

**REGULAR MEETING OF THE ANNUITY AND PENSION BOARD  
EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE  
789 N. WATER ST. (Employees' Retirement System)  
TUESDAY, JULY 25, 2023 – 9:00 A.M.**

*Special Notice: The meeting will be held remotely via video conference. Instructions on how to observe the meeting will be available on ERS's website ([www.cmers.com](http://www.cmers.com)) prior to the meeting.*

**Please note and observe the following remote attendance etiquette to ensure a smooth and productive meeting:**

- In order to cut down on background noise, participants in the meeting should put their phones on mute when they are not participating.
- At the start of the meeting, the Chairman will announce the names of the members of the Board present on the call, as well as anyone else who will be participating.
- Please request to be recognized by the Chairman if you would like to speak.
- Those participating on the call should identify themselves whenever they speak, and should ensure that the other participants on the call can hear them clearly.

**REGULAR MEETING**

- I. Approval of Minutes.
  - A. Regular Meeting Held June 27, 2023.
- II. Chief Investment Officer Report.
- III. Special Administration & Operations Committee Report.

Please be advised that the Annuity & Pension Board may vote to convene in closed session of the following item (A.), as provided in Section 19.85 (1)(c), for considering employment, promotion, compensation or performance evaluation data of any public employe over which the governmental body has jurisdiction or exercises responsibility and in Section 19.85 (1)(f), when considering financial, medical, social or personal histories or disciplinary data of specific persons, preliminary consideration of specific personnel problems or the investigation of charges against specific persons except where par. (b) applies which, if discussed in public, would be likely to have a substantial adverse effect upon the reputation of any person referred to in such histories or data, or involved in such problems or investigations. The Annuity & Pension Board may then vote to reconvene in open session following the closed session.

- A. Acceptance of Baker Tilly 2022 Financial Audit.
- B. Approval of Annual Comprehensive Financial Report (ACFR) for the Year Ended December 31, 2022.
- C. Approval of Annual Report of the Annuity & Pension Board 85<sup>th</sup> Edition, December 31, 2022.

Please be advised that the Annuity and Pension Board may vote to convene in closed session on the following item (D.), as provided in Section 19.85(1)(e), Wisconsin State Statutes, to deliberate or negotiate the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session. The Board may then vote to reconvene in open session following the closed session.

- D. Results and Approval of Proposals to RFP for Internal Audit Services.
- IV. Special Meeting of the Legislative Committee (Committee of the Whole).
  - V. New Business.
    - A. Retirements, Death Claims, and Refunds (June).
    - B. Conference Requests – July 2023 Board Meeting.
    - C. Approval to Suspend Disability Benefits for Non-Compliance with Outside Earnings Limitation.
    - D. Approval of August Resolution.

Please be advised that the Annuity and Pension Board may vote to convene in closed session on the following item (V.E.), as provided in Section 19.85 (1)(c), for considering employment, promotion, compensation or performance

evaluation data of any public employee over which the governmental body has jurisdiction or exercises responsibility. The Board may then vote to reconvene in open session following the closed session.

- E. ERS Investment Staff Compensation (Analyst).

VI. Medical Reports.

- A. All Duty & Ordinary Disability Applications & Re-examinations (July).

Please be advised that the Annuity and Pension Board may vote to convene in closed session on the following item (VI.B.), as provided in Section 19.85(1)(f), Wisconsin State Statutes, for considering financial, medical, social or personal histories or disciplinary data of specific persons, preliminary consideration of specific personnel problems or the investigation of charges against specific persons except where par. (b) applies which, if discussed in public, would be likely to have a substantial adverse effect upon the reputation of any person referred to in such histories or data, or involved in such problems or investigations.

- B. Disability Findings – Benjean Lara.

VII. Unfinished Business.

- A. Pending Legal Opinions and Service Requests Report.
- B. Pending Legislation Report.

Please be advised that the Annuity and Pension Board may vote to convene in closed session on the following item (VII.C.), as provided in Section 19.85(1)(g), Wisconsin State Statutes, to confer with legal counsel concerning strategy to be adopted by the body with respect to litigation in which it is or is likely to become involved. The Board may then vote to reconvene in open session following the closed session.

- C. Executive Director's Report – Inventory of ERS Projects.

VIII. Informational.

Please be advised that the Annuity and Pension Board may vote to convene in closed session on the following item (VIII.A.), as provided in Section 19.85(1)(g), Wisconsin State Statutes, to confer with legal counsel concerning strategy to be adopted by the body with respect to litigation in which it is or is likely to become involved. The Board may then vote to reconvene in open session following the closed session.

- A. Pending Litigation Report.
- B. Conferences.
- C. Class Action Income 2023 YTD.
- D. Minutes of the Administration & Operations Committee Meeting Held June 21, 2023.
- E. Report on Bills.
- F. Deployment of Assets.
- G. Securities Lending Revenue and Budget Report.
- H. Preliminary Performance Report and Asset Allocation.

**MEETING REMINDERS**

**INVESTMENT COMMITTEE MEETING**

**THURSDAY, SEPTEMBER 7, 2023 – 9:00 A.M.**  
789 N. WATER ST.

**ADMINISTRATION & OPERATIONS COMMITTEE MEETING**

**WEDNESDAY, SEPTEMBER 20, 2023 – 9:00 A.M.**  
789 N. WATER ST.

**REGULAR MEETING OF THE ANNUITY AND PENSION BOARD**

**TUESDAY, SEPTEMBER 26, 2023 – 9:00 A.M.**  
789 N. WATER ST.

I.

APPROVAL OF MINUTES

- A. Regular Meeting Held June 27, 2023.

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE  
ANNUITY AND PENSION BOARD**

Minutes of the Regular Meeting  
held June 27, 2023 via teleconference

The meeting was called to order at 9:01 a.m.

Board Members Present:           Matthew Bell, Chair  
  Deborah Ford  
  Timothy Heling  
  Tom Klusman  
  Rudolph Konrad  
  Nik Kovac  
  Aycha Sawa

Board Members Not Present:       Molly King (arrived at 9:18 a.m.)

Retirement System Staff Present:   Jerry Allen, Executive Director  
  Melody Johnson, Deputy Director  
  Daniel Gopalan, Chief Financial Officer  
  David Silber, Chief Investment Officer  
  Erich Sauer, Deputy Chief Investment Officer  
  Dave Walters, Senior Pension Investment Analyst  
  Thomas Courtright, Pension Investment Analyst  
  Gust Petropoulos, Deputy Director – Disability  
  Mary Turk, Business Operations Analyst  
  Jan Wills, Board Stenographer

Others Present: Patrice Beckham, Larry Langer, Cavanaugh Macdonald; Katherine Headley, Patrick McClain, City Attorney's Office; Terry Siddiqui, DS Consulting, Inc., nine members of the public called in to the meeting.

**Regular Meeting.**

**Approval of Minutes.**

**Regular Meeting Held May 23, 2023.** Mr. Klusman requested a clarification to note that the May 23, 2023 meeting minutes contain the language "Board members received both parties' briefs and the Examiner's report." It was moved by Mr. Konrad, seconded by Mr. Klusman, and unanimously carried, with the minutes' clarification, to approve the minutes of the Regular Meeting Held May 23, 2023.

At this point, the Chair, at the request of Mr. Silber, took the meeting out of agenda order to items III., III.A., III.B., and III.C.

**Investment Committee Report.** Mr. Klusman noted that at its June 8 meeting, Callan presented phase 3 of the Asset-Liability study. After a lengthy discussion, he said the Committee voted

unanimously to approve the Asset Allocation identified as Mix 1 within Callan's presentation. Mr. Klusman commented that, according to the Actuary, Mix 1 will support the ERS' 7.50% discount rate, and according to Callan, Mix 1 is expected to decrease the Fund's investment volatility and improve the Fund's liquidity profile. He stated Callan provided two additional presentations at the meeting, one being an update on the Fund's Real Estate portfolio, and the other being a recommendation on how to implement the Real Estate allocation now that a 5<sup>th</sup> manager has been selected. Mr. Klusman noted that after some discussion, the Committee approved the recommended Real Estate Manager Structure, which is expected to make the Fund's Real Estate allocation more diversified by manager and sector. He then said Staff discussed a request from Loomis Sayles regarding a guideline waiver for one security that was recently downgraded, which the Committee subsequently approved. Mr. Klusman remarked that the Committee also went into closed session to discuss the Side Letter related to the Mesirow Private Equity Fund IX and then the Committee then went into open session to approve the Side Letter. He then added that since delaying approval of the Side Letter would have put the Fund at risk of missing the deadline to achieve first close fee savings, Staff utilized its authority to execute an investment-related contract that was approved by the Investment Committee as provided under Board Rule VII.G.2.b. Mr. Klusman commented that Staff also provided a performance update to the Committee. He concluded by saying the Investment Committee recommended approval of three items: Approval of Loomis Sayles Guideline Waiver, Approval of Asset Allocation Mix (Mix 1) and Approval of Real Estate Manager Structure.

Mr. Silber noted nothing had changed with respect to the three items recommended for approval since the June 8 Investment Committee meeting. He stated the Loomis Sayles Guidelines Waiver is a small allocation to an individual bond that was within the guidelines when it was purchased, but was then subsequently downgraded. He said Loomis Sayles advises them not to sell the bond at a depressed price and that it was supported at the Committee level. He said the Asset Allocation Mix was discussed thoroughly. Mr. Silber said the Real Estate Manager Structure was discussed and approved, noting that it establishes the target allocation to the fifth manager and is expected to result in sector exposures being more diversified.

**Approval of Loomis Sayles Guidelines Waiver.** It was moved by Mr. Heling, seconded by Mr. Konrad, and unanimously carried, to approve the Approval of Loomis Sayles Guidelines Waiver.

**Approval of Asset Allocation Mix.** It was moved by Ms. Ford, seconded by Mr. Heling, and unanimously carried, to approve the Approval of Asset Allocation Mix.

**Approval of Real Estate Manager Structure.** It was moved by Mr. Konrad, seconded by Mr. Heling, and unanimously carried, to approve the Approval of Real Estate Manager Structure.

At this point, the Chair returned the meeting to agenda order to items II. and II.A.

**Chief Investment Officer Report.** As a matter of information, Board members received the June 27, 2023 Performance Update. Mr. Sauer noted the Fund as of May 31, 2023, had a value of \$5.53 billion. He said the Fund had a -1.3% return in May, gross of fees, and underperformed the blended benchmark by approximately 43 basis points. Mr. Sauer commented the main driver of underperformance was Style Bias, detracting 47 basis points, primarily from the Value exposure. He said Small Cap and International detracted a bit as well. He added the Fund has underperformed

in the year-to-date and one-year time periods, while outperforming in the five-, 10-, 15- and 20-year periods. Mr. Sauer remarked as of June 26, 2023, the Fund was up 1.8% month-to-date for June, which brought the year-to-date return to 4.4%, and the Fund value to \$5.63 billion. He noted 11 out of the Fund's 16 active mandates are outperforming, year-to-date and the Fixed Income asset class is outperforming its benchmark year-to-date. He said year-to-date the Fund has seen a gain in the value of investments of \$252.6 million, paid benefits and expenses of \$203.6 million, and received contributions of \$118.1 million.

Mr. Silber stated Staff has been working to get the Public Equity allocation to its new target of 39%, formerly 44%. He said Fixed Income did have a target of 23%, but now it is 29%. He noted in June, Staff moved \$188 million from Public Equity and put \$144 million into Bonds. He said of the remaining \$44 million, \$40 million went to pay benefits, and some went to fund capital calls in Private Equity. Mr. Silber said over the last four months, \$340 million was moved from Public Equity and \$272 million was put into Fixed Income. He said at the end of the first quarter, the Fund's Fixed Income allocation was 19.9%, and it is estimated to be close to 24.5% at the end of June, which is a significant move towards the new 29% target. He said Stocks were 44.9% at the end of Q1 and will be about 41% at the end of June. Mr. Silber said that Mr. Sauer and Mr. Walters were in New York City last week doing due diligence on two of the Fund's Private Equity managers and also attended a conference by one of the Private Equity managers. He concluded that the soft close on the plan may have an impact on the portfolio, but first the actuary will have to calculate the liability component and estimate what the contributions will be with the new law.

**Approval of Statement of Investment Policy Update.** Mr. Silber reviewed for the Board the new target allocations on the investment policy. It was moved by Ms. King, seconded by Mr. Kovac, and unanimously carried, to approve the Approval of Statement of Investment Policy Update.

At this point, the Chair returned the meeting to agenda order to items IV., IV.A., and IV.B.

**Administration & Operations Committee Report.** Ms. Sawa provided a report on the June 21, 2023 Administration & Operations Committee meeting. She noted two contracts were recommended for approval at the Committee level, and presentations were provided for the IT Projects Portfolio and the Organizational/Personnel Update. Ms. Sawa discussed whether to go into closed session and noted the Wells Fargo contract was just an amendment to extend the contract. Mr. Allen added that it was a 90-day extension as the Wells Fargo attorneys needed more time to look at it.

**Approval of Wells Fargo Contract.**

Please be advised that the Administration & Operations Committee may vote to convene in closed session on the following item as provided in Section 19.85(1)(e), Wisconsin State Statutes, to deliberate or negotiate the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session. The Administration & Operations Committee may then vote to reconvene in open session following the closed session.

The Board did not convene in closed session as noticed above.

It was moved by Mr. Klusman, seconded by Mr. Konrad, and unanimously carried, to approve the Approval of Wells Fargo Contract.

### **Discussion and Approval of Actuary Contract.**

Mr. Allen said there was a provision for a three-year extension from the original contract and the ERS has had Cavanaugh Macdonald for five years. He stated the Committee reviewed the proposal from the actuary which includes a 2.5% escalator on their fee and it was approved at the Committee level.

Please be advised that the Administration & Operations Committee may vote to convene in closed session on the following item, as provided in Section 19.85(1)(e), Wisconsin State Statutes, to deliberate or negotiate the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session. The Administration & Operations Committee may then vote to reconvene in open session following the closed session.

The Board did not convene in closed session as noticed above.

It was moved by Ms. King, seconded by Mr. Bell, and unanimously carried, to approve the Approval of Actuary Contract.

At this point, the Chair took the meeting out of agenda order to items. V., V.B., and V.C. while waiting for the actuary to arrive.

### **New Business.**

**Retirements, Death Claims, and Refunds (May).** Mr. Allen presented the following activity for the months of April 2023.

Active Death Benefits reported	\$0.00
Deferred Death	\$20,599.47
Deferred Death-Member Only Refund	\$0.00
Ordinary Death Benefits reported	\$86,020.88
Retired Death Benefits reported	\$53,252.19
Survivor Death – Termination Benefits reported	\$6,827.02
Refund of Member Contributions paid	\$163,740.78

It was moved by Mr. Konrad, seconded by Mr. Heling, and unanimously carried, to approve the Retirements, Death Claims, and Refunds (May 2023).

**Conference Requests – June 2023 Board Meeting.** Staff presented the Conference Requests this month.

Erich Sauer	2023 Public Funds Conference
Sponsor:	Pensions & Investments
Location:	Scottsdale, AZ
Date(s):	September 19-20, 2023
Estimated Cost:	\$1,250.00

It was moved by Ms. Ford, seconded by Ms. King, and unanimously carried, to approve the Conference Requests – June 2023 Board Meeting.

At this point, the Chair took the meeting out of agenda order to items VI, VI.A., and VI.B.

### **Medical Reports.**

**All Duty & Ordinary Disability Applications & Re-examinations (June).** Staff presented certifications (June 2023) of the Fire and Police Medical Panel Physicians and the Medical Council relative to Duty & Ordinary Disability Retirement benefits as follows:

<u>Police – Re-examinations – Duty</u>	<u>Recommendation</u>
Christian Hlavinka	Approval
Joel Kujawa	Approval
Jasmine Lewis	Approval
Michael Pendergast	Approval
Justine Schmidt	Approval
<u>Fire – Re-examinations – Duty</u>	<u>Recommendation</u>
Nicholas Adamski	Approval
Mark Ashworth	Approval
John Kielpinski	Approval
Mark Tesch	Approval
Scott Van Roo	Approval
<u>GC – Applications – Duty</u>	<u>Recommendation</u>
Brad Bratel	Approval
<u>GC – Re-examinations – Ordinary</u>	<u>Recommendation</u>
Camille Cole	Approval

It was moved by Mr. Heling, seconded by Mr. Konrad, and unanimously carried, to approve the Duty & Ordinary Disability Applications & Re-examinations (June).



**Disability Findings – Benjean Lara.** Mr. Bell read the following.

**Benjean Lara** – This is in the matter of denial of Ordinary and Duty Disability. Independent Hearing Examiner Dennis Moroney conducted a hearing for the appeal petitioned by Benjean Lara regarding the denial of his Ordinary and Duty Disability claims. Hearing Examiner Moroney later issued a written opinion. In his opinion, Hearing Examiner Moroney references Mr. Lara’s application for Ordinary Disability and states, “an ordinary disability benefit...is not supported by appropriate medical evidence...” **Hearing Examiner Moroney concludes, “The ordinary claim is hereby dismissed.”**

Hearing Examiner Moroney goes on to state in his decision, “A preponderance of evidence from his treating physician, Dr. Nora, indicates permanent impairment of the Applicant...” **Hearing Examiner Moroney then provides the following, “The Decision of the Annuity & Pension Board denying Applicant duty disability retirement status as a police officer is overruled.”**

Briefs in response to the Hearing Examiner’s decision are enclosed.

Mr. Allen stated this item was carried over from the last meeting to go into closed session to deliberate upon the recommendation from the hearing examiner.

Mr. Bell advised that the Annuity and Pension Board may vote to convene in closed session on the following item as provided in Section 19.85(1)(f), Wisconsin State Statutes, for considering financial, medical, social or personal histories or disciplinary data of specific persons, preliminary consideration of specific personnel problems or the investigation of charges against specific persons except where par. (b) applies which, if discussed in public, would be likely to have a substantial adverse effect upon the reputation of any person referred to in such histories or data, or involved in such problems or investigations.

It was moved by Ms. King and seconded by Ms. Sawa and unanimously carried, to convene in closed session by the following roll call vote: AYES: Mses. Ford, King, and Sawa; Messrs. Bell, Heling, Klusman, Konrad, and Kovac. NOES: None.

The Board convened in closed session at 9:38 a.m.

The Board reconvened in opened session at 11:08 a.m.

Mr. Bell noted they just had a discussion on item VI.B., the Disability Findings for Benjean Lara. Mr. Bell stated the motion to be put forward is “for the Board to direct the matter to be remanded to the examiner for further reassessment based on a more accurate and detailed review of the record and subsequent briefs.” It was moved by Mr. Konrad, seconded by Mr. Klusman, and unanimously carried, to approve the motion.

The Chair called for a break at 11:09 a.m.

The Chair resumed the meeting at 11:20 a.m.

At this point, the Chair returned the meeting to agenda order to item V.A.

**Presentation by Pat Beckham and Larry Langer of Cavanaugh Macdonald and Acceptance of 2023 Actuarial Valuation Report.** Mr. Langer thanked the Board for renewing the Cavanaugh Macdonald contract at today's meeting and looked forward to many more years of partnership. As a matter of information, Board Members received the Cavanaugh Macdonald "Results of the January 1, 2023 Actuarial Valuation for the City of Milwaukee Employees' Retirement System." He noted every year a valuation is done as of January 1st in order to be discussed at the June Board Meeting. Mr. Langer gave a presentation to the Board members on the following topics: Purpose of the Actuarial Valuation, Actuarial Valuation Process Reserve Funding, Actuarial Valuation Process, Stable Contribution Policy, The Impact of Proposed Legislation is Not Reflected in These Results, Events During Calendar 2022 Which Impacted the January 1, 2023 Actuarial Valuation Results, Projected Contribution Under Stable Employer Contribution Policy, Change in Funded Ratio during Calendar 2022, Change in Funded Ratio From January 1, 2018 to January 1, 2023, Comparative Summary of Census Data, Historical Census Data, Comparative Summary of Assets and Liabilities, Market Value of Assets, Actuarial Value of Assets, Historical Asset Returns, Historical Funded Ratio, Comparative Summary of Contributions, Contribution Requirements for FY 2023 by Group and Fund as of January 31, 2024, Comparison of Stable Employer Contribution to Actuarially Determined Employer Contribution (ADEC), Projected Combined Fund Funded Ratio: Based on FYE 2023 returns of 7.50%, -2.50% and 17.50%, Projected Combined Fund ADEC: Based on FYE 2023 returns of 7.50%, -2.50% and 17.50%, What a Difference a Year Makes, Key Takeaways, and Actuarial Certification. Discussion ensued.

It was moved by Mr. Klusman, seconded by Mr. Heling, and unanimously carried, to approve the Acceptance of 2023 Actuarial Valuation Report.

At this point, the Chair returned the meeting to agenda order to agenda item VII.

### **Unfinished Business.**

**Pending Legal Opinions and Service Requests Report.** Mr. McClain said that Act 12 threw a wrench into the timeline for completing the Legal Opinions, but the City Attorney's office is pressing ahead. He said he did not have additional comments on any other items.

**Pending Legislation Report.** Mr. Allen noted there is no Pending Legislation to report on.

Please be advised that the Annuity and Pension Board may vote to convene in closed session on the following item, as provided in Section 19.85(1)(g), Wisconsin State Statutes, to confer with legal counsel concerning strategy to be adopted by the body with respect to litigation in which it is or is likely to become involved. The Board may then vote to reconvene in open session following the closed session.

The Board did not convene in closed session as noticed above.

