud during our audit.

## **Going concern**

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the Plan's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date the financial statements are issued or available to be issued, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's report. No such matters or conditions have come to our attention during our engagement.

## **Independence**

We are not aware of any relationships between Baker Tilly and the Plan that, in our professional judgment, may reasonably be thought to bear on our independence.

## **Related parties**

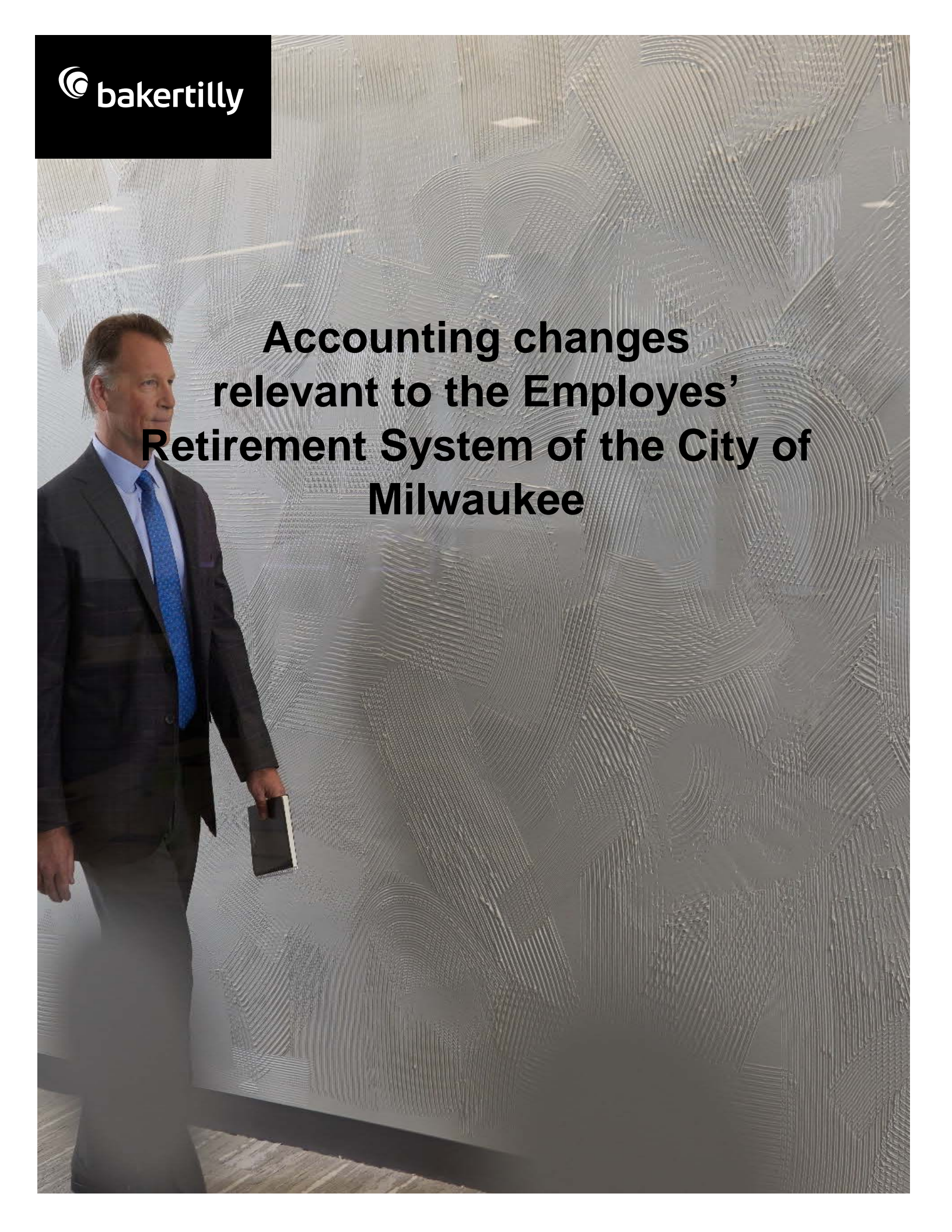
We did not have any significant findings or issues arise during the audit in connection with the Plan's related parties.