**Executive Director's Report – Inventory of ERS Projects.** As a matter of information, Staff presented a report on the ERS projects and updated the Board on ERS activities, a copy of which is on file with the ERS. Discussion ensued.

**Informational.**

Please be advised that the Annuity and Pension Board may vote to convene in closed session on the following item (VIII.A.), as provided in Section 19.85(1)(g), Wisconsin State Statutes, to confer with legal counsel concerning strategy to be adopted by the body with respect to litigation in which it is or is likely to become involved. The Board may then vote to reconvene in open session following the closed session.

The Board did not convene in closed session as noticed above.

- 1) Pending Litigation Report.
- 2) Conferences.
- 3) Class Action Income 2023 YTD.
- 4) Adjusted Quarterly Cost Basis of Equity.
- 5) Minutes of the Investment Committee Meeting Held June 8, 2023.

The following is a list of activities since the last Board meeting, copies sent with meeting notice and attached to minutes:

- 6) Report on Bills.
- 7) Deployment of Assets.
- 8) Securities Lending Revenue and Budget Report.
- 9) Preliminary Performance Report and Asset Allocation.

Mr. Bell accepted and placed the Informational items on file.

There being no further business to come before the meeting, it was moved by Ms. King and seconded by Mr. Klusman, to adjourn the meeting.

Mr. Bell adjourned the meeting at 12:29 p.m.

Bernard J. Allen  
Secretary and Executive Director

**NOTE:** All proceedings of the Annuity and Pension Board Meetings and related Committee Meetings are recorded. All recordings and material mentioned herein are on file in the office of the Employees' Retirement System, 789 N. Water Street, Suite 300.)

## II.

### CHIEF INVESTMENT OFFICER REPORT

# Milwaukee Employees' Retirement System - July 25, 2023

## Fund as of June 30, 2023

\*Fund value of \$5.66b.

\*Fund return of 2.9% in June, net of fees, underperformed by approximately 19bp

\*Primary Relative Perf. Drivers:

Manager Selection

Private Equity	-74bp
Real Estate Managers	24bp
DFA Mandates	13bp
Brandes	8bp

\*Fund has underperformed the benchmark in YTD and 1-year periods, while outperforming in 5-, 10-, 15- and 20-year periods.

## July Update (as of 7/18/23)

\*Fund return 1.3% MTD

\*Fund return 6.9% YTD

\*Fund value \$5.75b

\*9 out of 16 active mandates outperforming YTD.

\*Fixed Income asset class

outperforming its benchmark YTD.

\*Investment Change: \$384.1m

\*Benefits & Expenses: 242.1m

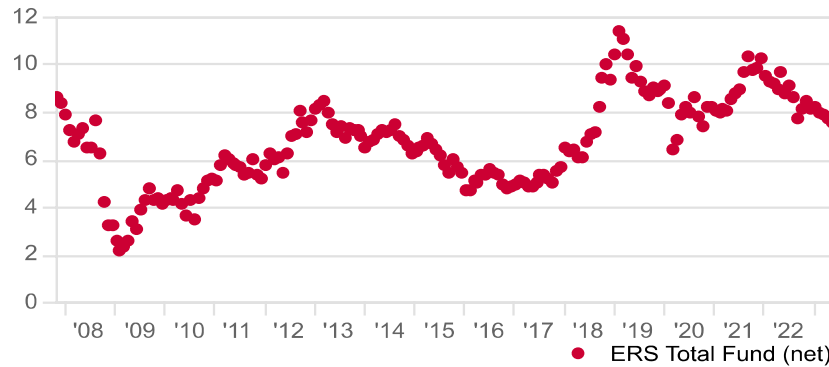
\*Contributions: 138.8m

## Monthly Withdrawals:

To be discussed at meeting

## Total Fund - 10-Year Rolling Returns

11/28/1997 to 06/30/2023



## Return Data

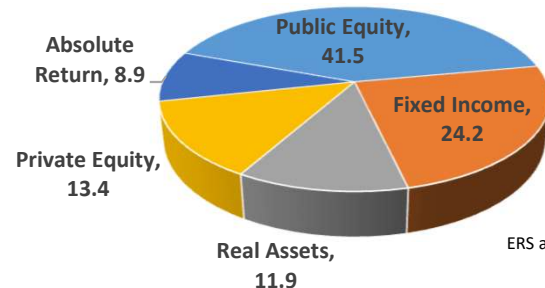
Source Data: Monthly Return

	1 Month	YTD	1 Year	5 Year	10 Year	15 Year	20 Year
Total Fund (net)	2.9	5.6	6.4	7.2	8.1	6.9	7.6
ERS Benchmark	3.1	7.4	6.6	6.4	7.4	6.5	7.1

## Total Fund - 20-Year Risk & Return Data

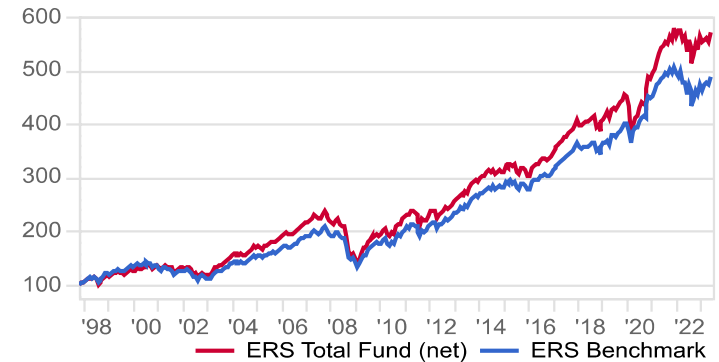
	Return	Std Dev	Tracking Error	Info Ratio (arith)	Sharpe Ratio	Alpha	Beta
Total Fund (net)	7.6	10.2	2.5	0.2	0.6	-0.1	1.1
ERS Benchmark	7.1	9.1	--	--	0.6	0.0	1.0

## ERS Allocation as of June 30, 2023



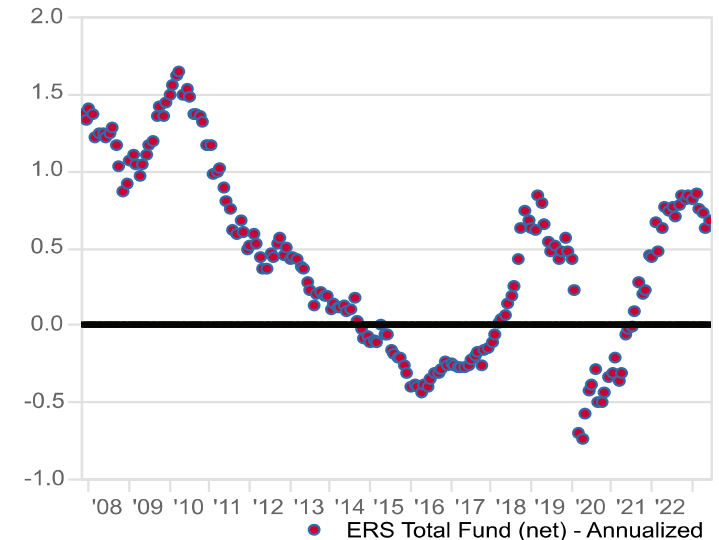
## Growth of \$100 - Total Fund & ERS Benchmark

11/28/1997 to 06/30/2023



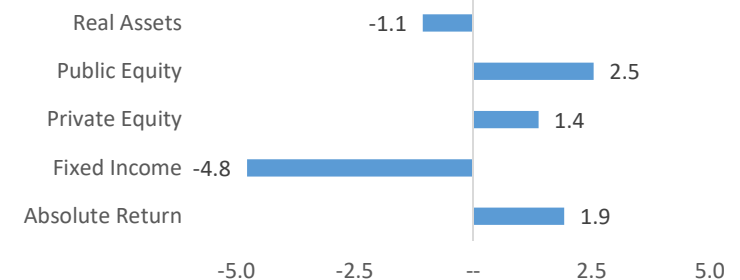
## Total Fund - 10-Year Rolling Excess Returns

11/28/1997 to 06/30/2023



## Asset Allocation vs Recently Approved Policy

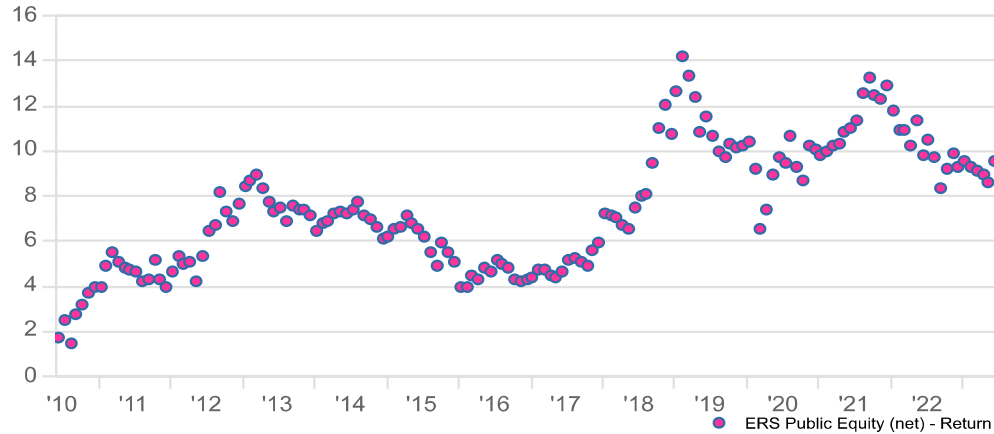
as of June 30, 2023



# Milwaukee Employees' Retirement System - July 25, 2023

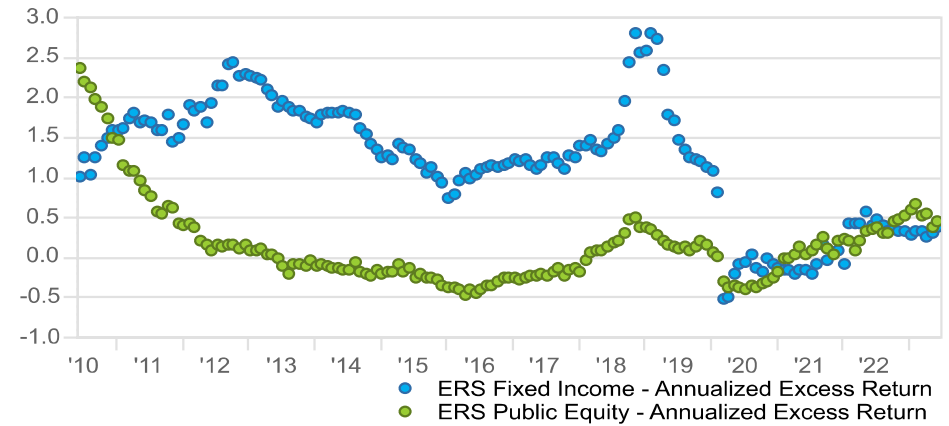
## Public Equity - 10-Year Rolling Returns

06/30/2000 to 06/30/2023



## Asset Class - 10-Year Rolling Excess Returns

06/30/2000 to 06/30/2023

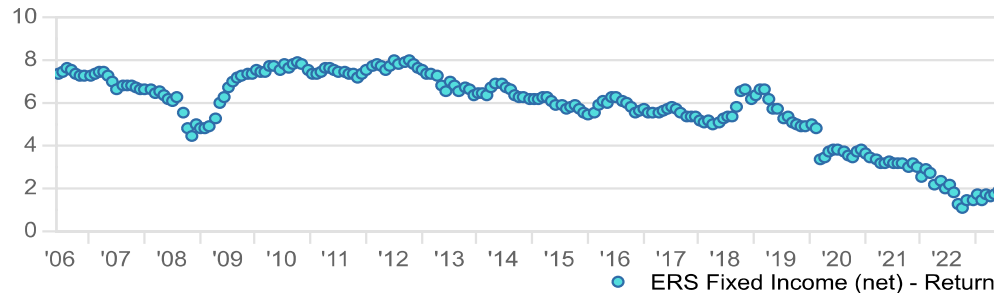


## Return Data

	1 Month	YTD	1 Year	5 Year	10 Year	15 Year	20 Year
Public Equity	6.4	12.2	17.1	8.3	9.9	7.9	8.7
Public Equity (net)	6.3	12.0	16.7	7.9	9.5	7.6	8.4
Public Equity Benchmark	5.8	13.2	16.1	7.6	9.0	7.4	8.1
MSCI ACWI IMI NR USD	5.8	13.2	16.1	7.6	8.6	6.6	8.3

## Fixed Income - 10-Year Rolling Returns

06/28/1996 to 06/30/2023



## Return Data

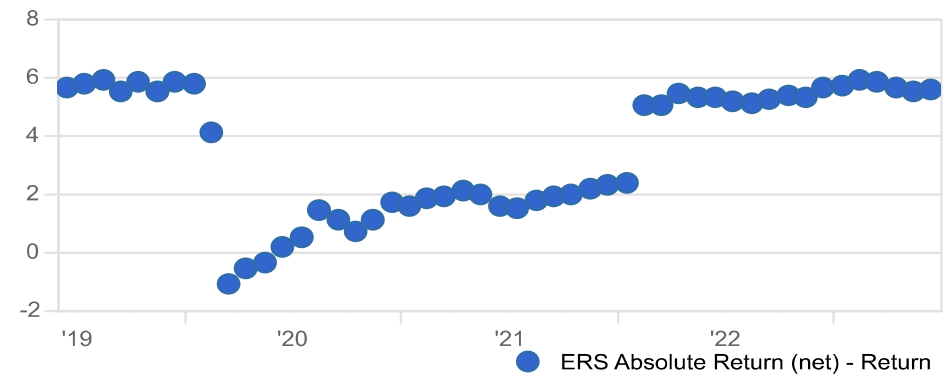
	1 Month	YTD	1 Year	5 Year	10 Year	15 Year	20 Year
Fixed Income	0.0	3.0	1.5	1.1	2.0	3.9	4.3
Fixed Income (net)	-0.1	2.9	1.4	1.0	1.9	3.8	4.2
Bbg US Agg Bond TR USD	-0.4	2.1	-0.9	0.8	1.5	2.7	3.0

## Risk Adjusted Returns (6/30/14 - 06/30/23)

	Return	Std Dev	Sharpe Ratio	Max Drawdown
Public Equity (net)	7.9	15.6	0.4	-25.3
Fixed Income (net)	1.4	6.4	0.0	-13.6
Absolute Return (net)	5.5	9.8	0.5	-27.1

## Absolute Return - 5-Year Rolling Returns

06/30/2014 to 06/30/2023



## Return Data

	1 Month	YTD	1 Year	3 Year	5 Year	7 Year
Absolute Return (net)	0.4	1.9	6.0	14.4	5.5	5.4
90-Day T-Bill + 3%	0.7	4.0	7.3	4.6	4.7	4.5

### III.

#### SPECIAL ADMINISTRATION & OPERATIONS COMMITTEE REPORT

Please be advised that the Annuity & Pension Board may vote to convene in closed session of the following item (A.), as provided in Section 19.85 (1)(c), for considering employment, promotion, compensation or performance evaluation data of any public employee over which the governmental body has jurisdiction or exercises responsibility and in Section 19.85 (1)(f), when considering financial, medical, social or personal histories or disciplinary data of specific persons, preliminary consideration of specific personnel problems or the investigation of charges against specific persons except where par. (b) applies which, if discussed in public, would be likely to have a substantial adverse effect upon the reputation of any person referred to in such histories or data, or involved in such problems or investigations. The Annuity & Pension Board may then vote to reconvene in open session following the closed session.

- A. Acceptance of Baker Tilly 2022 Financial Audit.
- B. Approval of Annual Comprehensive Financial Report (ACFR) for the Year Ended December 31, 2022.
- C. Approval of Annual Report of the Annuity & Pension Board 85<sup>th</sup> Edition, December 31, 2022.

Please be advised that the Annuity and Pension Board may vote to convene in closed session on the following item (D.), as provided in Section 19.85(1)(e), Wisconsin State Statutes, to deliberate or negotiate the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session. The Board may then vote to reconvene in open session following the closed session.

- D. Results and Approval of Proposals to RFP for Internal Audit Services.

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

**ANNUAL COMPREHENSIVE FINANCIAL REPORT**

**For the Year Ended December 31, 2022**

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



# **ANNUAL COMPREHENSIVE FINANCIAL REPORT**

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

*For the year ended December 31, 2022*

*Prepared by:*

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

## Table of Contents

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INTRODUCTORY SECTION .....	1
Executive Director's Letter of Transmittal .....	2
Certificate of Achievement for Excellence in Financial Reporting .....	6
Certificate of Transparency .....	7
List of Principal Officials.....	8
List of Professional Relationships.....	9
Employees' Retirement System Organization Chart .....	10
FINANCIAL SECTION .....	11
Independent Auditors' Report.....	12
Management's Discussion and Analysis (Unaudited) .....	15
Basic Financial Statements .....	20
Statement of Fiduciary Net Position .....	21
Statement of Changes in Fiduciary Net Position .....	22
Notes to Basic Financial Statements.....	23
Required Supplementary Information.....	47
Schedule of Changes in the Net Pension Liability.....	48
Schedules of Net Pension Liability and Investment Returns .....	49
Schedule of Employers' Contributions .....	50
Notes to Required Supplementary Information .....	51
Supplementary Information .....	52
Schedules of Administrative Expenses, Investment Expenses, and Payments to Consultants .....	53
Combining Schedule of Fiduciary Net Position – Non-Consenter Funds .....	54
Combining Schedule of Changes in Fiduciary Net Position – Non-Consenter Funds .....	55
INVESTMENT SECTION .....	56
Report on Investment Activities .....	57
Investment Consultant's Commentary .....	58
Summary of Investment Policies .....	61
Schedule of Investment Results .....	63
Schedules of Top Ten Largest Holdings.....	64
Summary of Management Fees.....	65
Schedule of Brokerage Commissions .....	66
Summary of Investment Holdings .....	67
ACTUARIAL SECTION.....	68
Actuarial Certification.....	69
Active Member Data by Group as of January 1, 2022.....	71
Benefit Recipients by Group as of January 1, 2022.....	73
Reconciliation of Membership Data From January 1, 2021 to January 1, 2022.....	75
Short-Term Solvency Test & Analysis of Financial Experience .....	76
Funded Ratio & Funding Progress.....	77
Summary of Actuarial Assumptions and Methods .....	78

## Table of Contents

---

Summary of Benefit Provisions .....	86
STATISTICAL SECTION .....	108
Overview of the Statistical Section .....	109
Changes in Fiduciary Net Position.....	110
Schedule of Retired Members by Type of Pension Benefit .....	111
Schedules of Average Benefit Payment Amounts by Benefit Type .....	112
Principal Participating Employers .....	118

# 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 18, 2023

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 Annual Comprehensive Financial Report (ACFR) of the Employees' Retirement System of the City of Milwaukee as of and for the year ended December 31, 2022.

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 Authority, 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 ACFR, including all disclosures. The Plan's record-keeping, financial statements, 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 2022: Review of investment portfolio structures and information technology upgrades.

*Review of Investment Portfolio Structures:* The Investment Committee, in conjunction with ERS investment staff and Callan, ERS' outside investment consultant, reviewed and approved new structures for ERS' allocations to Public Equity and Real Assets. The investment team implemented the majority of the Public Equity structure changes in 2022, and as of year-end had initiated an investment manager search for a new open-end Real Estate manager as part of the Real Assets structure changes. Separately, changes to the Absolute Return and Fixed Income structures that were approved in 2021 were implemented in 2022, the former of which included conducting a search for a new Hedge Fund of Funds manager and funding the new manager.

*Information Technology Upgrades:* In 2022, the ERS continued major security enhancements and upgrades to its IT infrastructure and disaster recovery/business continuity portfolio. The ERS initiated the implementation of tools to manage mobile devices, including laptops and cell phones. Better control of these devices decreases risk for its networks and systems. Server hardware was procured as part of standard life cycle processes. The new hardware is projected to have capacity and capability for a minimum of 5 years. System log/event collection and analysis continued to be enhanced with additional logs being incorporated, providing better insight and ability to correlate security events. Work continued on upgrading key components of the MERITS software architecture, including a client driven review and upgrade of the user navigation tools within the product.

## 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, 2022 and this report determines the contributions due to ERS from employers on January 31, 2023.
- The GASB Statement No. 67 report is prepared annually, with the most recent report completed as of December 31, 2022 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. Cavanaugh MacDonald completed the most recent experience study based on a measurement date of December 31, 2021. The experience study was adopted at the February 27, 2023 meeting of the Annuity and Pension Board.

The actuarial valuation showed the actuarial value of assets was \$5.73 billion as of January 1, 2022. The actuarial liability was \$7.64 billion, the unfunded actuarial liability was \$1.14 billion, and the present value of future normal costs was \$765 million. The System's funded ratio, which is the ratio of actuarial assets to actuarial liability, increased from 80.7% in 2021 to 83.4% in 2022. The increase in ERS' funded ratio is primarily attributable to the recognition of deferred investment gains from prior years due to the asset smoothing method. The recognition of the deferred investment gains increased the funded ratio by 3.3%. However, due to the difference between the actuarially determined employer contributions and the contribution due under the stable contribution policy, the recognition of investment gains was offset by a negative 0.7% difference in actuarial contributions versus actual contributions.

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 2022 was \$88.1 million for all ERS employers and was due to ERS by January 31, 2023. This contribution represents 15.2% of employees' pensionable compensation.

The following table presents the annual employer contributions for the Global Combined Fund as of January 1, 2023 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>Current Discount</b>	<b>1% Increase</b>
	<b>(6.50%)</b>	<b>(7.50%)</b>	<b>(8.50%)</b>
Annual employer contributions	\$ 237,124	\$ 167,859	\$ 105,332

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) decreased from \$6.43 billion as of December 31, 2021 to \$5.53 billion as of December 31, 2022. This was a 14.1% decrease from 2021's net position. The FNP was insufficient to offset the Total Pension Liability (TPL) of \$7.05 billion as of December 31, 2022 resulting in a Net Pension Liability (NPL) of \$1.52 billion as provided on page 33. The NPL is the TPL less the FNP. This represents an increase of \$1.07 billion in NPL from 2021. The increase in NPL is mainly attributed to the System's negative investment returns in 2022. 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 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 negative 6.5% net of fee return outperformed the policy benchmark for the year, which was negative 10.6% in 2022. The investment consultant provides the Board with quarterly and annual evaluation reports. 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 CliftonLarsonAllen, LLP 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 annual comprehensive financial report for the fiscal year ended December 31, 2021. This was the fourth consecutive year that ERS has achieved

this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive 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 annual comprehensive 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 also awarded a Certificate of Transparency by NCPERS (National Conference on Public Employee Retirement Systems) in 2022 for a third consecutive year. The Certificate of Transparency was awarded for ERS's contribution to the 2022 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 Hayes, CPA. 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

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

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

December 31, 2021

*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 *2023 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, 2022

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

Matthew Bell	Milwaukee Police Department
James Campbell	Milwaukee Police Department
Molly Christianson	City of Milwaukee Mayor's Office - Fiscal Policy Director

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

Thomas Klusman	Retired
----------------	---------

### **Appointed by the President of the Common Council:**

Nik Kovac	City of Milwaukee Budget & Management Director
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  
Almanac Realty Investors, LLC  
Apogem Capital LLC  
Apollo Global Real Estate Management, L.P.  
AQR Capital Management, LLC  
BlackRock Investments, LLC  
Brandes Investment Partners, LP  
Bryanston Realty Partners LLC  
CastleArk Management LLC  
Colony Capital, LLC  
Deutsche Asset Management  
Dimensional Fund Advisors LP  
Drawbridge Realty Partners Holdings, LP  
Earnest Partners LLC  
Fortress Investment Group  
Goldman Sachs Asset Management  
Greenfield Multi-State Partners, L.P.  
H/2 Capital Partners  
J.P. Morgan Investment Management Inc.  
LaSalle Investment Management, Inc.  
Loomis, Sayles & Company, L.P.  
M&G Real Estate  
Mesirow Financial, Inc.  
MFS Investment Management  
Morgan Stanley Real Estate Advisor, Inc.  
Neuberger Berman  
Northern Trust Securities, Inc.  
Polen Capital Management, LLC  
Principal Asset Management  
Prologis, LP  
Reams Asset Management  
Standard Life  
Stockbridge Capital Partners, LLC  
UBS Hedge Fund Solutions, LLC  
Walton Street Capital, L.L.C.  
William Blair Investment Management, LLC

### **Investment Trading Analytics:**

Global Trading Analytics, LLC

### **Legal Counsel:**

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

### **Bank:**

Wells Fargo Bank Wisconsin, NA

### **Investment Consultants:**

Callan LLC

### **Custodians:**

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

### **Auditors:**

Baker Tilly US, LLP  
CliftonLarsonAllen LLP

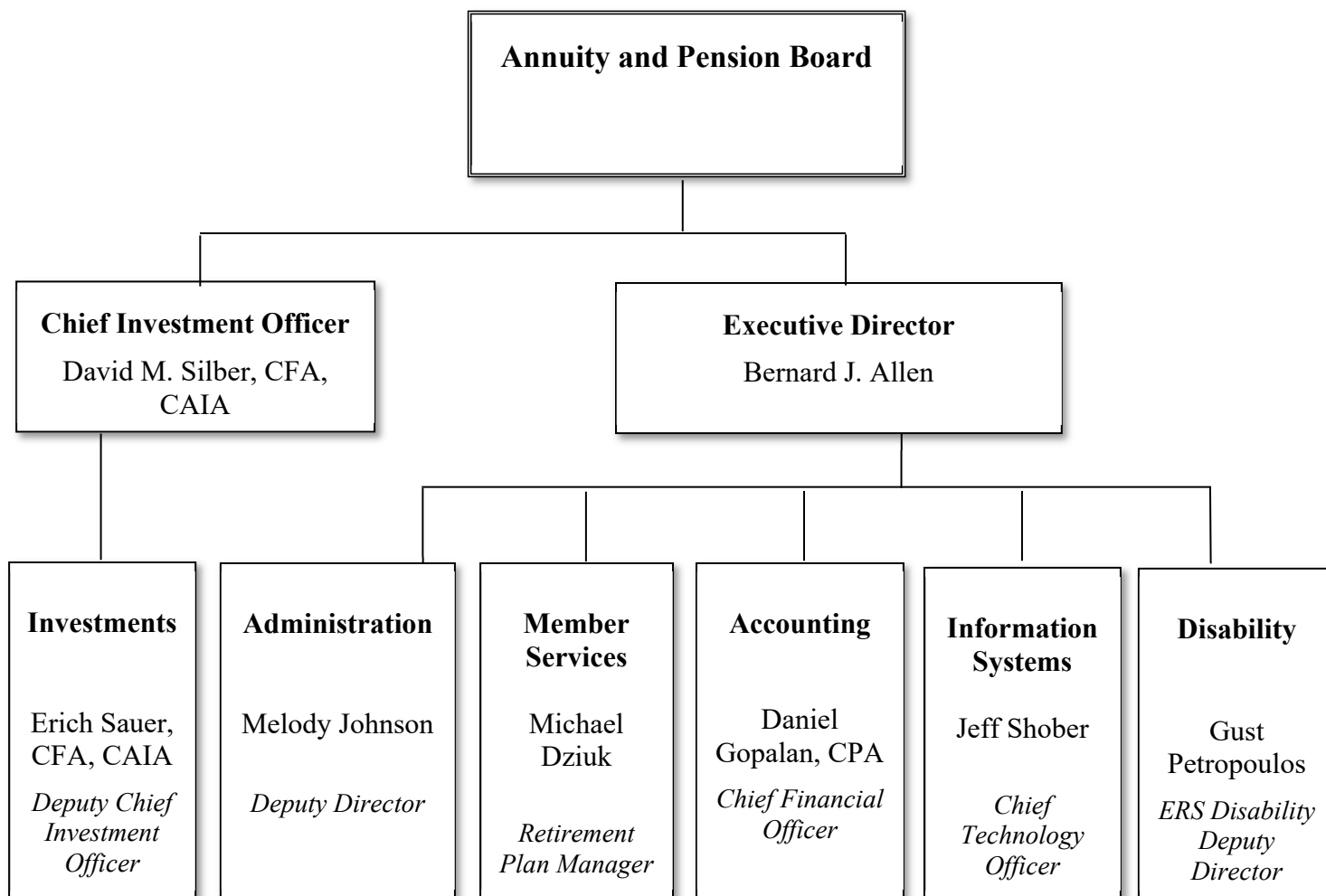
### **Actuaries:**

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 65 in the Investment Section and the Schedule of Brokerage Commissions on page 66 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 Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying statements of fiduciary net position of the Employees' Retirement System of the City of Milwaukee (the Retirement System), as of December 31, 2022, 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.

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, 2022, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Retirement System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Emphasis of Matter**

As discussed in Note 3, the Retirement System adopted the provisions of GASB Statement No. 87, *Leases*, effective January 1, 2022. Our opinion is not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Retirement System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Retirement System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents and the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 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 supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

## Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the Introductory, Investment, Actuarial and Statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2023 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 the Retirement System's internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

Milwaukee, Wisconsin  
July 18, 2023

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

---

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, 2022. The information provided is intended to be considered in conjunction with the Plan's financial statements.

### **Financial Highlights**

---

- The System's Fiduciary Net Position decreased by \$905,399,000 and 14.1% during 2022. The decrease in Net Position is primarily attributable to the negative investment return in 2022.
- 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 2022 totaled \$1,879,000.
- The ERS's funding objective is to meet long-term benefit obligations through contributions and investment income. As of December 31, 2022, pursuant to GASB Statement No. 67, ERS's funded ratio is 78.4%. In general, this means the Plan has 78.4 cents of assets to cover every dollar of benefits due.
- For 2022, Northern Trust, the ERS custodian, reported a negative 6.5% annual net of fees total fund return, while in 2021 the return was 18.9%. Despite the negative total fund return, ERS outperformed the policy benchmark by 4.1% in 2022. 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)

---

### Overview of the Financial Statements

---

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, 2022. 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 21 and 22 of this report, respectively.

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 47 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

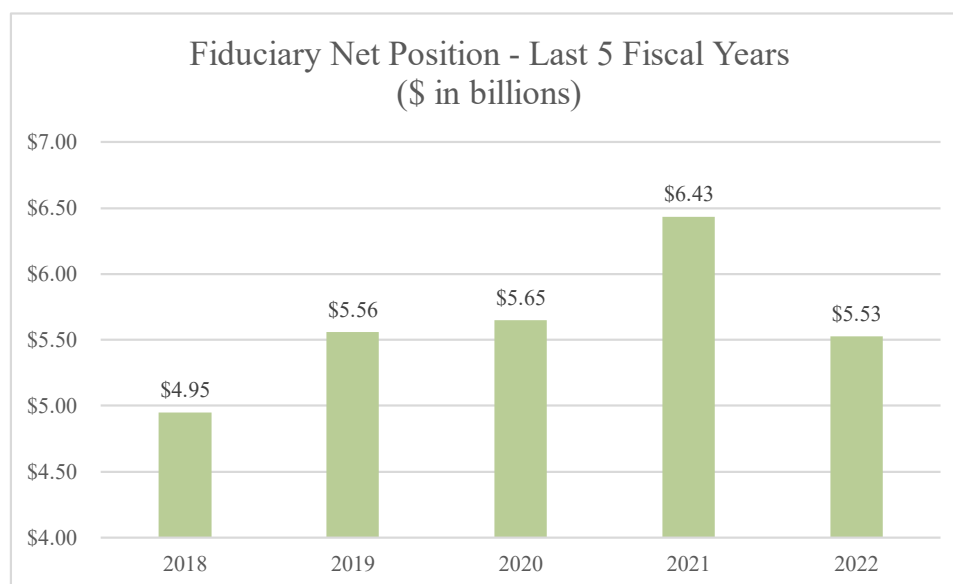
## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### Financial Analysis

#### Net Position

Net position may serve over time as a useful indicator of the ERS's financial position. At December 31, 2022, assets exceeded liabilities by \$5.53 billion. The net position is available to meet ERS' ongoing obligation to participants and their beneficiaries. As of December 31, 2022, total net position decreased by 14.1% compared to the prior year. The change in net position is primarily attributable to the decline in investment market value in 2022, along with the market overall. Management believes that ERS is in a strong financial position to meet its obligations to the members, retirees, and their beneficiaries.

For the year ended December 31,			
<u>Fiduciary Net Position (\$ in thousands)</u>	<u>2022</u>	<u>2021</u>	<u>Change</u>
Investments	\$ 5,612,985	\$ 6,191,690	\$ (578,705)
Other assets	423,391	670,357	(246,966)
Total assets	6,036,376	6,862,047	(825,671)
Total liabilities	(510,419)	(430,691)	(79,728)
Total net position	<u>\$ 5,525,957</u>	<u>\$ 6,431,356</u>	<u>\$ (905,399)</u>



(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, 2022 was negative 6.5%, a 25.4% decrease compared to the fiscal year 2021 rate of return of 18.9%. Returns are calculated using geometrically-linked, time and asset-weighted returns, net of investment manager fees. The Fund's performance declined along with the majority of the stock and bond markets. However, the Fund outperformed the benchmark performance by 4.1%. The annualized rate of return (net of fees) for the last three and five periods ended December 31, 2022 were 5.8% and 6.4%, respectively.

The Investment Section beginning on page 56 gives detailed information on the ERS's investment policies. See page 67 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, 2022.

### 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. Long-term liabilities consist of commitments for lease payments. More detailed information regarding the lease liabilities can be found in Note 10 of the financial statements.

#### Changes in Fiduciary Net Position (*\$ in thousands*)

	2022	2021	Change
<b>Additions</b>			
Employer contributions	\$ 121,571	\$ 91,177	\$ 30,394
Member contributions	32,204	31,444	760
Net (depreciation) appreciation in fair value of investments	(645,552)	926,686	(1,572,238)
Interest, dividends and other investment income	121,292	269,157	(147,865)
Less: investment expense	(70,115)	(84,853)	14,738
<b>Total Additions:</b>	<u>\$ (440,600)</u>	<u>\$ 1,233,611</u>	<u>\$ (1,674,211)</u>
<b>Deductions</b>			
Administrative expenses	\$ (7,181)	\$ (6,733)	\$ (448)
Benefits paid	(452,407)	(441,092)	(11,315)
Refund of contributions	(5,211)	(4,164)	(1,047)
<b>Total Deductions</b>	<u>\$ (464,799)</u>	<u>\$ (451,989)</u>	<u>\$ (12,810)</u>
<b>Net (Decrease) Increase</b>	<u>\$ (905,399)</u>	<u>\$ 781,622</u>	<u>\$ (1,687,021)</u>
<b>Net Position Restricted for Pensions</b>			
Beginning of year	6,431,356	5,649,734	
End of year	<u>\$ 5,525,957</u>	<u>\$ 6,431,356</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 increased by 33.3% over last year's contributions. The employer contributions are actuarially determined in the prior year and due by January 31st of the following year. The increase in employer contributions is due to the City of Milwaukee contributing \$40 million to the Employers' Reserve Fund, an increase from \$8 million in 2021. Note 5 of the Financial Statements on page 33 gives further information on the Employers' Reserve Fund. Plan members' contributions increased by 2.4%. Plan member contributions are determined by the City Charter and by contracts signed with bargaining units. In 2022, the Fund generated negative 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 2022 was for the payment of continuing retirement benefits totaling \$452 million, compared to \$441 million in 2021. The increase was attributable to new retirees and cost of living increases to retirees.

### **Legal Changes**

The State of Wisconsin has recently passed 2023 Act 12. The law closes the Plan to new hires, contingent upon actions to be undertaken by the City's Common Council, including the passage of a city sales tax and amendments to the City Charter. The Common Council approved the sales tax at their meeting on July 11, 2023. Further amendments to the City Charter are also required to close the Plan to new hires; these amendments are pending at the time of the issuance of this report.

### **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, 2022**  
**(in thousands)**

	Global Combined Fund	Non-consenter Retirement Funds	Employers' Reserve Fund	Securities Lending Fund	Total
<b>ASSETS</b>					
CASH AND CASH EQUIVALENTS	\$ 59,742	\$ 1,045	\$ 5,939	\$ 791	\$ 67,517
INVESTMENTS (Notes 1 and 9)					
Fixed income	1,143,667	2,790	78,191	-	1,224,648
Public equity	2,345,346	5,721	-	-	2,351,067
Absolute return	609,848	1,488	-	-	611,336
Real assets	707,816	1,727	-	-	709,543
Private equity	714,647	1,744	-	-	716,391
Total Investments	5,521,324	13,470	78,191	-	5,612,985
RECEIVABLES AND OTHER ASSETS					
Employer (Note 1)	107	-	-	-	107
Member (Note 1)	846	-	-	-	846
Interest, dividends and foreign tax recoverable (Note 1)	16,805	41	30	-	16,876
Investments sold	48,697	114	-	222	49,033
Software development and equipment, net of depreciation (Note 1)	839	-	-	-	839
Securities lending collateral (Note 9)	-	-	-	286,297	286,297
Lease assets, net of accumulated amortization (Note 10)	1,876	-	-	-	1,876
Total Receivables and Other Assets	69,170	155	30	286,519	355,874
<b>Total Assets</b>	<b>5,650,236</b>	<b>14,670</b>	<b>84,160</b>	<b>287,310</b>	<b>6,036,376</b>
<b>LIABILITIES</b>					
CURRENT LIABILITIES					
Benefits payable	980	-	-	-	980
Unearned contributions	17,254	-	-	-	17,254
City of Milwaukee (Notes 5 and 7)	1,410	-	-	-	1,410
Securities lending obligation (Note 9)	-	-	-	285,102	285,102
Investments purchased	199,775	487	3,421	-	203,683
Short-term lease liability (Note 10)	214	-	-	-	214
Total Current Liabilities	219,633	487	3,421	285,102	508,643
LONG-TERM LIABILITIES					
Long-term lease liability (Note 10)	1,776	-	-	-	1,776
<b>Total Liabilities</b>	<b>221,409</b>	<b>487</b>	<b>3,421</b>	<b>285,102</b>	<b>510,419</b>
<b>NET POSITION RESTRICTED FOR PENSIONS</b>	<b>\$ 5,428,827</b>	<b>\$ 14,183</b>	<b>\$ 80,739</b>	<b>\$ 2,208</b>	<b>\$ 5,525,957</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, 2022**  
**(in thousands)**

	Global Combined Fund	Non-consenter Retirement Funds	Employers' Reserve Fund	Securities Lending Fund	Total
<b>ADDITIONS</b>					
<b>Contributions</b>					
Employer (Note 6)	\$ 81,519	\$ 52	\$ 40,000	\$ -	\$ 121,571
Member	32,202	2	-	-	32,204
<b>Total Contributions</b>	<b>113,721</b>	<b>54</b>	<b>40,000</b>	<b>-</b>	<b>153,775</b>
<b>Investment Income (Loss)</b>					
Net (depreciation) appreciation in fair value of investments	(642,878)	(1,570)	(2,302)	1,198	(645,552)
Interest, dividends, and other investment income	114,231	279	1,158	5,624	121,292
<b>Total Investment Income (Loss)</b>	<b>(528,647)</b>	<b>(1,291)</b>	<b>(1,144)</b>	<b>6,822</b>	<b>(524,260)</b>
Investment expense (Note 7)	(65,301)	-	(198)	(4,616)	(70,115)
<b>Net Investment Income (Loss)</b>	<b>(593,948)</b>	<b>(1,291)</b>	<b>(1,342)</b>	<b>2,206</b>	<b>(594,375)</b>
<b>Total Additions</b>	<b>(480,227)</b>	<b>(1,237)</b>	<b>38,658</b>	<b>2,206</b>	<b>(440,600)</b>
<b>DEDUCTIONS</b>					
Administrative expenses (Note 7)	(6,628)	-	-	(553)	(7,181)
Benefits paid	(452,308)	(99)	-	-	(452,407)
Refunds of contributions	(5,185)	(26)	-	-	(5,211)
Interfund transfers	1,879	(1,879)	-	-	-
<b>Total Deductions</b>	<b>(462,242)</b>	<b>(2,004)</b>	<b>-</b>	<b>(553)</b>	<b>(464,799)</b>
<b>NET (DECREASE) INCREASE IN NET POSITION</b>	<b>(942,469)</b>	<b>(3,241)</b>	<b>38,658</b>	<b>1,653</b>	<b>(905,399)</b>
<b>NET POSITION RESTRICTED FOR PENSIONS</b>					
<b>Beginning of Year</b>	<b>6,371,296</b>	<b>17,424</b>	<b>42,081</b>	<b>555</b>	<b>6,431,356</b>
<b>End of Year</b>	<b>\$ 5,428,827</b>	<b>\$ 14,183</b>	<b>\$ 80,739</b>	<b>\$ 2,208</b>	<b>\$ 5,525,957</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, 2022**

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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, 2022**

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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. CMERS Low Beta, 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, LLC serves as investment manager for the hedge fund of funds portfolio. Although it is a legally separate entity, CMERS Low Beta, LLC is reported and included as part of the ERS because its sole purpose is for the benefit of the Retirement System. MUFG Fund Services (Canada) 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.

CMERS Low Beta 2, LLC

CMERS Low Beta 2, LLC was created by the ERS to serve as a hedge fund of funds investment vehicle for the Retirement System. CMERS Low Beta 2, LLC is a legally separate entity governed by a board of directors appointed by the Annuity and Pension Board of the ERS. Goldman Sachs Asset Management serves as investment manager for the hedge fund of funds portfolio. Although it is a legally separate entity, CMERS Low Beta 2, LLC is reported and included as part of the ERS because its sole purpose is for the benefit of the Retirement System. SEI Investments Company is the administrator and PricewaterhouseCoopers International Limited is the external auditor for the LLC. Separate financial statements are issued annually for CMERS Low Beta 2, 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.

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

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

**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 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, 2022. 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, 2022.

The Retirement System may have investments in certain derivative vehicles, including interest rate, credit, and currency futures; bond futures; deliverable and non-deliverable forward contracts; bond forwards; currency forwards; U.S. equity indices, and U.S. equity index futures; total return swaps; and to-be-announced (TBA) securities. The ERS allows UBS Hedge Fund Solutions, LLC to allocate funds within CMERS Low Beta, LLC and Goldman Sachs Asset Management to allocate funds within CMERS Low Beta 2, 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

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

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

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 9.

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 2022, investments were in compliance with the Annuity and Pension Board Investment Policy and Guidelines.

Investments in stocks of corporations in 2022, as measured quarterly by their cost, did not exceed 44.8% 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, 2022, are detailed in Note 9.

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.

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

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

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, 2022, the cost of the Retirement System's hardware and software development totaled \$19,740,136 and accumulated depreciation totaled \$18,900,956. During 2022, depreciation of \$277,237 was recognized and included in Administrative Expenses in the accompanying Statement of Changes in Fiduciary Net Position.