## Other matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information which accompanies the financial statements but is not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the other information, which accompanies the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

A man in a dark suit, light blue shirt, and blue patterned tie is walking from left to right. He is holding a black folder or book. The background is a large wall covered in numerous fingerprints, creating a complex, textured pattern. The lighting is soft, and the overall tone is professional and serious.

# **Accounting changes relevant to the Employees' Retirement System of the City of Milwaukee**

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# Accounting changes relevant to the Employees' Retirement System of the City of Milwaukee

## Future accounting standards update

GASB Statement Number	Description	Potentially Impacts you	Effective Date
87	Leases		12/31/22*

\*The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one and a half years. The effective date reflected above is the required revised implementation date.

Further information on upcoming [GASB pronouncements](#).

## Preparing for the new lease standard

GASB's new single model for lease accounting will be effective soon. This standard will require governments to identify and evaluate contracts that convey control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Contracts meeting the criteria for control, term and other items within the standard will result in recognizing a right to use asset and lease liability or a receivable and deferred inflow of resources.

We recommend the Plan review this standard and start planning now as to how this will affect your financial reporting. We recommend that you begin by completing an inventory of all contracts that might meet the definition of a lease. The contract listing should include key terms of the contracts such as:

- Description of contract
- Underlying asset
- Contract term
- Options for extensions and terminations
- Service components, if any
- Dollar amount of lease

In addition, the Plan should begin to establish a lease policy to address the treatment of common lease types, including a dollar threshold for each lease. We are available to discuss this further and help you develop an action plan.

Learn more about [GASB 87](#).

# Trending challenges and opportunities for organizations



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# Trending challenges and opportunities for organizations

Management and governing bodies must keep the future in mind as they evaluate strategies to achieve future growth. Keeping a balance between risk and sustainability is key, and organizations need to think beyond their immediate needs to their long-term goals. Economic uncertainty, coupled with key risk areas and fast-paced technology change, make strategic planning complex. Begin the discussion with your management team to find your path to your future.

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## Turning toward recovery and growth

Many organizations are focusing on the strategic restart and ramp up of their operations.

With great uncertainty about what recovery will look like—or how long it will take—it is essential for your organization to understand the scenarios you may face and plan your path back to growth.

We can help you chart a way forward that will enhance and maximize your value, minimize further disruption and keep your workforce safe.

### Recommendation

Follow our [road map](#) to reopen, recover and reset.



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## Employee health, safety and retention



### Challenge

Many employers have had to restructure their workforces in light of the pandemic and mandatory stay-at-home orders. What happens when the orders are lifted, business resumes and employees return to work?

Many factors will need to be considered as organizations focus on workforce planning.

### Recommendation

Learn more about [workforce planning, employment law considerations, training/re-skilling and outsourcing arrangements](#) that can support your overall workforce strategy through recovery.

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## Risk assessment

### Challenge



Organizations today manage ever-expanding priorities in a constantly evolving, disruptive risk environment. Undetected risks, insufficient internal controls and inefficient business processes may negatively impact not only the entity but also its workforce and the community at large.

Risk assessment and internal audit prove essential to identifying top risks and the appropriateness of response in order to:

- Manage risk and compliance
- Enhance governance and strategy
- Optimize operations
- Gain assurance around key functions and processes that contribute toward meeting organizational goals

### Recommendation

Learn about the key considerations for the [risk assessment process and internal audit planning](#).

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## Harnessing data and analytics for strategic insight and decision-making



### Challenge

In crisis and recovery, organizations are investing in advanced analytic solutions to help them not only make better decisions faster and more consistently, but also to improve operational efficiency and performance. Of all the business analytics available, advanced analytic solutions should be at the top of your priority list given the impact it can have on your business.

### Recommendation

Learn more about [data & analytics strategy and roadmaps, MDM and data process re-engineering, AI strategy, data visualization](#) and other digital and analytic capabilities.

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## Information technology and cybersecurity



### Challenge

While return-to-work scenarios are being developed, it is likely that remote workforces will remain a reality for many organizations in the short- to mid-term. Though many organizations have been able to adapt on a short-term basis, some will not be prepared for long-term operation on a remote and virtual basis. Organizations should increase monitoring of invasive cyber events, given the likely increase in hackers sending out fake emails, website links and ransomware attacks – and also consider:

- Adequacy of IT controls and security
- Performance of remote infrastructure supporting operations
- Improvements to remote applications for communication, collaboration and workflow
- Alternatives for data entry, work and information flow

### Recommendation

[Learn more](#) about information technology and cybersecurity, including [System & Organization Controls reporting](#).