**Leases**

The Retirement System enters into lease agreements as a lessee for financing the temporary acquisition of office space and equipment. The present value of future payments is recorded as an intangible right-to-use lease asset and amortized using the straight-line method over the term of the lease. As of December 31, 2022, the underlying lease assets totaled \$2,142,611 and the related accumulated amortization totaled \$266,806. During 2022, amortization of \$266,806 was recognized and included in Administrative Expenses in the accompanying Statement of Changes in Fiduciary Net Position.

**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 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.

In April 2022, the GASB issued Statement No. 99. The objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective at varying times, ranging from immediately upon issuance to the 2024 fiscal year. When Statement No. 99 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, 2022**

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

In June 2022, the GASB issued Statement No. 100. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement will become effective in the 2024 fiscal year. When Statement No. 100 becomes effective, the application of this standard may result in the restatement of a portion of these financial statements.

In June 2022, the GASB issued Statement No. 101. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement will become effective in the 2024 fiscal year. When Statement No. 101 becomes effective, the application of this standard may result in the restatement of a portion of these financial statements.

**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 99.2% 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, 2022 actuarial valuation, twelve members who were enrolled as of June 28, 2000 and had not consented to GPS, elected to consent. The January 1, 2023 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 City of Milwaukee (including Fire and Police), 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 55% 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, 2022**

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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, 2022, the measurement date, the membership of the plan was as follows:

Plan members currently receiving benefits	13,758
Inactive plan members entitled to, but not yet receiving benefits	5,512
Current employees:	
Vested	7,105
Non-vested	<u>2,989</u>
Total	<u>29,364</u>

This membership data is as of January 1, 2022, and reasonably approximates membership data through December 31, 2022.

**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.

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%

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

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

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.

**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.*

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

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

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% 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.

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

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### **3. CHANGES IN ACCOUNTING PRINCIPLES**

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87 – Leases. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement requires lessees to recognize a lease liability and an intangible right-to-use lease asset and lessors to recognize a lease receivable and a deferred inflow of resources. This standard was implemented as of January 1, 2022.

### **4. 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, 2022 actuarial valuation, 247 members were non-consenting, including 40 active members, 196 inactive members, and 11 benefit recipients. During 2022, twelve members elected to consent to the GPS, resulting in a transfer of \$1,879,000 to the Global Combined Fund from the non-consenter funds.

### **5. 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 2022, the City of Milwaukee contributed \$40,000,000 to the Employers' Reserve Fund. As of December 31, 2022, the City of Milwaukee is the only employer participating in the fund.

### **6. NET PENSION LIABILITY**

The components of the pension liability at December 31, 2022, were as follows (in thousands):

Total pension liability	\$ 7,047,276
Plan fiduciary net position	<u>(5,525,957)</u>
Net pension liability	<u>\$ 1,521,319</u>
Plan fiduciary net position as a percentage of the total pension liability	78.41%

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

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

**Actuarial Assumptions:** The last actuarial valuation was performed as of January 1, 2022, and these amounts were used to roll-forward the total pension liability for the year ended December 31, 2022. The valuation was determined using the following actuarial assumptions, which were applied to all prior periods included in the measurement:

Valuation Date	January 1, 2022
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 market value
Actuarial Assumptions:	
Long-term Rate of Return, net of investment expense, including price inflation	7.50%
Projected Salary Increases, including wage inflation	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 Assumption	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. Active mortality rates are based on the RP-2014 Employee Mortality Table, projected generationally using Scale MP-2016.
Experience Study	The actuarial assumptions used in this valuation, are based on the results of the most recent experience study covering the five-year period ending December 31, 2021.

The total pension liability as of December 31, 2022 was determined by rolling forward the total pension liability as of January 1, 2022 to December 31, 2022.

The actuarial assumptions used in this valuation were based on the results of the most recent experience study covering the five-year period ending December 31, 2021. The experience study was performed by Cavanaugh MacDonald, LLC and adopted by the Board at the February 27, 2023 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.

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

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**6. 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, 2022 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	44.0%	7.3%
Fixed Income & Cash	23.0%	3.1%
Real Estate	9.7%	5.1%
Real Assets	3.3%	4.6%
Private Equity	10.0%	10.0%
Absolute Return	10.0%	3.6%
	100.0%	

*\* Rates provided by the System's investment consultant, Callan Associates*

**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	\$ 2,346,824	\$ 1,521,319	\$ 833,437

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

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## **7. 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 \$70,115,000 and administrative expenses of approximately \$7,181,000 were charged to the Retirement System in 2022. In addition, the Annuity and Pension Board authorized the payment of \$553,000 of administrative costs from the Securities Lending Fund during 2022. This reduced the amount needed from the Global Combined Fund for costs to administer the Retirement System (see Note 9).

## **8. 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.

## **9. 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, 2022 is provided on pages 61 and 62. 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, 2022, the annual money-weighted rate of return on ERS investments, net of pension plan investment expense, was negative 6.58 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.

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

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**9. 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, 2022 (in thousands):

Investment Type	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Public Equity	\$ 2,351,067	\$ 1,167,387	\$ 1,090,577	\$ 93,103
Fixed Income	1,224,648	-	1,224,648	-
Absolute Return	611,336	-	372	610,964
Public Diversified Real Assets	169,970	-	169,970	-
Total assets in the Fair Value Hierarchy	\$ 4,357,021	\$ 1,167,387	\$ 2,485,567	\$ 704,067
Investments measured at Net Asset Value *	1,255,964			
Investments at Fair Value	<u>\$ 5,612,985</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, 2022.

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.

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.



**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

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**9. INVESTMENTS (cont.)**

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.

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	\$ 716,391	\$ 361,730	N/A	N/A
Real Assets - Non-Core	20,912	11,003	N/A	N/A
Real Assets - Core	518,661	-	Quarterly	90 Days
Totals	<u>\$ 1,255,964</u>	<u>\$ 372,733</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, venture capital, 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.

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

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**9. INVESTMENTS (cont.)**

**Real Estate Investments – Non-Core**

This consists of 12 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 4 to 7 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.

**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, 2022, 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, 2022, approximately \$176,000 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, 2022, 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.

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

**9. 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 U.S. Aggregate Index or +/- 2 years of the Bloomberg U.S. Aggregate Index. As of December 31, 2022, the segmented time distribution of the various investment types of debt securities for the Retirement System is as follows (in thousands):

Investment Type	Fair Value	Years to Maturity			
		1 Year or Less	1 to 5 Years	6 to 10 Years	More than 10 Years
Asset Backed Securities	\$ 65,800	\$ -	\$ 53,889	\$ 4,877	\$ 7,034
Commercial Mortgage-Backed	24,671	-	482	331	23,858
Corporate Bonds	381,049	2,212	142,391	164,961	71,485
Corporate Convertible Bonds	5,233	-	5,233	-	-
Government Agencies	904	-	-	904	-
Government Bonds	569,434	112,715	232,408	102,835	121,476
Government Mortgage Backed Securities	149,375	111	2,709	3,807	142,748
Gov't-issued Commercial Mortgage-Backed	528	528	-	-	-
Municipal/Provincial Bonds	3,464	-	-	-	3,464
Non-Government Backed C.M.O.s	4,154	-	-	-	4,154
Short Term Bills and Notes	25,269	25,269	-	-	-
Totals	\$1,229,881	\$ 140,835	\$ 437,112	\$ 277,715	\$ 374,219

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, 2022.

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

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**9. 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, 2022, 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>Absolute Return</b>	<b>Real Assets</b>	<b>Private Equity</b>	<b>Total Fair Value</b>
Australian dollar	\$ 5,225	\$ -	\$ -	\$ -	\$ 5,225
Brazilian real	11,795	-	-	-	11,795
British pound sterling	99,173	-	-	-	99,173
Canadian dollar	20,732	-	-	-	20,732
Danish krone	11,370	-	-	-	11,370
Euro	200,199	31	14	110	200,354
HK offshore Chinese Yuan Renminbi	2,035	-	-	-	2,035
Hong Kong dollar	21,315	-	-	-	21,315
Japanese yen	71,985	-	453	-	72,438
Mexican peso	6,793	-	-	-	6,793
New Israeli shekel	520	-	-	-	520
New Taiwan dollar	3,998	-	-	-	3,998
Norwegian krone	2,295	-	-	-	2,295
Singapore dollar	3,328	-	-	-	3,328
South Korean won	22,082	-	-	-	22,082
Swedish krona	8,969	-	-	-	8,969
Swiss franc	57,890	-	-	-	57,890
Totals	\$ 549,704	\$ 31	\$ 467	\$ 110	\$ 550,312

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

## 9. 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, 2022, are as follows (in thousands):

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	CCC	Not Rated	
									US Government Guaranteed	Quality Rating Not Available
Asset Backed Securities	\$ 65,800	\$ 24,583	\$ 3,102	\$ 4,504	\$ 5,293	\$ -	\$ -	\$ -	\$ -	28,318 **
Commercial Mortgage-Backed	24,671	7,169	331	568	-	-	-	-	-	16,603 **
Corporate Bonds	381,049	1,085	4,076	93,408	195,609	54,478	24,974	466	-	6,953 **
Corporate Convertible Bonds	5,233	-	-	-	1,183	-	-	4,050	-	-
Government Agencies	904	-	-	-	904	-	-	-	-	- **
Government Bonds	569,434	-	-	-	-	-	-	-	569,434	-
Government Mortgage Backed Securities	149,375	-	-	287	-	-	-	-	149,088	-
Gov't-issued Commercial Mortgage-Backed Securities	528	-	-	-	-	-	-	-	528	-
Municipal/Provincial Bonds	3,464	-	-	-	-	-	3,464	-	-	-
Non-Government Backed C.M.O.s	4,154	464	-	-	-	-	-	-	-	3,690 **
Short Term Bills and Notes	25,269	-	-	-	-	-	-	-	25,269	-
Totals	\$ 1,229,881	\$ 33,301	\$ 7,509	\$ 98,767	\$ 202,989	\$ 54,478	\$ 28,438	\$ 4,516	\$ 744,319	\$ 55,564

\*\* \$469 of Corporate Bonds were not rated by either S&P or Moody's. The remaining \$55,095 of bonds listed as Not Rated by S&P were 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 21 and the Summary of Investment Holdings provided on page 67 due to Corporate Convertible Bonds classified as Public Equities on those pages.

### 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 2022, 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.

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

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**9. INVESTMENTS (cont.)**

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, 2022.

The following table summarizes the aggregate notional or contractual amounts for the ERS' separate account managers as of December 31, 2022 (in thousands):

	<b>Notational/ Contractual Amounts</b>	<b>Fair Value</b>	<b>Gain/(Loss)</b>
Foreign exchange forward spot contracts receivable	\$ 85	\$ 85	\$ -
Foreign exchange forward spot contracts payable	(85)	(85)	-
Foreign exchange forward long-term receivable	-	-	-
Foreign exchange forward long-term payable	-	-	-

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.

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

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**9. INVESTMENTS (cont.)**

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.

The ERS was not exposed to counterparty credit risk as of December 31, 2022.

**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. ERS does not have the ability to pledge or sell collateral unless there is a 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, 2022, the Retirement System earned revenue from securities lending of approximately \$6,822,000 and paid custodian fees and rebates of approximately \$4,616,000. The ERS also disbursed \$553,000 to offset some of the Retirement System's administrative costs.

As of December 31, 2022, ERS has securities on loan with a fair value of approximately \$278,463,000 and the short-term collateral investment pool has a fair value of approximately \$286,297,000.

<b>Investment Type</b>	<b>Securities on Loan</b>	
	<b>Fair Value</b>	
Global Corporate Fixed	\$	50,622
Global Equities		15,215,770
US Corporate Fixed		55,866,940
US Equities		64,951,271
US Government Fixed		142,377,928
Totals	\$	<u>278,462,531</u>

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

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**9. 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, 2022, the ERS' collateral pool was trading at or near fair value with no impairments.

**10. LEASES**

The Retirement System has entered into lease agreements as a lessee for financing the temporary acquisition of office space and equipment. These agreements qualify as leases for accounting purposes and, therefore, the assets and obligations have been recorded at the present value of the future minimum lease payments as of the inception date. The obligations for the leased assets will be repaid from the Global Combined Fund and the Securities Lending Fund.

<u>Description</u>	<u>Lease Inception</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance</u>
Office Space - 789 N Water Street, Suite 300	1/1/2022*	3/1/2030	4.35%	\$1,596,899
Office Space - 10850 West Park Place, Suite 450	1/1/2022*	3/31/2030	3.97%	279,800
Office Space - Disaster Recovery Computer Facility	1/1/2022*	12/31/2029	7.50%	95,339
Equipment - Copiers	1/1/2022*	1/31/2025	7.50%	17,531
Total				<u>\$1,989,568</u>

\* The lease inception date reflects the implementation date of GASB 87 for leases that commenced prior to the implementation of GASB 87.

Annual lease payment requirements to maturity for the lease liabilities are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 213,819	\$ 88,961	\$ 302,780
2024	240,132	79,272	319,404
2025	258,990	68,410	327,400
2026	272,175	56,696	328,872
2027	292,721	44,587	337,308
Thereafter	711,730	49,604	761,334
Total	<u>\$ 1,989,568</u>	<u>\$ 387,530</u>	<u>\$ 2,377,098</u>



**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

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**11. 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.

**12. SUBSEQUENT EVENTS**

The Retirement System has evaluated subsequent events occurring through July 18, 2023, the date the financial statements were available to be issued, for subsequent events requiring recording or disclosure in the Plan's financial statements. It was determined that 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 9 Fiscal Years**  
**(in thousands)**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 83,123	\$ 85,158	\$ 88,215	\$ 87,285	\$ 75,119	\$ 77,681	\$ 70,377	\$ 70,500	\$ 69,693
Interest	505,466	495,668	482,120	463,215	464,845	441,811	430,745	418,874	409,899
Changes in benefit items	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(5,552)	3,169	50,316	119,477	(91,515)	67,154	(9,921)	(30,035)	-
Changes of assumptions	40,766	-	-	-	475,766	244,993	-	(5,206)	-
Benefit payments including refunds of member contributions	(457,618)	(445,256)	(428,950)	(409,086)	(393,526)	(385,331)	(351,303)	(347,889)	(342,569)
Net change in total pension liability	166,185	138,739	191,701	260,891	530,689	446,308	139,898	106,244	137,023
Total pension liability - beginning	6,881,091	6,742,352	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	\$ 7,047,276	\$ 6,881,091	\$ 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	\$ 121,571	\$ 91,177	\$ 87,661	\$ 96,389	\$ 83,166	\$ 83,524	\$ 74,095	\$ 72,198	\$ 72,844
Contributions - member	32,204	31,444	32,191	32,633	32,085	32,494	35,918	49,553	43,663
Net investment income (loss)	(594,375)	1,110,990	409,136	893,278	(160,190)	787,809	383,747	34,982	238,985
Benefit payments, including refunds of member contributions	(457,618)	(445,256)	(428,950)	(409,086)	(393,526)	(385,332)	(351,303)	(347,889)	(342,569)
Administrative expense	(7,181)	(6,733)	(7,381)	(7,018)	(7,181)	(8,637)	(8,096)	(9,686)	(10,831)
Net change in plan fiduciary net pension	(905,399)	781,622	92,657	606,196	(445,646)	509,858	134,361	(200,842)	2,092
Plan fiduciary net position - beginning	6,431,356	5,649,734	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	\$ 5,525,957	\$ 6,431,356	\$ 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	\$ 1,521,319	\$ 449,735	\$ 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 9 Fiscal Years**  
**(in thousands)**

**Schedule of Net Pension Liability**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability	\$ 7,047,276	\$ 6,881,091	\$ 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	(5,525,957)	(6,431,356)	(5,649,734)	(5,557,077)	(4,950,881)	(5,396,527)	(4,886,669)	(4,752,308)	(4,953,150)
Net pension liability	\$ 1,521,319	\$ 449,735	\$ 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	78.41%	93.46%	83.79%	84.83%	78.71%	93.70%	91.98%	91.87%	97.76%
Covered payroll	\$ 579,351	\$ 586,369	\$ 596,386	\$ 581,663	\$ 574,394	\$ 577,119	\$ 583,950	\$ 535,802	\$ 529,939
Net pension liability as a percentage of covered payroll	262.59%	76.70%	183.21%	170.82%	233.09%	62.82%	72.97%	78.49%	21.41%

**Schedule of Investment Returns**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	-6.58%	18.89%	5.88%	18.51%	-2.75%	16.41%	8.77%	0.55%	5.17%

The returns on this schedule were 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)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined employer contribution	\$ 81,571	\$ 83,177	\$ 84,661	\$ 83,025	\$ 83,166	\$ 83,524	\$ 74,095	\$ 72,198	\$ 72,844	\$ 79,533
Actuarial required contributions	81,571	83,177	79,661	83,025	83,166	83,524	74,095	72,198	72,844	79,533
Contributions to the Employers' Reserve Fund	<u>40,000</u>	<u>8,000</u>	<u>8,000</u>	<u>13,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Actual employer contributions	121,571	91,177	87,661	96,389	83,166	83,524	74,095	72,198	72,844	79,533
Annual contribution deficiency (excess)	<u>\$ (40,000)</u>	<u>\$ (8,000)</u>	<u>\$ (3,000)</u>	<u>\$ (13,364)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 579,351	\$ 586,369	\$ 596,386	\$ 581,663	\$ 574,394	\$ 577,119	\$ 583,950	\$ 535,802	\$ 529,939	\$ 521,651
Actual contributions as a percentage of covered payroll	20.98%	15.55%	14.70%	16.57%	14.48%	14.47%	12.69%	13.47%	13.75%	15.25%

*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, 2022**

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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, 2022
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: 2.50% - 4.93% Police & Fire: 4.00% - 9.47%
Inflation Assumption	2.50% per annum
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, 2022**

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**Schedule of Administrative Expenses**

Salaries	\$ 2,729,748
Fringe benefits	1,152,795
Information technology services	803,390
Professional services	655,322
Facility operations & maintenance	301,017
General office expense	198,411
Equipment usage fees	16,133
Other operating services & supplies	683,736
Depreciation of equipment	277,237
Amortization of lease assets	266,806
Interest portion of lease payments	95,981
	<u>\$ 7,180,576</u>

**Schedule of Investment Expenses**

Investment manager expense	\$ 63,731,918
Employers' Reserve Fund investment manager expense	197,595
Security lending fees	196,087
Security lending rebates	4,419,993
Investment consulting fees	392,917
Investment custodian fees	300,000
Other investment related expenses	876,068
	<u>\$ 70,114,578</u>

**Schedule of Payments to Consultants**

Actuary services	\$ 48,462
Audit	190,269
Legal services	140,107
Medical advisors	255,055
Memberships	13,056
Other professional services	8,373
	<u>\$ 655,322</u>

(See Independent Auditors' Report)



**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**Combining Schedule of Fiduciary Net Position**  
**Non-Consenter Funds**  
**As of December 31, 2022**  
**(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	\$ 592	\$ 449	\$ 4	\$ 1,045
INVESTMENTS (Notes 1 and 9):				
Fixed income	1,608	1,171	11	2,790
Public equity	3,298	2,401	22	5,721
Absolute return	858	624	6	1,488
Real assets	995	725	7	1,727
Private equity	1,005	732	7	1,744
Total Investments	7,764	5,653	53	13,470
RECEIVABLES AND OTHER ASSETS				
Interest, dividends and foreign tax recoverable (Note 1)	24	17	-	41
Investments sold	67	48	(1)	114
Total Receivables and Other Assets	91	65	(1)	155
<b>Total Assets</b>	<b>8,447</b>	<b>6,167</b>	<b>56</b>	<b>14,670</b>
<b>LIABILITIES</b>				
Investments purchased	281	204	2	487
<b>Total Liabilities</b>	<b>281</b>	<b>204</b>	<b>2</b>	<b>487</b>
<b>NET POSITION RESTRICTED FOR PENSIONS</b>	<b>\$ 8,166</b>	<b>\$ 5,963</b>	<b>\$ 54</b>	<b>\$ 14,183</b>

See Independent Auditors' Report.

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**Combining Schedule of Changes in Fiduciary Net Position**  
**Non-Consenter Funds**  
**For the Fiscal Year Ended December 31, 2022**  
**(in thousands)**

	Retirement Fund	Combined Retirement Fund	General Employees' Duty Disability Fund	Total
<b>ADDITIONS</b>				
<b>Contributions</b>				
Employer (Note 6)	\$ -	\$ 52	\$ -	\$ 52
Member	-	2	-	2
<b>Total Contributions</b>	-	54	-	54
<b>Investment Income (Loss)</b>				
Net (depreciation) in fair value of investments	(905)	(659)	(6)	(1,570)
Interest, dividends, and other investment income	161	117	1	279
<b>Total Investment Income (Loss)</b>	(744)	(542)	(5)	(1,291)
Investment expense (Note 7)	-	-	-	-
<b>Net Investment Income (Loss)</b>	(744)	(542)	(5)	(1,291)
<b>Total Additions</b>	(744)	(488)	(5)	(1,237)
<b>DEDUCTIONS</b>				
Benefits paid	(52)	(47)	-	(99)
Refunds of contributions	-	(26)	-	(26)
Interfund transfers	(1,804)	(26)	(49)	(1,879)
<b>Total Deductions</b>	(1,856)	(99)	(49)	(2,004)
<b>NET (DECREASE) IN NET POSITION</b>	(2,600)	(587)	(54)	(3,241)
<b>NET POSITION RESTRICTED FOR PENSIONS</b>				
<b>Beginning of Year</b>	10,766	6,550	108	17,424
<b>End of Year</b>	\$ 8,166	\$ 5,963	\$ 54	\$ 14,183

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

June 28, 2023

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.

In 2022, most global markets declined in value, resulting in the Fund's stock and bond allocations, which comprise the majority of the Fund's portfolio allocations, to decline as well. The Fund's investment portfolio, while declining with the markets, managed to significantly outperform its policy benchmark and peers, net of fees.

- The Fund's return of -6.5% in 2022, net of investment management fees, outperformed its benchmark by 413 basis points.
- The Fund's -6.5% investment return, combined with benefit payments that exceeded contributions, resulted in the System's Fiduciary Net Position declining from \$6.43 billion in 2021 to \$5.53 billion in 2022.
- Over the past 10 years, the Fund generated annualized returns of 8.1%, net of investment management fees, which exceeded its benchmark by an annualized 84 basis points. The Fund's returns also rank in the top quartile of its public fund peer universe over the 1, 3, 5, and 10-year time periods, as measured by both its custodian and investment consultant, respectively.
- Positive returns generated within the Fund's Absolute Return and Real Assets allocations were more than offset by negative returns reported within the Fund's Public Equity, Fixed Income, and Private Equity allocations, in 2022.
- With the exception of Real Assets, all of the asset classes the Fund invests in outperformed their respective benchmarks by 255bp or more, net of fees, in 2022

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>

Sincerely,

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. Data is based upon market values. All portfolio rates of return are presented using time and asset-weighted returns, based on the market rate of return. Returns are calculated net of investment manager fees.

June 28, 2023

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, 2022. As of year-end, the Fund reported a fair value of \$5.53 billion.

Markets declined in 2022 as the Fed embarked on an aggressive path of rate hikes to combat unexpectedly high and persistent inflation. Global stock and bond markets posted double-digit losses for the year, with U.S. bonds posting record-breaking calendar year losses and several U.S. stock indices falling the most since 2008. The fourth quarter provided a welcome rebound across many markets, spurred by signs that inflation was moderating late in the year. Headline CPI was 6.5% in December, off its June peak of 9.1%; the Personal Consumption Expenditures (PCE) Index rose 5.5%. These year-over-year (YOY) figures remain well above the Federal Reserve's long-run inflation rate objective of 2%, but most components of the CPI registered smaller gains or even price declines in the most recent reading. Notably, the "longer-run" median projection from the Fed for the Core PCE Index is 2.0% and the five-year breakeven inflation rate (the difference between nominal and real five-year Treasury yields) was 2.3% as of year-end. The median expectation for 2023 unemployment also rose a bit to 4.6% (from 4.4%) while the projection for real GDP growth fell sharply to 0.5% from 1.2%. The labor market remained strong despite well-publicized layoffs across the tech industry. Unemployment held steady at 3.7% and payroll growth remained robust.

U.S. stock indices experienced a sharp downturn in the first half of 2022, and at one point the S&P 500 Index had given up over half of its post-pandemic rebound. Macroeconomic concerns surrounding inflation, the threat of a recession, and geopolitical issues spurred caution for the year. The stock market began to recapture some of its losses towards the end of the calendar year as inflationary pressures eased and investors began to price in forecasts of smaller rate hikes, but the YTD results remained dismal. The S&P 500 Index recorded an 18.1% loss for the year, with most indices posting double-digit declines. The drop for U.S. equities was broad-based, and almost every sector experienced negative returns. Larger capitalization securities outperformed small caps for the year, and value securities meaningfully outpaced growth across the market capitalization spectrum. In the aftermath of the sharp sell-off, valuations are more reasonable. The forward P/E ratio for the S&P 500 Index was 16.7 as of year-end, falling in line with the historical average of 16.8 over the past 25 years. Relative to large and mid cap stocks, small caps look significantly cheaper at year end. The Russell 2000 Index forward P/E ratio is trading at the lowest level versus large cap stocks since the Dot-Com Bubble.

Non-U.S. developed markets, as measured by the MSCI ACWI ex-USA IMI Index, declined 16.6% for the year, marking the largest drop since the Global Financial Crisis in 2008. Value-oriented equities outpaced growth-oriented stocks in developed and emerging markets, but by a smaller margin than in domestic indices. Developed equity markets outperformed emerging markets, as the MSCI Emerging markets Index fell by 20.1%

due in large part to the adverse impact from the Chinese government's reluctance to pivot from its zero-COVID policy. The dollar gained nearly 8% against major currencies over the full year, which detracted from global ex- U.S. results.

Fixed Income experienced a historically difficult year in 2022, as the broad fixed income Bloomberg Aggregate Index experienced its worst year on record (-13.0%). The silver lining lies in the 4.68% yield-to-worst for the Index, up from 1.75% at the beginning of the year. While absolute yields are higher, valuations seem fair as spreads have not widened materially, and most are close to historical averages. The Federal Reserve raised its target range for the Fed Funds rate seven times in 2022 for a cumulative 4.25%. The Fed has been explicit in its intent to aggressively fight inflation and is willing to see the economy slow and unemployment rise to bring it down. The median Fed Funds rate projection from the Fed for year-end 2023 is now 5.1%, up .50% from the September projections.

During a year of pain for public markets investors, commercial real estate returns served as one of the lone bright spots for the year (NCREIF ODCE Value-weighted Net +6.5%). Fundamentals across most private real estate sectors remain favorable, but the repricing of assets that occurred in 2022 has not been fully felt in private real estate values. The fourth quarter is likely a sign of things to come, as all major property sectors and regions, except for Hotel, experienced negative appreciation. Predictably, open-end private real estate funds have seen an increase in redemption requests because of the broader value declines in liquid asset classes. Redemption queues can be concerning when they are indicative of investors' lack of confidence in an open-end real estate fund; however, it appears current re-pricing is being driven by the rapid change in financial markets rather than a reduced interest in real estate overall.

Hedge fund performance was the tale of two halves in 2022. Equity hedge managers, focused on growth equities in technology, media and telecom, saw a significant decline in performance, as these sectors were impacted by the acceleration of monetary tightening. Stock level volatility was remarkable, and alpha generation on the long side suffered from the factor rotation from growth to value. The second half of the year was a complete change for hedge fund performance, as macro strategies were able to profit off the increased volatility across equities, interest rates, currencies, and commodities. Multi-strategy and relative-value strategies, with lower beta to broad market indices, were also able to profit off this increase in volatility. As both equities and bonds finished the year significantly lower, hedge funds were able to protect on the downside and provide significant diversification in 2022.

Private equity deal activity in 2022 remained comparable to pre-pandemic levels seen in 2018 and 2019, but there were two distinct phases of the year. Despite challenges faced from rapidly rising interest rates, private equity deal flows through the first half of the year nearly matched the historic pace set in 2021. The landscape changed in early summer, as fundraising, company investment, and exit activity subsided as banks were unwilling or unable to lend and valuations fell. Private equity performance turned negative for the first time since 2008 and ended a five-year streak of being the highest-performing private asset class. Still, private equity outperformed public markets, experiencing only 35% of the public equity market's decline through the first three quarters of 2022. With the upcoming 4Q valuations being subject to annual audits, continued declines are likely. Buyout funds outperformed Venture Capital strategies for the first time in five years, but tech-focused buyout funds were the underperformer within the strategy type for the second consecutive year.

As noted in the Schedule of Investment Results, the Fund generated a total return of -6.5% (net-of-management fees) for the year ended December 31, 2022, which exceeded the -10.6% return of the Fund's benchmark (the Policy Benchmark). In aggregate, the Fund's allocation to Absolute Return Strategies provided the strongest relative and absolute contributions. For the last five years, the Fund generated a 6.4% annualized return, ahead of the benchmark return of 5.0%. For the last ten years, the Fund returned an annualized 8.1% versus the benchmark return of 7.2%.

Sincerely,

A handwritten signature in blue ink, appearing to read "John P. Jackson".

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.

<u>Public Equity</u>	<u>Target</u>	<u>Minimum</u>	<u>Maximum</u>
Domestic Equity			
Passive Large Cap	7.8%		
Active Large Cap	5.0%		
Active Mid/Small Cap	7.0%		
Total Domestic Equity	19.8%	15.8%	23.8%
Total International Equity	15.4%	12.4%	18.4%
Total Global Equity	8.8%	4.8%	12.8%
<b>Total Public Equity</b>	<b>44%</b>	<b>39%</b>	<b>49%</b>
<u>Fixed Income</u>			
Cash	1%	0%	2.0%
Passive Fixed Income	5.5%		
Core Opportunistic Fixed Income	16.5%		
<b>Total Fixed Income</b>	<b>23%</b>	<b>17.5%*</b>	<b>26%</b>
<u>Real Assets</u>			
Private Real Estate	9.7%		
Public Diversified Real Assets	3.3%	1.3%	5.3%
<b>Total Real Assets</b>	<b>13%</b>	<b>10%</b>	<b>16%</b>
<u>Private Equity</u>	10%	7%	15%
<u>Absolute Return</u>	10%	7%	15%
<u>Total</u>	<u>100%</u>		

\*Fixed Income Minimum range lowered on an Interim basis to 17.5% in November 2022 for the purpose of providing Staff with additional flexibility to fund a new Absolute Return strategy and to make monthly benefit payments to beneficiaries. Absent further action, the Minimum Fixed Income range will revert back to 20% on March 1, 2023.

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**Schedule of Investment Results**  
**For the Year Ended December 31, 2022**

	<u>2022</u>	<u>3 Years</u>	<u>5 Years</u>
Total Fund	-6.5%	5.8%	6.4%
Policy Benchmark <sup>1</sup>	-10.6%	4.3%	5.0%
Fixed income	-7.1%	-3.2%	0.2%
Bloomberg U.S. Aggregate Index	-13.0%	-2.7%	0.0%
Public equity	-15.9%	5.2%	5.8%
ACWI IMI	-18.4%	3.9%	5.0%
Absolute return	24.4%	4.9%	5.7%
90 Day Treasury Bill + 3%	5.1%	3.8%	4.3%
Public Diversified Real Assets	-5.9%	4.8%	4.1%
Blended Benchmark <sup>2</sup>	-5.1%	3.9%	3.6%
Private Real Estate	7.8%	11.1%	9.6%
NCREIF Fund Index ODCE	6.5%	9.0%	7.7%
Private equity <sup>3</sup>	-4.9%	24.9%	22.5%
Cambridge Private Equity Index	-4.7%	19.5%	17.4%

<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> Effective April 1, 2022, the blended benchmark is as follows: 15% Bloomberg U.S. TIPS, 30% S&P Global Infrastructure, 15% S&P Global Natural Resources, 15% Bloomberg Commodity, 25% FTSE NAREIT. Prior to April 1, 2022, the blended benchmark was as follows: 35% Bloomberg U.S. TIPS, 20% S&P Global Infrastructure, 20% Global Natural Resources, 15% Bloomberg Commodity, 10% FTSE NAREIT.

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

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, 2022**

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<b>Top Ten Equity Holdings</b>	<b>Fair Value</b>
Alphabet Inc.	\$ 17,303,576
Microsoft Corp.	15,945,872
Takeda Pharmaceutical Co. Ltd.	14,533,831
Alibaba Group Holding Ltd.	11,086,439
Visa Inc.	11,086,281
Amazon.com Inc.	10,882,284
Adobe Inc.	10,829,535
Accenture PLC	9,058,684
Thermo Fisher Scientific Inc.	8,487,785
Novartis AG	8,206,402

<b>Top Ten Fixed Income Holdings</b>	<b>Fair Value</b>
FNMA Single Family Mortgage 0% 30 Years	\$ 101,001,040
U.S. Treasury Bonds 2.5% Due 8/15/2023	56,926,772
U.S. Treasury Notes 4.125% Due 10/31/2027	55,040,859
U.S. Treasury Notes 0.125% Due 12/15/2023	36,272,008
U.S. Treasury Notes 0.625% Due 11/30/2027	27,435,176
U.S. Treasury Notes 2.75% Due 8/15/2032	23,062,424
U.S. Treasury Bonds 3% Due 8/15/2052	21,558,258
FNMA Single Family Mortgage 3% 30 Years	21,108,651
FNMA Single Family Mortgage 2% 30 Years	19,444,806
U.S. Treasury Notes 2.875% Due 5/15/2032	16,161,645

*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, 2022

	Assets Under Management	Management Fee	Performance Fee	Fund of Fund Fee	Total Fees
<b>Public Equity</b>					
Domestic					
<i>Passive Large Cap Equity</i>	\$ 414,340,483	\$ 48,794	\$ -	\$ -	\$ 48,794
<i>Active Large Cap Equity</i>	272,091,796	807,099	-	-	807,099
<i>Active Mid/Small Cap Equity</i>	373,583,373	1,317,636	933,203	-	2,250,839
International					
<i>Active International Equity</i>	859,603,262	3,855,884	-	-	3,855,884
Global					
<i>Active Global Equity</i>	441,043,357	900,927	152,927	-	1,053,854
<b>Total Public Equity</b>	<u>\$ 2,360,662,271</u>	<u>\$ 6,930,340</u>	<u>\$ 1,086,130</u>	<u>\$ -</u>	<u>\$ 8,016,470</u>
<b>Private Equity Fund of Funds<sup>1</sup></b>	<u>\$ 716,390,224</u>	<u>\$ 6,123,552</u>	<u>\$ 13,149,149</u>	<u>\$ 6,027,968</u>	<u>\$ 25,300,669</u>
<b>Fixed Income</b>					
Cash	\$ 23,842,475	\$ -	\$ -	\$ -	\$ -
Passive Fixed Income	218,293,738	55,169	-	-	55,169
Active Fixed Income	822,032,929	1,279,813	-	-	1,279,813
<b>Total Fixed Income</b>	<u>\$ 1,064,169,142</u>	<u>\$ 1,334,982</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,334,982</u>
<b>Absolute Return<sup>1</sup></b>	<u>\$ 610,964,186</u>	<u>\$ 6,328,685</u>	<u>\$ 11,987,386</u>	<u>\$ 3,259,140</u>	<u>\$ 21,575,211</u>
<b>Real Estate</b>					
Private Real Estate - Core	\$ 518,660,384	\$ 4,948,706	\$ 635,398	\$ -	\$ 5,584,104
Private Real Estate - Non-Core	20,912,008	78,870	482,468	-	561,337
<b>Total Real Estate</b>	<u>\$ 539,572,392</u>	<u>\$ 5,027,576</u>	<u>\$ 1,117,866</u>	<u>\$ -</u>	<u>\$ 6,145,442</u>
<b>Real Assets</b>					
Public Real Assets	<u>\$ 169,969,783</u>	<u>\$ 1,359,144</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,359,144</u>
<b>Employers' Reserve Fund</b>					
<b>Fixed Income</b>					
Active Fixed Income	\$ 80,739,166	\$ 197,595	\$ -	\$ -	\$ 197,595
<b>Total Fixed Income</b>	<u>\$ 80,739,166</u>	<u>\$ 197,595</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 197,595</u>
<b>Total External Management Fees</b>		<u>\$ 27,301,873</u>	<u>\$ 27,340,531</u>	<u>\$ 9,287,108</u>	<u>\$ 63,929,513</u>

Assets under management amounts may differ from the Basic Financial Statements on page 21. 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, 2022**

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<b>Broker Name</b>	<b>Number of Shares</b>	<b>Commissions</b>	<b>Cost Per Share</b>
Goldman Sachs	6,624,896	\$ 79,861	\$ 0.01205
J.P. Morgan Securities	1,797,455,347	45,934	0.00003
Jefferies	51,167,132	37,943	0.00074
Merrill Lynch	4,908,380	28,324	0.00577
Citigroup Global Markets	308,862,056	25,597	0.00008
Virtu Americas LLC	782,573	23,599	0.03016
Morgan Stanley	387,277,028	23,582	0.00006
Sanford C. Bernstein	2,079,104	18,797	0.00904
Bank of America	888,084,971	16,815	0.00002
UBS	16,194,561	16,793	0.00104
Total - Top Ten Brokers	3,463,436,048	317,245	0.00009
Total - Other Brokers	6,282,806,452	237,697	0.00004
<b>Grand Total</b>	<b>9,746,242,500</b>	<b>\$ 554,942</b>	<b>\$ 0.00006</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, 2022**  
**(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	\$ 61,578	1%	1%
Fixed income	1,146,457	20%	22%
Public equity	2,351,067	42%	44%
Absolute return	611,336	11%	10%
Real assets	709,543	13%	13%
Private equity	716,391	13%	10%
	<u>\$ 5,596,372</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*

February 8, 2023

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, 2022. The actuarial valuation 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 within it, and reflect the benefit and funding provisions in place on January 1, 2022. 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 actuarial 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 section of the actuarial valuation report. 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 the actuarial valuation 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 the actuarial valuation 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 the actuarial valuation report are for purposes of evaluating the funding of the Plan and determining an actuarial contribution rate. The calculations in the 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 the 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'.

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

A handwritten signature in blue ink, appearing to read 'Patrice Beckham'.

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

# MEMBER DATA

## Active Member Data by Group as of January 1, 2022

### 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>
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%
2021	8,135	371,863,000	45,711	2.45%
2022	7,768	369,306,000	47,542	4.01%

### 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>
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%
2021	1,735	154,607,000	89,111	2.65%
2022	1,631	148,844,000	91,259	2.41%

### 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>
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%
2021	697	59,899,000	85,938	(0.90%)
2022	695	61,201,000	88,059	2.47%

### 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>
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%
2021	10,567	586,369,000	55,491	2.11%
2022	10,094	579,351,000	57,396	3.43%

## **Benefit Recipients by Group as of January 1, 2022**

### **General Employees**

<b>Amount of Monthly Benefits</b>	<b>Total Monthly Benefits</b>	<b>Total Number of Recipients</b>	<b>Type of Benefit</b>		
			<b>Retired</b>	<b>Beneficiary</b>	<b>Disability</b>
1 to 500	\$600,726	2,130	1,804	296	30
501 to 1,000	1,297,681	1,778	1,338	315	125
1,001 to 1,500	1,520,674	1,234	885	267	82
1,501 to 2,000	1,628,799	933	701	183	49
2,001 to 2,500	2,176,223	969	827	115	27
2,501 to 3,000	2,365,867	862	760	78	24
3,001 to 3,500	2,116,173	653	591	48	14
3,501 to 4,000	1,474,960	396	380	15	1
4,001 to 4,500	1,130,833	267	249	15	3
4,501 to 5,000	777,969	165	154	8	3
Over 5,000	2,079,409	341	335	6	-

### **Policemen**

<b>Amount of Monthly Benefits</b>	<b>Total Monthly Benefits</b>	<b>Total Number of Recipients</b>	<b>Type of Benefit</b>		
			<b>Retired</b>	<b>Beneficiary</b>	<b>Disability</b>
1 to 500	\$11,377	45	28	16	1
501 to 1,000	42,263	54	27	27	-
1,001 to 1,500	101,343	82	11	70	1
1,501 to 2,000	161,159	94	19	71	4
2,001 to 2,500	133,873	59	17	40	2
2,501 to 3,000	236,029	85	43	31	11
3,001 to 3,500	411,628	127	77	43	7
3,501 to 4,000	593,042	158	112	44	2
4,001 to 4,500	751,803	176	143	33	-
4,501 to 5,000	2,235,125	467	398	41	28
Over 5,000	7,647,687	1,268	1,199	53	16

### Firemen

Amount of Monthly Benefits	Total Monthly Benefits	Total Number of Recipients	Type of Benefit		
			Retired	Beneficiary	Disability
1 to 500	\$4,909	19	11	8	-
501 to 1,000	8,344	11	2	9	-
1,001 to 1,500	39,891	31	4	27	-
1,501 to 2,000	78,729	45	4	41	-
2,001 to 2,500	94,938	42	14	24	4
2,501 to 3,000	166,529	60	23	28	9
3,001 to 3,500	218,898	67	33	29	5
3,501 to 4,000	316,689	84	68	15	1
4,001 to 4,500	741,420	174	153	21	-
4,501 to 5,000	1,005,887	211	199	10	2
Over 5,000	4,027,800	671	609	20	42

### Total

Amount of Monthly Benefits	Total Monthly Benefits	Total Number of Recipients	Type of Benefit		
			Retired	Beneficiary	Disability
1 to 500	\$617,012	2,194	1,843	320	31
501 to 1,000	1,348,288	1,843	1,367	351	125
1,001 to 1,500	1,661,908	1,347	900	364	83
1,501 to 2,000	1,868,687	1,072	724	295	53
2,001 to 2,500	2,405,034	1,070	858	179	33
2,501 to 3,000	2,768,425	1,007	826	137	44
3,001 to 3,500	2,746,699	847	701	120	26
3,501 to 4,000	2,384,691	638	560	74	4
4,001 to 4,500	2,624,056	617	545	69	3
4,501 to 5,000	4,018,981	843	751	59	33
Over 5,000	13,754,896	2,280	2,143	79	58

## **Reconciliation of Membership Data From January 1, 2021 to January 1, 2022**

	Active Members	Refund Payable	Deferred Vested	Benefit Recipients			Total
				Disabled Members	Retirees	Beneficiaries	
Participants as of January 1, 2021	10,567	1,796	3,188	532	11,034	2,081	29,198
New Participants	943	131	44	0	0	158	1,276
Return to Work	62	(32)	(30)	0	0	0	0
Terminations							
- Refunded	(169)	(235)	(54)	0	0	0	(458)
- Refund Payable	(494)	494	0	0	0	0	0
- Deferred Vested	(414)	0	414	0	0	0	0
Service Retirements							
- Annuity	(370)	0	(168)	0	538	0	0
- Lump Sum	(7)	0	(14)	0	0	0	(21)
Disabilities							
- Duty-Related	0	0	(1)	1	0	0	0
- Non Duty-Related	(4)	0	(1)	5	0	0	0
Deaths	(20)	(2)	(18)	(18)	(381)	(185)	(624)
Benefit Payments Stopped	0	0	0	0	0	(7)	(7)
Reached Service Retirement							
Conversion Age*	0	0	0	(28)	28	0	0
Data Adjustments	0	(3)	3	1	(1)	0	0
Participants as of January 1, 2022	10,094	2,149	3,363	493	11,218	2,047	29,364

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, 2022.