# Appendix A: Management representation letter

July 13, 2021

Baker Tilly US, LLP  
777 East Wisconsin Avenue, 32<sup>nd</sup> Floor  
Milwaukee, Wisconsin 53202

We are providing this letter in connection with your audit of the financial statements and supplemental schedules of the Employees' Retirement System of the City of Milwaukee (ERS or the Plan) as of December 31, 2020, and for the year then ended.

We understand that your audit was made for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the fiduciary net position and changes in fiduciary net position of the Plan in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. We are responsible for the fair presentation in the Plan's financial statements of fiduciary net position and changes in fiduciary net position in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and for the fair presentation of the accompanying supplementary information. The financial statements and related footnotes are fairly presented in conformity with U.S. GAAP and the notes include all disclosures required by laws and regulations to which the Plan is subject.
2. We are responsible for compliance with local, state and federal laws, rules and regulations, including compliance with the requirements of contracts relating to the operations of the ERS. Our responsibility for establishing and maintaining the components of internal control relating to ERS activities in order to achieve the objectives of: providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. We are responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities of the ERS.

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3. The ERS has made available:
  - a. All related minutes of the meetings of the Annuity and Pension Board for the period January 1, 2020 to July 13, 2021 or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - b. Records and related data for all financial transactions and for all funds administered by the ERS. The records, books, and accounts, as provided, record the financial and fiscal operations of all funds administered by the ERS, and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.
  - c. Amendments made to the Plan instrument during the year, including amendments to comply with applicable laws, except as made known to Baker Tilly US, LLP.
  - d. Actuarial valuation reports and other reports prepared by the actuary for the Plan and the plan's sponsors.
4. There has been no:
  - a. Action taken by management that contravenes the provisions of federal laws and State of Wisconsin and City of Milwaukee laws and regulations or of contracts and grants applicable to the ERS.
  - b. Fraud involving management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements.
  - c. Communication from other governmental or regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices or other matters that could have a material effect on the financial statements.
5. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. Management has identified and disclosed all laws and regulations that have a direct and material effect on the determination of financial statement amounts, and they are in compliance with all such laws and regulations.
8. Management has no knowledge of any allegations of fraud or suspected fraud, affecting the Plan, received in communications from employees, former employees, analysts, regulators, beneficiaries, service providers, third party administrators, or others.
9. There are no plans or intentions that may materially affect the carrying value or classification of assets and liabilities. In this regard, there are no present intentions to terminate the Plan.
10. Provision, when material, has been made for losses to be sustained as a result of other-than-temporary declines in the fair value of investments.

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11. The following, to the extent applicable, have been properly recorded or disclosed in the financial statements or supplementary schedules:
  - a. Related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, guarantees (written or oral), and amounts receivable from or payable to related parties.
  - b. Guarantees, whether written or oral, under which the ERS is contingently liable.
  - c. Interfunded transactions, including repayment terms.
  - d. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
  - e. All off-balance-sheet derivative financial instruments (e.g., futures, options, swaps), including outstanding commitments to purchase or sell securities under forward placement and standby commitments.
  - f. Financial instruments with significant individual or group concentration of credit risk.
  - g. Changes in accounting principles affecting consistency, except for the recording of unearned contributions.
  - h. Agreements to repurchase assets previously sold.
12. All significant estimates and material concentrations known to management that are to be disclosed in accordance with accounting principals generally accepted in the United States of America. ERS understands that the significant estimates covered by this disclosure are estimates at the date of the statement of net position available for benefits that are reasonably possible to changing materially within the next year. Concentrations refer to the nature and type of investments held by the Plan, or markets for which events could occur which would significantly disrupt normal finances within the next year.
13. There are no:
  - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed.
  - c. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting for contingencies under U.S. GAAP.
  - d. Transactions that have not been properly recorded in the accounting records underlying the financial statements.
  - e. Material transactions that have not been properly recorded to be accrued or disclosed by ASC 450.

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- f. Assets held for investment purposes which were in default or that were considered to be uncollectible.
  - g. Other matters (e.g., breach of fiduciary responsibilities, nonexempt transactions, loans or leases in default, or events that may jeopardize the tax status) that legal counsel has advised us must be disclosed.
- 14. All required filings have been submitted to the appropriate regulatory agencies. The IRS issued a favorable letter of determination for the Plan on February 7, 2017.
- 15. The Plan, as written and in its operation, meets the requirements of the applicable sections of the Internal Revenue Code, and qualified for exemption under the applicable sections of the Internal Revenue Code. The plan sponsor has operated the Plan in a manner that did not jeopardize this tax status and intends to continue to operate as a qualified plan.
- 16. The ERS has complied with all aspects of contractual agreements that would have an effect on the financial statements in the event of noncompliance.
- 17. The ERS has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral except for separately managed real estate assets held by wholly owned title holding companies.
- 18. There were no material investments in default or considered to be uncollectible and that were not disclosed in the supplemental schedules.
- 19. No department or agency of the ERS has reported a material instance of noncompliance with regulatory agencies or internal procedures.
- 20. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:
  - a. The concentration exists at the date of the financial statements.
  - b. The concentration makes the enterprise vulnerable to the risk of a near-term severe impact.
  - c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.
- 21. Management has disclosed there were no changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to reportable conditions (including material weaknesses), subsequent to December 31, 2020.
- 22. Management has disclosed all contracts or other agreements with service organizations doing business with the ERS.
- 23. Management believes that in estimating fair values of assets and liabilities the market assumptions used were the most appropriate in the circumstances.

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24. Management agrees with the work of specialists in evaluating the funding status and progress, and the roll forward information provided as required by the Governmental Accounting Standards Board Statement No. 67 (GASB 67), and has adequately considered the qualifications of the specialist in determining amounts and disclosures used in the financial statements and underlying accounting records. Management has no knowledge or belief that would make such methods or assumptions inappropriate in the circumstances. Management did not give any instructions, or cause any instructions to be given, to the Plan's actuary with respect to values or amounts derived in an attempt to bias their work, and are not aware of any matters that have impacted the independence or objectivity of the Plan's actuary.
25. There were no changes in the actuarial methods or assumptions used in calculating amounts recorded or disclosed in the financial statements, except for what has been disclosed.
26. There are no:
  - a. Unusual or infrequent events or transactions, including Plan amendments, occurring after the latest benefit information date but before issuance of the financial statements that might affect the usefulness of the financial statements when assessing the ERS's present and future ability to pay benefits.
  - b. Material changes in the Plan provisions between the actuarial valuation date and the date of this letter.
27. There were no omissions from the participant's demographic data provided to the ERS's actuary for the purpose of determining the actuarial pension benefit obligation and other actuarially determined amounts reflected in the financial statements.
28. The ERS is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, interfund receivables, and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowance is adequate to absorb currently estimated bad debts in the account balance.
29. The effects of the uncorrected financial statement misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A list of uncorrected misstatements is attached to the representation letter.
30. Receivables reported in the financial statements represent valid claims arising on or before the date of the statement of net assets and appropriate provisions have been appropriately reduced to their estimated net realizable value.
31. Management is responsible for compliance with all qualification requirements of the Internal Revenue Code and has determined that the ERS continues to be exempt from federal income taxes. No transactions or activities occurred during 2020 that would disqualify the Plan. Management understands that during the course of the audit, Baker Tilly US, LLP did not perform tests relative to nondiscrimination, coverage, or participation requirements of ERISA, which are not applicable to the Plan. Nor has Baker Tilly US, LLP completed a detailed review to determine that the Plan continues to maintain its tax-exempt status.

Baker Tilly US, LLP

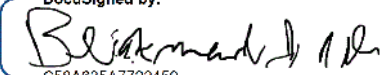
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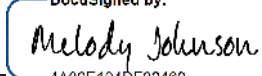
32. Management knows of no benefit payments that would violate or contradict provisions of the Plan documents (Chapter 36 of the Milwaukee City Charter) and corresponding Ordinances including provisions requiring compliance with section 415 of the Internal Revenue Code.
33. Management agrees with the valuation method used by the real estate and private equity investment managers to ascertain the fair value of investments held in real estate and private equities. Furthermore, the management believes that the amounts used to value real estate and private equities at December 31, 2020 represent their fair value at that time.
34. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
35. With respect to the supplementary information, (SI):
  - a. We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the SI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b. If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
36. No events have occurred subsequent to December 31, 2020 and through the date of this letter that would require adjustment to or disclosure in the financial statements, other than what is disclosed.
37. We have no intentions to terminate the Plan.
38. The disclosures related to GASB 67 and the roll-forward procedures performed on the January 1, 2020 actuarial valuation for the measurement date of December 31, 2020 are complete and accurate.
39. We believe that CMERS Low Beta, LLC is considered component entities under GASB 61 and that the financial statements include all activities of this component entity. We believe that all disclosures are complete and accurate and that all components of the ERS are included in the financial statements. There are no new component units for 2020.