# 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)
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%
2021	443,188	5,088,288	1,213,823	5,440,867	100%	98%	0%
2022	428,753	5,290,506	1,156,668	5,734,986	100%	100%	1%

## Analysis of Financial Experience

	(Millions)
Unfunded Actuarial Accrued Liability, January 1, 2021	\$ 1,343.1
- Expected Change in UAAL	(8.4)
- Actual Contributions Versus Actuarial Contributions	90.3
- Investment Experience	(229.3)
- Demographic Experience	(13.2)
- Other experience	8.4
Unfunded Actuarial Accrued Liability, January 1, 2022	\$ 1,190.9

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, 2021 Funded Ratio</b>	<b>80.7%</b>	<b>83.8%</b>
- Expected Change	(0.1%)	0.1%
- Actual Contributions Versus Actuarial Contributions	(0.7%)	(0.7%)
- Investment Experience	3.3%	10.2%
- Demographic Experience	0.2%	0.1%
- Other Experience	<u>0.0%</u>	<u>0.0%</u>
- Total change	2.7%	9.7%
<b>January 1, 2022 Funded Ratio</b>	<b>83.4%</b>	<b>93.5%</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]
1/1/2013	\$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%
1/1/2021	5,440,867	6,745,299	1,304,432	80.7%	586,369	222.5%
1/1/2022	5,734,986	6,875,927	1,140,941	83.4%	579,351	196.9%

\* 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 (net of investment expenses), 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	General Employees		Firemen	Normal Retirement	
	General Employees			All	Not in	In
		Males	Females		Combined Fund	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)**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Additions</b>										
Member contributions	\$ 32,204	\$ 31,444	\$ 32,191	\$ 32,633	\$ 32,085	\$ 32,494	\$ 35,918	\$ 49,553	\$ 43,663	\$ 42,624
Employer contributions	121,571	91,177	87,661	96,389	83,166	83,524	74,095	72,198	72,844	79,533
Investment earnings (net of expenses)	(594,375)	1,110,990	409,136	893,279	(160,190)	787,809	383,747	34,982	238,985	798,204
<b>Total additions to fiduciary net position</b>	<b>(440,600)</b>	<b>1,233,611</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>Deductions</b>										
Benefit payments										
Age/Service	419,365	407,606	391,317	371,719	354,553	343,430	313,927	301,667	289,877	280,110
Death	2,790	2,663	2,366	1,148	1,970	2,305	2,167	2,287	2,208	2,170
Disability	30,252	30,823	31,712	32,349	32,366	34,266	30,843	29,382	29,194	28,416
<b>Total benefit payments</b>	<b>452,407</b>	<b>441,092</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>
Refund of contributions										
Final death payout	1,680	1,931	1,287	1,150	1,647	1,688	971	949	1,486	1,624
Retirement lump sum equivalent	3,292	1,471	1,504	215	142	223	332	294	359	437
Withdrawal	239	762	764	2,505	2,848	3,420	3,063	2,910	6,045	3,702
<b>Total refunds of contributions</b>	<b>5,211</b>	<b>4,164</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>
Administrative expenses	7,181	6,733	7,381	7,018	7,181	8,637	8,096	9,686	10,831	11,745
Interfund Transfers	-	-	-	-	-	-	-	10,400	13,400	18,399
<b>Total deductions from fiduciary net position</b>	<b>464,799</b>	<b>451,989</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>Change in fiduciary net position</b>	<b>\$ (905,399)</b>	<b>\$ 781,622</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>

*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, 2022**

Amount of Annual Pension Benefit	Number of Recipients	Type of Pension Benefit		
		Age/Service	Death	Disability
General City				
\$0 - \$10,000	4,134	3,653	164	317
\$10,001 - \$20,000	2,240	1,998	50	192
\$20,001 - \$30,000	1,659	1,567	4	88
\$30,001 - \$40,000	1,292	1,249	1	42
\$40,001 - \$50,000	672	663	-	9
\$50,001 - \$60,000	362	357	-	5
\$60,001 - \$70,000	168	166	-	2
\$70,001 - \$80,000	93	93	-	-
\$80,001 - \$90,000	37	37	-	-
\$90,001 - \$100,000	23	23	-	-
\$100,001 - \$110,000	9	9	-	-
\$110,001 - \$120,000	5	5	-	-
\$120,001 - \$130,000	-	-	-	-
\$130,001 - \$140,000	1	1	-	-
Totals	10,695	9,821	219	655
Police				
\$0 - \$10,000	280	261	15	4
\$10,001 - \$20,000	195	159	28	8
\$20,001 - \$30,000	118	102	5	11
\$30,001 - \$40,000	223	200	2	21
\$40,001 - \$50,000	268	245	4	19
\$50,001 - \$60,000	473	448	2	23
\$60,001 - \$70,000	780	725	-	55
\$70,001 - \$80,000	371	352	-	19
\$80,001 - \$90,000	142	137	-	5
\$90,001 - \$100,000	57	54	-	3
\$100,001 - \$110,000	38	38	-	-
\$110,001 - \$120,000	12	12	-	-
\$120,001 - \$130,000	7	7	-	-
\$130,001 - \$140,000	-	-	-	-
\$140,001 - \$150,000	5	5	-	-
\$170,001 - \$180,000	1	1	-	-
Totals	2,970	2,746	56	168
Fire				
\$0 - \$10,000	82	62	5	15
\$10,001 - \$20,000	65	56	1	8
\$20,001 - \$30,000	81	68	5	8
\$30,001 - \$40,000	102	80	-	22
\$40,001 - \$50,000	147	115	-	32
\$50,001 - \$60,000	321	267	-	54
\$60,001 - \$70,000	380	308	-	72
\$70,001 - \$80,000	177	151	-	26
\$80,001 - \$90,000	89	85	-	4
\$90,001 - \$100,000	49	48	-	1
\$100,001 - \$110,000	13	13	-	-
\$110,001 - \$120,000	9	9	-	-
\$120,001 - \$130,000	4	4	-	-
\$140,001 - \$150,000	1	1	-	-
\$150,001 - \$160,000	3	3	-	-
Totals	1,523	1,270	11	242

**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+
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
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

**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+
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
2021	General City	Average Annual Benefits	\$ 2,515	\$ 4,963	\$ 9,817	\$ 14,612	\$ 20,923	\$ 29,336	\$ 37,496
		Average Final Average Salary	\$ 24,983	\$ 29,110	\$ 33,314	\$ 37,942	\$ 43,268	\$ 49,571	\$ 51,150
		Number of Retired Members	635	1,609	1,158	1,216	1,094	1,439	2,381
	Police	Average Annual Benefits	\$ 8,019	\$ 9,694	\$ 17,439	\$ 29,817	\$ 45,261	\$ 54,117	\$ 61,144
		Average Final Average Salary	\$ 40,253	\$ 43,157	\$ 50,073	\$ 62,839	\$ 55,464	\$ 66,511	\$ 57,511
		Number of Retired Members	19	49	23	38	203	1,325	860
	Fire	Average Annual Benefits	\$ 3,912	\$ 7,350	\$ 17,282	\$ 28,949	\$ 47,664	\$ 54,844	\$ 59,541
		Average Final Average Salary	\$ 23,090	\$ 42,336	\$ 43,471	\$ 58,092	\$ 69,512	\$ 67,358	\$ 59,510
		Number of Retired Members	6	10	5	13	138	467	575
2022	General City	Average Annual Benefits	\$ 2,500	\$ 5,125	\$ 9,956	\$ 15,029	\$ 21,766	\$ 30,521	\$ 38,331
		Average Final Average Salary	\$ 26,100	\$ 29,684	\$ 33,946	\$ 38,914	\$ 44,382	\$ 50,726	\$ 52,054
		Number of Retired Members	648	1,607	1,175	1,223	1,087	1,453	2,364
	Police	Average Annual Benefits	\$ 7,833	\$ 9,990	\$ 18,727	\$ 30,194	\$ 45,825	\$ 56,669	\$ 62,574
		Average Final Average Salary	\$ 40,433	\$ 44,222	\$ 50,035	\$ 65,341	\$ 55,923	\$ 69,065	\$ 59,161
		Number of Retired Members	20	57	24	43	203	1,369	858
	Fire	Average Annual Benefits	\$ 4,184	\$ 7,424	\$ 15,286	\$ 28,843	\$ 47,595	\$ 55,891	\$ 62,080
		Average Final Average Salary	\$ 23,090	\$ 42,138	\$ 46,829	\$ 58,092	\$ 72,074	\$ 68,472	\$ 61,379
		Number of Retired Members	6	11	6	12	150	481	563

**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+
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
2016	General City	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
	Police	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
	Fire	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
2017	General City	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
	Police	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
	Fire	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

**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>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	N/A	N/A
		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	N/A	\$ 44,252
		Number of Retired Members	5	2	2	2	1	1	1
<b>2021</b>	<b>General City</b>	Average Annual Benefits	\$ 6,798	\$ 5,193	\$ 8,133	\$ 9,370	\$ 9,759	\$ 11,446	\$ 14,388
		Average Final Average Salary	\$ 37,626	\$ 44,069	\$ 60,477	\$ 43,070	\$ 48,511	\$ 51,554	\$ 55,845
		Number of Retired Members	18	16	37	37	64	20	7
	<b>Police</b>	Average Annual Benefits	\$ 12,167	\$ 20,956	\$ 4,783	\$ 37,069	\$ 9,412	\$ 3,593	\$ 3,593
		Average Final Average Salary	\$ 23,184	\$ 34,998	\$ 86,675	\$ 75,366	\$ 79,173	\$ 3,600	\$ 3,600
		Number of Retired Members	6	5	20	9	7	1	1
	<b>Fire</b>	Average Annual Benefits	\$ 10,700	\$ 20,459	\$ 16,974	\$ 1,498	\$ 25,120	\$ 3,593	\$ 26,956
		Average Final Average Salary	\$ 21,825	\$ 34,168	\$ 45,710	\$ 3,003	\$ 41,951	\$ 3,600	\$ 45,018
		Number of Retired Members	4	2	2	2	1	1	1
<b>2022</b>	<b>General City</b>	Average Annual Benefits	\$ 6,352	\$ 2,870	\$ 8,127	\$ 10,770	\$ 8,000	\$ 8,994	\$ 14,482
		Average Final Average Salary	\$ 37,672	\$ 36,656	\$ 60,477	\$ 43,275	\$ 46,968	\$ 51,554	\$ 55,845
		Number of Retired Members	18	36	37	33	68	20	7
	<b>Police</b>	Average Annual Benefits	\$ 12,198	\$ 13,575	\$ 13,369	\$ 30,197	\$ 9,405	\$ 3,600	\$ 3,600
		Average Final Average Salary	\$ 23,984	\$ 57,202	\$ 86,723	\$ 84,023	\$ 79,173	\$ 3,600	\$ 3,600
		Number of Retired Members	5	9	20	13	7	1	1
	<b>Fire</b>	Average Annual Benefits	\$ 11,184	\$ 20,846	\$ 17,199	\$ -	\$ 25,529	\$ 3,600	\$ 25,092
		Average Final Average Salary	\$ 22,921	\$ 34,840	\$ 46,504	\$ -	\$ 42,667	\$ 3,600	\$ 41,937
		Number of Retired Members	4	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	31+
<b>2013</b>	<b>General City</b>	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
	<b>Police</b>	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
	<b>Fire</b>	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
<b>2014</b>	<b>General City</b>	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
	<b>Police</b>	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
	<b>Fire</b>	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
<b>2015</b>	<b>General City</b>	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
	<b>Police</b>	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
	<b>Fire</b>	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
<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

**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>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
<b>2021</b>	<b>General City</b>	Average Annual Benefits	\$ 24,934	\$ 9,602	\$ 9,894	\$ 12,670	\$ 15,639	\$ 19,428	\$ 22,202
		Average Final Average Salary	\$ 31,567	\$ 29,712	\$ 34,555	\$ 36,073	\$ 38,432	\$ 36,144	\$ 32,010
		Number of Retired Members	10	110	180	154	126	75	15
	<b>Police</b>	Average Annual Benefits	\$ 57,934	\$ 47,575	\$ 54,877	\$ 47,267	\$ 52,169	\$ 66,161	\$ 53,926
		Average Final Average Salary	\$ 77,779	\$ 75,036	\$ 79,846	\$ 75,199	\$ 77,602	\$ 88,547	\$ 68,140
		Number of Retired Members	10	28	37	29	28	16	21
	<b>Fire</b>	Average Annual Benefits	\$ 48,109	\$ 48,457	\$ 44,456	\$ 46,347	\$ 46,052	\$ 55,059	\$ 62,241
		Average Final Average Salary	\$ 74,169	\$ 76,273	\$ 73,456	\$ 71,880	\$ 67,594	\$ 76,363	\$ 83,454
		Number of Retired Members	11	25	32	36	34	61	41
<b>2022</b>	<b>General City</b>	Average Annual Benefits	\$ 20,987	\$ 9,935	\$ 10,196	\$ 13,086	\$ 16,047	\$ 19,083	\$ 23,469
		Average Final Average Salary	\$ 25,989	\$ 30,260	\$ 34,948	\$ 36,538	\$ 39,165	\$ 36,671	\$ 29,414
		Number of Retired Members	10	111	174	147	123	75	13
	<b>Police</b>	Average Annual Benefits	\$ 63,135	\$ 51,744	\$ 56,643	\$ 45,596	\$ 51,140	\$ 64,763	\$ 54,933
		Average Final Average Salary	\$ 84,636	\$ 81,894	\$ 82,622	\$ 75,126	\$ 76,048	\$ 85,160	\$ 68,416
		Number of Retired Members	9	25	34	31	27	18	21
	<b>Fire</b>	Average Annual Benefits	\$ 48,866	\$ 52,197	\$ 44,342	\$ 46,553	\$ 45,875	\$ 57,473	\$ 63,940
		Average Final Average Salary	\$ 75,354	\$ 80,534	\$ 76,310	\$ 72,732	\$ 68,614	\$ 78,975	\$ 84,125
		Number of Retired Members	10	23	33	33	33	57	42



**EMPLOYES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE**  
**Principal Participating Employers**  
**Current Year and Nine Years Ago**

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	<u>As of December 31, 2022</u>			<u>As of December 31, 2013</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	5,394	55.04%	1	6,020	56.94%	1
Milwaukee Public Schools	3,651	37.26%	2	3,693	34.93%	2
Milwaukee Water Works	317	3.23%	3	309	2.92%	3
Milwaukee Metropolitan Sewerage District	237	2.42%	4	216	2.04%	4
Housing Authority - City of Milwaukee	101	1.03%	5	182	1.72%	5
Wisconsin Center District	92	0.94%	6	86	0.81%	6
Veolia Water	8	0.08%	7	65	0.61%	7
Milwaukee Technical College	-	0.00%	N/A	1	0.01%	8
<b>Total</b>	<u>9,800</u>	<u>100%</u>		<u>10,572</u>	<u>100%</u>	

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

July 18, 2023

*Section 36.15 (9) of the Milwaukee City Charter provides that the Annuity and Pension Board "shall publish annually a report showing the fiscal transactions of the retirement system for the preceding year, the amount of the assets of the system, and the financial condition of the system as disclosed by an actuarial valuation of the retirement system."*

*The Annuity and Pension Board submits herewith its annual report for the year ending December 31, 2022.*

**ANNUITY & PENSION BOARD  
AS OF DECEMBER 31, 2022**

**Elected Representatives - Active Members:**

Matthew Bell  
James Campbell  
Molly Christianson

**Elected Representative - Retirees:**

Thomas Klusman, Retired

**Appointed by the President of the Common Council:**

Nik Kovac, City of Milwaukee Budget & Management Director  
Deborah Ford, Retired  
Rudolph Konrad, Retired

**Ex-Officio Member:**

Aycha Sawa, City of Milwaukee Comptroller

**ADMINISTRATIVE PERSONNEL  
AS OF DECEMBER 31, 2022**

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

**INVESTMENT MANAGERS**

Abbott Capital Management LLC  
Almanac Realty Investors, LLC  
Apogem Capital LLC  
Apollo Global Real Estate Management, L.P.  
AQR Capital Management, LLC  
BlackRock Investments, LLC  
Brandes Investment Partners, LP  
Bryanston Realty Partners LLC  
CastleArk Management LLC  
Colony Capital, LLC  
Deutsche Asset Management  
Dimensional Fund Advisors LP  
Drawbridge Realty Partners Holdings, LP  
Earnest Partners LLC  
Fortress Investment Group  
Goldman Sachs Asset Management  
Greenfield Multi-State Partners, L.P.  
H/2 Capital Partners  
J.P. Morgan Investment Management Inc.  
LaSalle Investment Management, Inc.  
Loomis, Sayles & Company, L.P.  
M&G Real Estate  
Mesirow Financial, Inc.  
MFS Investment Management  
Morgan Stanley Real Estate Advisor, Inc.  
Neuberger Berman  
Northern Trust Securities, Inc.  
Polen Capital Management, LLC  
Principal Asset Management  
Prologis, LP  
Reams Asset Management  
Standard Life  
Stockbridge Capital Partners, LLC  
UBS Hedge Fund Solutions, LLC  
Walton Street Capital, L.L.C.  
William Blair Investment Management, LLC

**CONSULTANTS**

Global Trading Analytics, LLC  
Bernstein Litowitz Berger & Grossman LLP  
Foley & Lardner LLP  
Ice Miller LLP  
Reinhart Boerner Van Deuren  
Wells Fargo Bank Wisconsin, NA  
Callan LLC  
The Northern Trust Company  
Baker Tilly US, LLP  
CliftonLarsonAllen LLP  
Cavanaugh Macdonald Consulting, LLC

**MEDICAL COUNCIL**

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

**CITY OF MILWAUKEE**

*Employees'  
Retirement  
System*

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

**85th  
EDITION  
December 31, 2022**

## City of Milwaukee Employees' Retirement System

### STATEMENT OF PLAN NET ASSETS DECEMBER 31, 2022 (in thousands)

<b>ASSETS:</b>	
Cash & Cash Equivalents .....	\$ 67,517
<b>Investments at Estimated Fair Value:</b>	
Fixed income.....	1,224,648
Public equity.....	2,351,067
Absolute return .....	611,336
Real assets.....	709,543
Private equity.....	716,391
<b>Total Investments</b> .....	<b>\$ 5,612,985</b>
<b>Receivables and Other Assets:</b>	
Employer .....	\$ 107
Member .....	846
Interest, dividends and foreign tax recoverable .....	16,876
Investments sold .....	49,033
Software development & equipment, net of depreciation .....	839
Securities lending collateral .....	286,297
Lease assets, net of amortization .....	1,876
<b>Total Receivables and Other Assets</b> .....	<b>\$ 355,874</b>
<b>TOTAL ASSETS</b> .....	<b>\$ 6,036,376</b>
<b>LIABILITIES:</b>	
Benefits payable .....	980
Unearned contributions.....	17,254
City of Milwaukee .....	1,410
Securities lending obligation .....	285,102
Investments purchased .....	203,683
Lease liability .....	1,990
<b>TOTAL LIABILITIES</b> .....	<b>\$ 510,419</b>
<b>NET POSITION RESTRICTED FOR PENSIONS</b> .....	<b>\$ 5,525,957</b>

### STATEMENT OF CHANGES IN PLAN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2022 (in thousands)

	2022	2021
<b>ADDITIONS:</b>		
<b>Contributions:</b>		
Employer .....	\$ 121,571	\$ 91,177
Member .....	32,204	31,444
<b>Total Contributions</b> .....	<b>\$ 153,775</b>	<b>\$ 122,621</b>
<b>Investment Income (Loss):</b>		
Net (depreciation) appreciation in fair value of investments .....	\$ (645,552)	926,686
Interest, dividends and other investment income.....	121,292	269,157
<b>Total Investment Income</b> .....	<b>\$ (524,260)</b>	<b>\$ 1,195,843</b>
Less: Investment expense .....	(70,115)	(84,853)
Net Investment Income .....	\$ (594,375)	\$ 1,110,990
<b>TOTAL ADDITIONS</b> .....	<b>\$ (440,600)</b>	<b>\$ 1,233,611</b>
<b>DEDUCTIONS:</b>		
Administrative expenses .....	\$ (7,181)	(6,733)
Benefits paid .....	(452,407)	(441,092)
Refund of contributions .....	(5,211)	(4,164)
<b>TOTAL DEDUCTIONS</b> .....	<b>\$ (464,799)</b>	<b>\$ (451,989)</b>
<b>FUND BALANCE CHANGES:</b>		
Net (decrease) increase before fund balance transfers .....	\$ (905,399)	\$ 781,622
Fund balance transfers .....	-	-
Net (decrease) increase after fund balance transfers .....	\$ (905,399)	\$ 781,622
<b>Net position held in trust for pension benefits:</b>		
Beginning of year .....	\$ 6,431,356	\$ 5,649,734
End of year .....	<b>\$ 5,525,957</b>	<b>\$ 6,431,356</b>

See notes to Basic Financial Statements.

### ACTUARIAL BALANCE SHEET JANUARY 1, 2023 (in thousands)

<b>ASSETS:</b>	
Market value of assets .....	\$ 5,525,957
Market adjustment .....	321,447
Actuarial value of assets.....	<b>\$ 5,847,404</b>
Unfunded actuarial accrued liability.....	1,219,705
Present value of future anticipated contributions.....	738,228
<b>Financial resources for actuarial accrued liability</b> .....	<b>\$ 7,805,337</b>
<b>LIABILITIES:</b>	
<b>Present value of future benefits</b>	
Annuitants.....	\$ 5,256,311
Inactive members.....	184,613
Active members.....	2,364,413
<b>TOTAL LIABILITIES</b> .....	<b>\$ 7,805,337</b>

### MEMBERSHIP STATISTICS DECEMBER 31,

	2022	2021
Active members .....	9,800	10,09
Retired, disability and survivorship .....	13,853	13,75
Members on deferred status .....	5,960	5,51
<b>Total membership</b> .....	<b>29,613</b>	<b>29,36</b>

*A list of investments held by the Employees' Retirement System as of December 31, 2022 is available for inspection at the System's office. The financial records of the Employees' Retirement System have been audited by Baker Tilly US, LLP for the year ending December 31, 2022. Complete audited Basic Financial Statements are available for inspection at the System's office or online at [www.cmrs.com](http://www.cmrs.com).*

*Check that your Beneficiary Designation is current.*

*Change of Beneficiary Designation forms are available at the ERS office at 789 North Water Street, Suite 300 Milwaukee, WI 53202 or by calling 414-286-3557 or 1-800-815-8418 or online at [www.cmrs.com](http://www.cmrs.com)*

IV.

SPECIAL MEETING OF THE LEGISLATIVE COMMITTEE

(COMMITTEE OF THE WHOLE)

Retirement Type	Retirement SubType	Last Name	First Name	Retirement Date	Option	Department
Regular	Deferred	MICHOR	DIANE	8/17/2016	MAX	CITY TREASURER
Regular	Deferred	FREITAG	DAVID	3/8/2023	MAX	MILWAUKEE PUBLIC SCHOOLS
Regular	Deferred	SWIMS	WILLIE	3/19/2023	MAX	MILWAUKEE POLICE DEPARTMENT
Regular	Deferred	TYCZKOWSKI	COLLEEN	5/3/2023	MAX	MILWAUKEE PUBLIC SCHOOLS
Regular	Service	HOSKINS	NORMAN	5/4/2023	MAX	MILWAUKEE PUBLIC SCHOOLS
Regular	Deferred	DUNN	MICHAEL	5/10/2023	MAX	FIRE - FIREFIGHTING
Regular	Deferred	BRZESKI	LISA	5/13/2023	100	DEPT OF CITY DEVELOPMENT
Regular	Service	FLYNN	DANIEL	5/13/2023	MAX	CITY TREASURER
Regular	Service	HAYNES	STANLEY	5/13/2023	50	DPW-OPS-FLEET SERVICES
Regular	Service	JOHNSON	JACQUELINE	5/13/2023	MAX	MUNICIPAL COURT
Regular	Service	MILLER	DAVID	5/13/2023	50	MILWAUKEE POLICE DEPARTMENT
Regular	Service	SPETH	GERMAINE	5/13/2023	MAX	DPW-ADMINISTRATION SERVICES
Regular	Service	RADMER	ROBERT	5/15/2023	50	DEPT OF NEIGHBORHOOD SRVCS
Regular	Service	ARMIROS	LUCIA	5/25/2023	MAX	MILWAUKEE PUBLIC SCHOOLS
Regular	Service	TATE	LINDA	5/25/2023	MAX	MILWAUKEE PUBLIC SCHOOLS
Regular	Service	THORNTON	CARMIA	5/26/2023	MAX	MILWAUKEE PUBLIC SCHOOLS
Regular	Service	VANG	LYVONG	5/26/2023	100	MILWAUKEE PUBLIC SCHOOLS
Regular	Service	BERENDT	ANTHONY	5/27/2023	100	DPW-INFRASTRUCTURE-ST/BRIDGES
Regular	Service	COURT	CORSTAN	5/27/2023	MAX	MILWAUKEE POLICE DEPARTMENT
Regular	Service	DAVILA	RICHARD	5/27/2023	100	DPW-WATER-BUSINESS
Regular	Service	RODRIGUEZ	ANGEL	5/27/2023	MAX	HACM
Regular	Service	MC DERMOTT	PATRICK	5/28/2023	31	MILWAUKEE POLICE DEPARTMENT
Regular	Service	PETERSON	CHRISTOPHER	5/28/2023	100	MILWAUKEE POLICE DEPARTMENT
Regular	Deferred	CLARK	MELISSA	5/31/2023	MAX	MILWAUKEE PUBLIC SCHOOLS
Regular	Service	PERRY	GWENDOLYN	5/31/2023	MAX	MILWAUKEE PUBLIC SCHOOLS
Regular	Service	ROBY	TERRY	5/31/2023	50	MILWAUKEE PUBLIC SCHOOLS
Regular	Service	WATTS	SHEMIA	5/31/2023	62	MILWAUKEE POLICE DEPARTMENT
Regular	Conversion (Duty Disability to Regular)	PHILLIPS	EARL	6/1/2023	100	DPW - OPERATIONS
Regular	Deferred	RICE	DANIEL	6/1/2023	100	MILWAUKEE POLICE DEPARTMENT
Regular	Deferred	ZIGAN	JANINE	6/1/2023	MAX	MILWAUKEE PUBLIC SCHOOLS
Regular	Involuntary Separation	MCCANN	ANGELA	6/1/2023	MAX	DPW-WATER-DISTRIBUTION
Regular	Service	CHANCESKE	MICHAEL	6/1/2023	MAX	DPW-INFRASTRUCTURE-ELECTRICAL
Regular	Service	DIXON	SHERMAN	6/1/2023	MAX	MILWAUKEE PUBLIC SCHOOLS
Regular	Service	GRAVEEN	ROBERT	6/1/2023	MAX	COMPTROLLER
Regular	Service	HILGENDORF	ANDREW	6/1/2023	50	DPW-INFRASTRUCTURE-ELECTRICAL
Regular	Service	KRAUSE	DANIEL	6/1/2023	MAX	FIRE - FIREFIGHTING
Regular	Service	PAWLAK	BRYAN	6/1/2023	100	DPW-INFRASTRUCTURE-ELECTRICAL
Regular	Service	SAVIC	MIROSLAV	6/1/2023	56	MILWAUKEE PUBLIC SCHOOLS
Regular	Service	WRENCH	LINDA	6/1/2023	MAX	MILWAUKEE PUBLIC SCHOOLS
Regular	Service	YOUNG	ROBERT	6/1/2023	MAX	DPW-OPS-FLEET SERVICES

Type	Last Name	First Name	Death Date	Payment Date	Amount
Retiree Death-Termination	ANDRZEJEWSKI	MATHILDA	4/13/2023	6/30/2023	\$ 90.94
Retiree Death-Termination	BATTON	GERTRUDE	4/20/2023	6/30/2023	\$ 172.19
Retiree Death-Termination	BENJAMIN	DENNIS	4/15/2023	6/30/2023	\$ 2,397.98
Retiree Death-Termination	CHAPPLE	CECILIA	4/28/2021	6/30/2023	\$ 3,200.66
Retiree Death-Termination	DELGADO	ELIZABETH	5/3/2023	6/30/2023	\$ 95.45
Retiree Death-Termination	HENTZ	ALBERT	4/16/2023	6/30/2023	\$ 3,019.35
Retiree Death-Termination	HENZL	EDWARD	2/23/2021	6/30/2023	\$ 595.26
Retiree Death-Termination	MENARD	EDWARD	4/17/2023	6/30/2023	\$ 1,128.94
Retiree Death-Termination	RULLMANN	GERALDINE	4/17/2023	6/30/2023	\$ 29.64
Retiree Death-Termination	SMOGOLESKI	EDWARD	2/8/2023	6/30/2023	\$ 792.56
Retiree Death-Termination	WENZEL	HENRY	4/17/2023	6/30/2023	\$ 1,178.41
Retiree Death-Termination	WHITLOW	BETTY	4/28/2023	6/30/2023	\$ 2,020.06
Retiree Death-Termination	WISNIEWSKI	RICHARD	4/19/2023	6/30/2023	\$ 2,442.40
Retiree Death-Termination	WOJTYCKSI	THOMAS	4/24/2023	6/30/2023	\$ 4,365.19
Surv Death-Termination	CONNERTON	SABINE	4/13/2023	6/30/2023	\$ 1,585.23
Surv Death-Termination	DYSZELSKI	BESSIE	5/18/2023	6/30/2023	\$ 426.24
Surv Death-Termination	NELLEN	BETTY	3/26/2023	6/30/2023	\$ 1,228.72
Surv Death-Termination	REIMER	AUDREY	2/1/2023	6/30/2023	\$ 4,719.74
Surv Death-Termination	RULLMANN	GERALDINE	4/17/2023	6/30/2023	\$ 397.74
Surv Death-Termination	SCHOBERG	RUTH	3/16/2023	6/30/2023	\$ 829.79
Surv Death-Termination	WALKER	EDDIE MAE	3/16/2023	6/30/2023	\$ 898.85
Surv Death-Termination	WEISMAN	JEANETTE	1/13/2023	6/30/2023	\$ 259.92
Surv Death-Termination	WISNIEWSKI	RICHARD	4/19/2023	6/30/2023	\$ 344.28
					<b>TOTAL \$ 32,219.54</b>
Retiree Death-Cont Opt	ACKLAND	WILLIAM	4/4/2023	6/1/2023	
Retiree Death-Cont Opt	BOINSKI	NORBERT	6/1/2023	6/1/2023	
Retiree Death-Cont Opt	BROWN	JESSE	5/8/2023	6/1/2023	
Retiree Death-Cont Opt	DUBIS	RAYMOND	6/2/2023	6/1/2023	
Retiree Death-Cont Opt	EBERT	WAYNE	6/8/2023	6/1/2023	
Retiree Death-Cont Opt	GLODOWSKI	DAVID	6/5/2023	6/1/2023	
Retiree Death-Cont Opt	HENDRICKS	THOMAS	6/4/2023	6/1/2023	
Retiree Death-Cont Opt	HERNANDEZ	NANCY	2/23/2023	6/1/2023	

Type	Last Name	First Name	Death Date	Payment Date	Amount
Retiree Death-Cont Opt	JAMES	SUSAN	6/3/2023	6/1/2023	
Retiree Death-Cont Opt	KRUEGER	ROBERT	6/11/2023	6/1/2023	
Retiree Death-Cont Opt	NELL	GERALD	6/2/2023	6/1/2023	
Retiree Death-Cont Opt	PARKER	KENNETH	6/2/2023	6/1/2023	
Retiree Death-Cont Opt	PRUST	ESTELA	5/27/2023	6/1/2023	
Retiree Death-Cont Opt	SCHLOSSER	MARK	5/20/2023	6/1/2023	
Retiree Death-Cont Opt	VERBA	DUANE	5/24/2023	6/1/2023	
Retiree Death-Cont Opt	VERHAGEN	MICHAEL	5/28/2023	6/1/2023	
Retiree Death-Cont Opt	WARGOLET	WALLEY	6/3/2023	6/1/2023	

**Board Report - June 2023**
**Withdrawals**

Type	Last Name	First Name	Payment Date	Amount
Administrative Withdrawal	HARRIS	JERMAINE	6/30/2023	\$ 284.22
Administrative Withdrawal	NATALE	AMBER	6/30/2023	\$ 1,191.68
Administrative Withdrawal	ORTA	AMY	6/30/2023	\$ 254.36
Administrative Withdrawal	OTEMAN	QUINN	6/30/2023	\$ 195.94
Administrative Withdrawal	ROSARIO-VARGAS	AMYELLIES	6/30/2023	\$ 1,616.35
Administrative Withdrawal	WILLIAMS	ARTISHA	6/30/2023	\$ 455.43
Full Refund	ABNEY	OJORE	6/30/2023	\$ 8,568.92
Full Refund	ALLEN	LAQUITA	6/30/2023	\$ 3,864.88
Full Refund	BROOKS	KEELIN	6/30/2023	\$ 5,157.21
Full Refund	GOTTLIEB	KRISTIN	6/30/2023	\$ 9,572.65
Full Refund	GROSE	GREGORY	6/30/2023	\$ 6,462.63
Full Refund	HERNANDEZ	GEMA	6/30/2023	\$ 4,648.90
Full Refund	MCPHERSON	EMILY	6/30/2023	\$ 819.71
Full Refund	MIMS	MICHAEL	6/30/2023	\$ 9,439.30
Full Refund	PRINCE	PAMELA	6/30/2023	\$ 6,287.48
Full Refund	RICHARDS	JULIUS	6/30/2023	\$ 30,649.76
Full Refund	SMITH	SAMMIE	6/30/2023	\$ 10,153.81
Full Refund	SMITH-BROWN	DERRICK	6/30/2023	\$ 1,462.99
Full Refund	WILDER	YETTAMARIE	6/30/2023	\$ 20,281.43
Member Only Refund	AUSTIN	MONIQUE	6/30/2023	\$ 1,277.24
Member Only Refund	BIERMANN	DON-MARK	6/30/2023	\$ 1,235.89
Member Only Refund	BROADY	RENEE	6/30/2023	\$ 970.70
Member Only Refund	CHANEN	DANIEL	6/30/2023	\$ 19,407.98
Member Only Refund	CROSS	SHONTRICE	6/30/2023	\$ 894.28
Member Only Refund	DEUSTER	CASEY	6/30/2023	\$ 1,146.19
Member Only Refund	DUQUAINE	GUINEVERE	6/30/2023	\$ 1,664.14
Member Only Refund	ELLIS	SHATAVIA	6/30/2023	\$ 839.02
Member Only Refund	GRANT	NAKITA	6/30/2023	\$ 1,385.37
Member Only Refund	HARDY	CHARLES	6/30/2023	\$ 353.72



Type	Last Name	First Name	Payment Date	Amount
Member Only Refund	JACKSON	DANA	6/30/2023 \$	2,832.13
Member Only Refund	JENNINGS	EBONY	6/30/2023 \$	1,306.62
Member Only Refund	JENSEN	WILLIS	6/30/2023 \$	12,685.40
Member Only Refund	JONES	JACINDA	6/30/2023 \$	2,784.24
Member Only Refund	KISSANE	THOMAS	6/30/2023 \$	3,365.23
Member Only Refund	LAPHILLIPH	PATRICK	6/30/2023 \$	5,807.50
Member Only Refund	LEWIS	TEQUILIA	6/30/2023 \$	399.49
Member Only Refund	MCCANTS	ABONY	6/30/2023 \$	254.19
Member Only Refund	MIZELL	RUBIE	6/30/2023 \$	725.14
Member Only Refund	ORTIZ	OLGA	6/30/2023 \$	2,129.63
Member Only Refund	ROBINSON	QUDESHA	6/30/2023 \$	1,531.30
Member Only Refund	UVENA-STEFA NOVICH	MAXWELL	6/30/2023 \$	887.57
Member Only Refund	ZIZZO	RYAN	6/30/2023 \$	5,007.71
TOTAL \$				190,258.33

## Conference Requests – July 2023 Board Meeting

Erich Sauer, Thomas Courtright, Dave Walters	New Real Estate Manager Due Diligence
Sponsor:	New Real Estate Manager
Location:	Chicago, IL
Date(s):	July 27, 2023
Estimated Cost:	\$75.00 per person

Erich Sauer, Thomas Courtright	Apogem Capital Due Diligence
Sponsor:	Apogem Capital
Location:	Richmond, VA
Date(s):	August 22-23, 2023
Estimated Cost:	\$1,000.00 per person

David Silber, Thomas Courtright	Baird Advisors' 23 <sup>rd</sup> Annual Institutional Investors' Conference
Sponsor:	Baird
Location:	Kohler, WI
Date(s):	September 11, 2023
Estimated Cost:	\$65.00 per person

Erich Sauer, Dave Walters	Reams Due Diligence
Sponsor:	Reams Asset Management
Location:	Indianapolis, IN
Date(s):	September 12-13, 2023
Estimated Cost:	\$750.00 per person

Dave Walters	Analyst Bootcamp
Sponsor:	With Intelligence
Location:	Chicago, IL
Date(s):	September 19, 2023
Estimated Cost:	\$150.00

Dave Walters	Global ARC Conference
Sponsor:	Global ARC
Location:	Boston, MA
Date(s):	October 22-25, 2023
Estimated Cost:	\$1,900.00

David Silber	Apogem's 2023 Annual General Meeting
Sponsor:	Apogem
Location:	Miami, FL
Date(s):	December 4-6, 2023
Estimated Cost:	\$1,500.00

The following (14) retirees were totally offset on the July 2023 payroll due to non-compliance of outside earnings required by Sections 36-07-2-a and 36-05-6-c of the Milwaukee City Charter.

509585	Angela Algee-Cotton
506376	Scott Bartoschevich
534392	Dwayne Edwards
500362	John Elliott
536756	De Ronn Gillum
536211	Christian Hlavinka
517897	Joseph Kaminsky
532577	Scott Krah
518969	Lajoyce Lewis
518096	Gordon Mathews
513624	Dorothy McLaurin
519644	Chara Morris
523198	Maiyia Yang
507165	Darcie Trunkel

*Note: The July 2023 payroll closed on July 21, 2023. All outside earnings paperwork (Certification of Earnings form and tax return with supporting documentation, if required) that was properly completed and submitted to our office on or before July 21, 2023 was processed.*

Resolution re: August Meeting

A RESOLUTION

WHEREAS, No regular meeting of the Board will be held during the month of August 2023; therefore, be it

RESOLVED, By the Annuity and Pension Board that the Secretary is authorized and directed to pay bills, retirement allowances, death claims and refund of contributions, and take whatever action may be necessary to administer the system, including approve disability reports of the Medical Council and Medical Panel applications, and report such action to the Board at the Regular Meeting on September 26, 2023. Denials will be held for action by the Board at its next regular meeting.

## VI.

### MEDICAL REPORTS

#### A. All Duty & Ordinary Disability Applications & Re-examinations (July).

Please be advised that the Annuity and Pension Board may vote to convene in closed session on the following item (VI.B.), as provided in Section 19.85(1)(f), Wisconsin State Statutes, for considering financial, medical, social or personal histories or disciplinary data of specific persons, preliminary consideration of specific personnel problems or the investigation of charges against specific persons except where par. (b) applies which, if discussed in public, would be likely to have a substantial adverse effect upon the reputation of any person referred to in such histories or data, or involved in such problems or investigations.

#### B. Disability Findings – Benjean Lara.

MERITS	CITY OF MILWAUKEE EMPLOYEES' RETIREMENT SYSTEM	Page Number:	1 OF 1
	Medical Panel Approvals Report	DATE RAN :	07/14/2023
Approved by Executive Director	Pension Board Meeting Date 07/25/2023	TIME RAN :	13:18

DOCTOR DECISION

<u>Case Number</u>	<u>Name</u>	<u>Title</u>	<u>Employer</u>	<u>Case Type</u>	<u>Case Sub-Type</u>	<u>City</u>	<u>Union</u>	<u>Third</u>	<u>Disability Date</u>	<u>Comments</u>
901	PRICE, WALTER	FIRE FIGHTER	FIRE	DD 75%	Re-Examination	Approved	Approved		02/29/2012	
1251	BRESETTE, ROBERT	FIRE LIEUTENANT	MFD	DD 75%	Re-Examination	Approved	Approved		04/01/2020	

Number of Cases: 2

*This report includes Fire duty disabilities with an application date prior to July 29, 2016; Police MPA duty disabilities with an application date prior to June 19, 2016; and Police MPSO duty disabilities with an application date prior to January 1, 2016.*

MERITS

## CITY OF MILWAUKEE EMPLOYEES' RETIREMENT SYSTEM

## Medical Council Approvals Report

Board Meeting: 07/25/2023

Page Number:

1 OF 1

DATE RAN :

07/14/2023

TIME RAN :

13:31

<u>Name</u>	<u>Title</u>	<u>Employer</u>	<u>CaseType</u>	<u>Case Sub-Type</u>	<u>Disability Date</u>	<u>Medical Council Meeting Date</u>	<u>In Person Exam Waiver</u>
BROWN, SHARODNICK	EDUCATIONAL ASST - PARA	MPS	Ordinary Disability	Re-Examination	10/10/2018	07/14/2023	
CHAPMAN, VALERIE	PARA ED ASST	MPS	Ordinary Disability	Re-Examination	11/09/2015	07/14/2023	
GRANBERRY, JEFFREY	Operations Driver/Worker	DPW-Operations	Ordinary Disability	Re-Examination	11/20/2020	07/14/2023	
HART, CAROL	PD OFFICE ASST	MPD - CIV	Ordinary Disability	Re-Examination	08/29/2008	07/14/2023	
KIETZKE, CHRISTOPHER	FIRE LIEUTENANT	MFD	Ordinary Disability	Re-Examination	04/23/2020	07/14/2023	
TURNER-YOUNG, SHARON	FOOD SERVICE ASST	MPS	Ordinary Disability	Re-Examination	10/09/2016	07/14/2023	

Number of Cases: 6

*This report includes all GC disabilities; all ordinary disabilities; Fire duty disabilities with an application date on/after July 29, 2016; Police MPA duty disabilities with an application date on/after June 19, 2016; and Police MPSO duty disabilities with an application date on/after January 1, 2016.*

## VII.

### UNFINISHED BUSINESS

- A. Pending Legal Opinions and Service Requests Report.
- B. Pending Legislation Report.