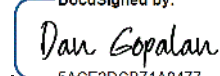
Baker Tilly US, LLP

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40. We believe the contributions received in December 2020 which pertain to contributions required under the January 1, 2021 valuation, are properly classified as unearned contributions in the financial statements. We understand clear authoritative guidance is not available in regards to this matter. We agree similar future contributions received under the same circumstances will be handled consistently with the approach taken in 2020.
41. We have adopted GASB No. 72, Fair Value Measurements and Applications in the financial statements. We are responsible for ensuring all financial statement disclosures are complete and accurate. We agree with the financial statement levels provided in the financial statements.

DocuSigned by:  
  
C58A835A7722459...  
Bernard J Allen  
Executive Director  
Employees' Retirement System of the City of Milwaukee  
7/14/2021

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Melody Johnson  
Deputy Director  
Employees' Retirement System of the City of Milwaukee  
7/13/2021

DocuSigned by:  
  
5ACE2DCB71A8477...  
Dan Gopalan  
Chief Financial Officer  
Employees' Retirement System of the City of Milwaukee  
7/14/2021

\*\*\*\*With the assistance of the City Attorney's Office, ERS' statutory legal counsel, the Annuity and Pension Board established a parties in interest policy in late 2002. The ERS' parties in interest policy uses the Department of Labor's ERISA exemptions policy for conflict of interest concerns. Also, the ERS' parties of interest policy incorporates exemptions related to non-investment related vendors, sponsoring agencies such as Milwaukee Public Schools and the Milwaukee Metropolitan Sewage District, board members and staff. During 2020, transactions could have occurred between parties in interest; however, ERS staff believes that these transactions were in conformance with ERS' parties in interest policy.

## **Appendix B: Uncorrected misstatements**

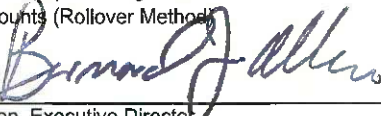


**Employees' Retirement System for the City of Milwaukee**  
**Summary of Uncorrected Misstatements**  
**For the Year Ended December 31, 2020**

**Amounts entered into this spreadsheet are put in as DEBITS and (CREDITS)**

		Assets	Liabilities	Equity	Income	Expenses	Net (Income) Loss
<b><u>Known Uncorrected Misstatements</u></b>							
Investment valuations (includes sampling misstatements)	PAJE01	\$ 9,598,554	\$ -	\$ -	\$ (9,598,554)	\$ -	\$ (9,598,554)
						-	-
Total known uncorrected misstatements		9,598,554	-	-	(9,598,554)	-	(9,598,554)
<b><u>Projected Uncorrected Misstatements</u></b>							
<u>Sampling projected misstatements</u>							
N/A		-	-	-	-	-	-
<u>Estimate projected misstatements</u>							
N/A		-	-	-	-	-	-
Total projected uncorrected misstatements		0	0	0	0	0	0
Total uncorrected misstatements		\$ 9,598,554	\$ -	\$ (9,598,554)	(9,598,554)	-	(9,598,554)
Reversal of prior year uncorrected misstatements					28,624,257	-	28,624,257
Net impact of uncorrected misstatements (Rollover Method)					\$ 19,025,703	\$ -	19,025,703
Financial statement amounts		\$ 5,927,223,000	\$ (277,489,000)	\$ 5,649,734,000	\$ (528,988,000)	\$ 436,331,000	\$ (92,657,000)
Misstatements as a percentage of financial statement amounts (Iron Curtain Method)		0.16%	0.00%	-0.17%	-3.60%	0.00%	-19.51%

Misstatements as a percentage of financial statement amounts (Rollover Method)

  
 Bernard J. Allen, Executive Director  
 Employees' Retirement System of the City of Milwaukee

  
 Dan Gopalan, Chief Financial Officer  
 Employees' Retirement System of the City of Milwaukee