Please be advised that the Annuity and Pension Board may vote to convene in closed session on the following item (VII.C.), as provided in Section 19.85(1)(g), Wisconsin State Statutes, to confer with legal counsel concerning strategy to be adopted by the body with respect to litigation in which it is or is likely to become involved. The Board may then vote to reconvene in open session following the closed session.

- C. Executive Director's Report – Inventory of ERS Projects.





## July 25, 2023 Board Meeting

### **PENDING LEGAL OPINIONS AND SERVICE REQUESTS REPORT**

#### **PART 1. LEGAL OPINIONS - OFFICE OF CITY ATTORNEY**

**05/04/23**

**Optional Joint and Survivor Benefits**

Pension Board has requested a legal opinion on whether it has administrative discretion to determine whether to adopt a combined set of actuarial tables applying to both General City and Public Safety employees and separate sets tables for each employment class and further for beneficiaries eligible for cost of living adjustments distinct from those beneficiaries who are not so eligible.

#### **PART 2. LEGAL OPINIONS - OUTSIDE LEGAL COUNSEL**

**None.**

#### **PART 3. SERVICE REQUESTS - OFFICE OF CITY ATTORNEY**

**01/04/23**

**Internal Audit Services**

City Attorney's Office asked to assist ERS staff with the drafting of a Request for Proposal for internal audit services, and to negotiate a contract for services with selected vendor.

01/31/23 Second request for legal services forwarded to the City Attorney's Office.

02/28/23 Third request to City Attorney's Office for assistance in drafting RFP as well as negotiate contract for internal audit services.

03/01/23 Received edits to RFP from City Attorney's Office.

**07/25/23** ERS staff reports RFP scoring results; and possible vendor selection by Pension Board.

#### **PART 4. SERVICE REQUESTS - OUTSIDE LEGAL COUNSEL**

**04/25/23**

**Real Estate Investment Manager**

ERS requests legal assistance in the reviewing of various legal documents and subsequent negotiations as it relates to a private real estate investment.

04/16/23 City Attorney's Office approves referral of this matter to Reinhart Boerner Van Deuren SC.



## July 25, 2023 Board Meeting

### **PENDING LEGISLATION REPORT**

#### **PART 1. PENDING CHARTER ORDINANCES FOR COMMON COUNCIL ACTION**

None.

#### **PART 2. PENDING CHANGES TO THE RULES & REGULATIONS**

None.

#### **PART 3. PENDING LEGISLATIVE COMMITTEE REFERRALS**

##### **Pension Contribution Offset**

12/13/16 ERS requested legal guidance on whether the 5.8% pension contribution offset for public safety employees pursuant to recent labor contract settlements or interest arbitration, is includable as "salary" for adjusting duty disability retirement allowance.

02/16/17 City Attorney issued a legal opinion advising that since members receiving a duty disability retirement allowance have not paid the member contributions, they are not entitled to the 5.8% pension contribution offset.

02/27/17 Opinion referred to Legislative Committee for consideration on whether the pension contribution offset received by general city and protective service members should be included in the calculation of the Conversion to Service Retirement and Extended Life retirement allowances.

07/31/17 Committee recommended this matter be held pending resolution of litigation.

#### **PART 4. PENDING STATE LEGISLATION**

##### **Wisconsin Act 12 (a/k/a Assembly Bill 245)**

Effective June 20, 2023, Wisconsin Act 12 authorizes a first class city and county to impose certain taxes and to use the revenue generated to pay the unfunded actuarial accrued liability of the city and county retirement plans. In addition, if the city and county impose said taxes (1) the current city and county retirement plans are closed to new hires; and (2) newly hired employees are enrolled in the Wisconsin Retirement System.

**06/27/23** Referred to Legislative Committee to identify and draft necessary amendments to Chapter 36 of the Milwaukee City Charter in order to implement Wisconsin Act 12.

**07/24/23** Scheduled for Committee consideration.

## VIII.

### INFORMATIONAL

Please be advised that the Annuity and Pension Board may vote to convene in closed session on the following item (VIII.A.), as provided in Section 19.85(1)(g), Wisconsin State Statutes, to confer with legal counsel concerning strategy to be adopted by the body with respect to litigation in which it is or is likely to become involved. The Board may then vote to reconvene in open session following the closed session.

- A. Pending Litigation Report.
- B. Conferences.
- C. Class Action Income 2023 YTD.
- D. Minutes of the Administration & Operations Committee Meeting Held June 21, 2023.
- E. Report on Bills.
- F. Deployment of Assets.
- G. Securities Lending Revenue and Budget Report.
- H. Preliminary Performance Report and Asset Allocation.



## July 25, 2023 Board Meeting

### PENDING LITIGATION REPORT

#### Part 1. ERS Litigation through the City Attorney

##### **MPA and Kurt Lacina v. City of Milwaukee, et al; Case Nos. 2023AP000301; and 2022CV001965**

Kurt Lacina alleges his DDRA was wrongfully offset by a worker's compensation permanent partial disability award by defendants.

**\*\*See prior Reports for case history\*\***

- 02/17/23 Notice of Appeal filed by defendants. Awaiting delinquent court reporter transcript.
- **06/23/23** Court Reporter transcripts due date.

##### **Sandrah Crawford v. City of Milwaukee ERS, et al; Case No. 2022CV007800**

Member requests judicial review of Pension Board's denial of duty disability retirement benefits.

**\*\*See prior Reports for case history\*\***

- **06/21/23** Plaintiff submits request to court for additional time to file her brief.
- **06/23/23** Court grants request to extend time to file brief. New due date for Plaintiff's brief is July 5, 2023; all other brief filing deadline dates are extended by two weeks.

##### **Frank Vrtochnick, et al v. City of Milwaukee, et al; Case No. 2023CV003007**

Plaintiff alleges the City and the ERS breached the Milwaukee Police Association 2013-2016 collective bargaining agreement and Chapter 36 of the Milwaukee City Charter as it pertains to the inclusion of the 5.8% pension offset in the member's "base salary" for purposes of calculating the duty disability retirement allowance. The plaintiff seeks to have this current litigation classified as a *Class Action to include all other similarly-situated employees hired prior to October 3, 2011 and represented by the Milwaukee Police Association*.

**\*\*See prior Reports for case history\*\***

- **08/24/23** Motion Hearing scheduled.

## **Part 2. ERS Administrative Appeal Hearings through the City Attorney**

### **Jason Rodriguez; Administrative Case No. 1443**

- Hearing stayed pending outcome of Appellant's state workers compensation (WC) appeal hearing. First WC appeal hearing held May 10, 2022. Second WC appeal hearing expected to occur in August or September, 2023.

### **Benjean Lara; Administrative Case Nos. 1488, 1489 and 1490**

**\*\*See prior Reports for case history\*\***

- 04/04/23 Respondent's Brief and Appellant's Brief to Annuity and Pension Board received; Findings and parties' briefs will be presented to the Board at its June 27, 2023 meeting.
- **06/27/23** Pension Board remands matter back to Hearing Examiner for reassessment based records and briefs filed by the parties.

### **James Gentry; Administrative Case No. 1522**

- Hearing requested. Pending scheduling.

## **Part 3. Notice of Claim filed with ERS**

None.

## **Part 4. ERS Litigation through Outside Legal Counsel**

None.

# Client Conferences 2023

**Board Meeting: July 25, 2023**

DATE(S)	CONFERENCE(S) / LOCATION(S)	SPONSOR(S)
August 9, 2023 11:30 am – 12:30 pm	The End of the Low-Yield Environment Virtual	Callan Associates
August 23 – 24, 2023 10:30 am – 1:30 pm	“Callan College” on Alternative Investments Virtual	Callan Associates
September 11, 2023	Baird Advisors’ 23 <sup>rd</sup> Annual Institutional Investors Conference Kohler, WI	Robert W. Baird & Company
September 26 – 28, 2023 10:30 am – 1:30 pm	“Callan College” Introduction to Investments Virtual	Callan Associates
October 25 – 26, 2023	2023 USLF Annual Meeting Phoenix, AZ	Prologis
October 26, 2023 10:00 am – 12:30 pm	2023 October Regional Workshop Chicago, IL	Callan Associates
November 1 – 2, 2023	The Alternatives Summit New York, NY	Goldman Sachs
December 5 – 6, 2023	Apogem’s 2023 Annual General Meeting Miami, FL	Apogem Capital
April 8 – 10, 2024	Callan’s 2024 National Conference San Francisco, CA	Callan Associates

# Trustee Conferences 2023-2024

**Board Meeting: July 25, 2023**

DATE(S)		
July 26 – 27, 2023	Certificate of Achievement in Public Plan Policy (CAPPP): Pensions Part II Chicago, IL	International Foundation of Employee Benefit Plans
August 20 – 22, 2023	Public Pension Funding Forum Chicago, IL	NCPERS
September 11 – 13, 2023	CII Fall 2023 Conference Long Beach, CA	Council of Institutional Investors
September 12, 2023	9 <sup>th</sup> Annual Great Plains Institutional Forum Minneapolis, MN	Markets Group
September 19 – 20, 2023	2023 Public Funds Conference Scottsdale, AZ	Pensions & Investments
September 20 – 21, 2023	Investment Basics – Certificate Series Course Las Vegas, NV	International Foundation of Employee Benefit Plans
September 30 – October 1, 2023	Certificate of Achievement in Public Plan Policy (CAPPP): Pensions Part I Boston, MA	International Foundation of Employee Benefit Plans
October 3 – 5, 2023	2023 Roundtable for Consultants & Institutional Investors Chicago, IL	Institutional Investor
October 10 – 11, 2023	Pension Bridge Alternatives 2023 New York, NY	with.Intelligence
October 21 – 22, 2023	NCPERS Accredited Fiduciary (NAF) Program Las Vegas, NV	NCPERS
October 22 – 25, 2023	Financial, Actuarial, Legislative and Legal Conference (FALL) Las Vegas, NV	NCPERS
November 14, 2023	Fixed Income & Credit – Reassessing Income and Diversification Chicago, IL	Pensions & Investments

# Trustee Conferences 2023-2024

Board Meeting: July 25, 2023

DATE(S)	CONFERENCE(S) / LOCATION(S)	SPONSOR(S)
January 21 – 22, 2024	Pension Communications Summit Washington, DC	NCPERS
January 22 – 24, 2024	Legislative Conference Washington, DC	NCPERS
January 22 – 24, 2024	Visions, Insights, & Perspectives (VIP) Americas Carlsbad, CA	Institutional Real Estate, Inc.
May 5 – 8, 2024	Milken Institute 2024 Global Conference Beverly Hills, CA	Milken Institute
May 18 – 19, 2024	NCPERS Accredited Fiduciary (NAF) Program and Trustee Educational Seminar (TEDS) Seattle, WA	NCPERS
May 19 – 22, 2024	Annual Conference & Exhibition (ACE) Seattle, WA	NCPERS
September 9 – 11, 2024	CII Fall 2024 Conference Brooklyn, NY	Council of Institutional Investors



# Upcoming Due Diligence Meetings

Date	Manager(s)	Team
July 27, 2023	New Real Estate Manager (Chicago, IL)	Erich, Dave W., Tom
August 22-23, 2023	Apogem (Richmond, VA)	Erich & Tom
September 12-13, 2023	Reams (Indianapolis, IN)	Erich & Dave W.

### Class Action Income 2023 YTD

Asset Description	Date(s)	Amount
Allergan, Inc.	1/11/2023 \$	82
USA Technologies, Inc.	2/13/2023 \$	10,120
JP Morgan Chase Bank	3/23/2023 \$	568
The Bank of New York Mellon	5/12/2023 \$	428
Nine Bank Settlement - Foreign Exchange Benchmark Rates	5/4/2023 \$	6,101
Array Biopharma, Inc.	5/23/2023 \$	2,363
<b>Total Class Action Income Received in 2023 YTD</b>		<b>\$ 19,661</b>

**EMPLOYES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE  
ANNUITY AND PENSION BOARD**

Minutes of the Administration and Operations Committee Meeting  
held June 21, 2023 via teleconference

The meeting was called to order at 9:01 a.m.

Committee Members Present:        Tom Klusman  
   Aycha Sawa, Chair

Committee Members Not Present:   Molly King (arrived at 9:15 a.m.)

ERS Staff Present:                    Bernard Allen, Executive Director  
   Melody Johnson, Deputy Director  
   Dan Gopalan, Chief Financial Officer  
   Gust Petropoulos, Deputy Director - Disability  
   Jeff Shoher, Chief Technology Officer  
   Mary Turk, Business Operations Analyst  
   Jan Wills, Board Stenographer

Others Present: Timothy Heling, Annuity and Pension Board Trustee; Kathryn Block, Alex Foundos, Patrick McClain, City Attorney's Office; Terry Siddiqui, DS Consulting Partners, Inc., no members of the public called in to the meeting.

Ms. Sawa advised that the Administration & Operations Committee may vote to convene in closed session on the following item as provided in Section 19.85(1)(e), Wisconsin State Statutes, to deliberate or negotiate the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session. The Administration & Operations Committee may then vote to reconvene in open session following the closed session.

**Approval of Wells Fargo Contract.**

It was moved by Mr. Klusman, seconded by Ms. Sawa, and unanimously carried to convene in closed session by the following roll call vote: AYES: Ms, Sawa, Mr. Klusman. NOES: None.

The Committee convened in closed session at 9:03 a.m.

The Committee reconvened in open session at 9:07 a.m.

It was moved by Mr. Klusman, seconded by Ms. Sawa, and unanimously carried, to approve the Approval of Wells Fargo Contract extension.

Ms. Sawa advised that the Administration & Operations Committee may vote to convene in closed session on the following item as provided in Section 19.85(1)(e), Wisconsin State Statutes, to deliberate or negotiate the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session. The Administration & Operations Committee may then vote to reconvene in open session following the closed session.

**Discussion and Approval of Actuary Contract.**

It was moved by Mr. Klusman, seconded by Ms. Sawa, and unanimously carried to convene in closed session by the following roll call vote: AYES: Ms. Sawa, Mr. Klusman. NOES: None.

The Committee convened in closed session at 9:08 a.m.

Ms. King arrived at 9:15 a.m.

The Committee reconvened in open session at 9:18 a.m.

It was moved by Mr. Klusman, seconded by Ms. Sawa, and unanimously carried, to approve, with a 2.5% increase instead of a 2% increase, the Approval of Actuary Contract.

**IT Projects Portfolio.** As a matter of information, Committee members received the IT Projects Portfolio. Mr. Shober discussed the current and completed IT activities on the reports.

**Organizational/Personnel Update.** Ms. Johnson stated the Pension Accounting Specialist was filled last week by an internal candidate which created a Management Accountant – Sr. position to be filled. She noted the request to fill has been completed and the position will go to the Finance and Personnel Committee for approval on July 7. Ms. Johnson said the Management Accountant – Sr. position will be filled by another internal candidate. She added that Mr. Gopalan's goal is to create a career path in the Accounting section for these positions in order to retain the institutional knowledge. Discussion ensued. Mr. Allen discussed another HR issue regarding pay progression for remaining Staff positions for which no DER market study has been completed. Ms. Johnson stated for the majority of the ERS Staff, the market studies have been done to increase employees pay, but the clerical positions have not been done, and she had spoken with DER several times. Mr. Allen noted he has reached out to Mr. Donahue, Director of DER, and asked to meet with him. He stated several Staffers have not received regular pay progressions for several years. Mr. Klusman asked they apply this correction retroactively back to when other employees received pay increases as the employees without regular pay progression are doing the work every day without pay increases. Discussion ensued.

There being no further business to come before the meeting, it was moved by Mr. Klusman, seconded by Ms. King, and unanimously carried, to adjourn the meeting.

Ms. Sawa adjourned the meeting at 9:36 a.m.

Bernard J. Allen  
Secretary and Executive Director

**NOTE:** All proceedings of the Annuity and Pension Board Meetings and related Committee Meetings are recorded. All recordings and material mentioned herein are on file in the office of the Employees' Retirement System, 789 N. Water Street, Suite 300.)

**Fiscal Year**  
2023  
**Department**  
Employees' Retirement System

**City of Milwaukee**  
**Departmental**  
**Appropriation Budget Balances**

**As of: 2023-07-31**

	Budget	2023-4	2023-5	2023-6	Year to Date Expended	Life to Date Commitments	Remaining Budget
<i>Regular Departmental Appropriations:</i>							
Employee Salaries & Wages	3,749,620.00	-	-	-	-	-	3,749,620.00
Base Pay-Salary & Wage	-	280,873.43	289,726.61	257,683.34	1,795,032.85	-	(1,795,032.85)
Overtime Premium	-	240.25	210.40	95.21	1,148.57	-	(1,148.57)
Other Worked Compensation	-	-	-	283.38	283.38	-	(283.38)
Non-Worked Compensation	-	(32.00)	(32.00)	-	8,796.45	-	(8,796.45)
Time Paid Not Worked	-	54,151.46	44,479.11	69,106.90	375,806.41	-	(375,806.41)
Employee Salaries & Wages	\$ 3,749,620.00	335,233.14	334,384.12	327,168.83	\$ 2,181,067.66	\$ -	\$ 1,568,552.34
Fringe Benefits Applied	1,687,329.00	-	-	-	-	-	1,687,329.00
Fringe Benefits Applied	-	143,020.75	147,528.79	131,212.38	914,030.77	-	(914,030.77)
Applied Employee Benefits	\$ 1,687,329.00	143,020.75	147,528.79	131,212.38	\$ 914,030.77	\$ -	\$ 773,298.23
Operating Expenditures	15,910,400.00	-	-	-	-	-	15,910,400.00
Office Supplies	-	768.12	965.66	1,335.51	5,414.40	-	(5,414.40)
Printed Forms	-	-	-	13,246.08	13,246.08	-	(13,246.08)
Magazines, Subscription	-	125.21	1,594.19	492.23	2,810.32	-	(2,810.32)
Postal and Mailing Services	-	11,438.90	21,306.19	11,397.88	67,159.58	-	(67,159.58)
Electricity	-	3,110.83	2,921.68	2,494.56	15,016.00	-	(15,016.00)
Films & Other Educational Item	-	-	-	-	998.00	-	(998.00)
Other Operating Supply	-	-	15,168.60	-	21,054.60	-	(21,054.60)
Building Rental	-	36,804.03	38,502.01	41,928.60	266,179.28	-	(266,179.28)
Printing & Dupl Machine Rental	-	3,026.61	1,169.82	4,471.78	13,291.60	-	(13,291.60)
Consulting	-	40,635.00	7,500.00	67,510.00	228,746.55	-	(228,746.55)
Medical, Surgical & Lab	-	10,893.03	10,870.83	9,155.46	60,471.86	-	(60,471.86)
Administrative Charges	-	27,911.63	66,463.75	51,683.18	336,756.29	-	(336,756.29)
Other Professional Services	-	794,903.01	540,312.79	751,132.34	2,066,069.41	-	(2,066,069.41)
Systems Support	-	27,864.00	76,028.50	53,183.00	261,063.50	-	(261,063.50)
IT Infrastructure	-	-	-	1,020.00	89,903.66	-	(89,903.66)
Infrastructure	-	617.30	551.67	4,947.90	7,304.20	-	(7,304.20)
Telephone, Communications	-	5,687.27	4,000.01	11,070.80	40,812.01	-	(40,812.01)
Bldgs-Machinery & Equip Repair	-	-	-	-	4,209.29	-	(4,209.29)
Travel & Subsistence	-	3,511.25	6,428.58	3,356.29	18,851.87	-	(18,851.87)
Equipment Repair (Parts & Labo	-	-	-	184.00	402.29	-	(402.29)
Printing Services	-	1,132.01	72.52	-	3,660.71	-	(3,660.71)
Insurance-Non Health	-	-	-	-	13,800.00	-	(13,800.00)
Other Misc Services	-	268.47	1,715.13	469.67	16,383.47	-	(16,383.47)
Operating Expenditures	\$ 15,910,400.00	968,696.67	795,571.93	1,029,079.28	\$ 3,553,604.97	\$ -	\$ 12,356,795.03
All Equipment	2,036,000.00	-	-	-	-	-	2,036,000.00
Computer Server & Components	-	-	-	-	6,328.76	-	(6,328.76)
Total Equipment	\$ 2,036,000.00	-	-	-	\$ 6,328.76	\$ -	\$ 2,029,671.24
Total Regular Class	\$ 23,383,349.00	1,446,950.56	1,277,484.84	1,487,460.49	\$ 6,655,032.16	\$ -	\$ 16,728,316.84
<i>Other Departmental Appropriations:</i>							
Pol Pension Lump-Sum Sup Cont	10,000.00	-	-	-	10,000.00	-	-
PABF Payroll	24,000.00	1,489.99	-	1,979.20	11,003.13	-	12,996.87
Group Life Insurance Premium	4,200,000.00	326,006.79	331,854.10	329,188.78	1,988,636.78	-	2,211,363.22
Retiree's Benefit Adjustment	25,000.00	1,881.12	1,881.12	1,881.12	9,743.55	-	15,256.45
Other Classes	\$ 4,259,000.00	329,377.90	333,735.22	333,049.10	\$ 2,019,383.46	\$ -	\$ 2,239,616.54
Total Dept Appropriations	\$ 27,642,349.00	1,776,328.46	1,611,220.06	1,820,509.59	\$ 8,674,415.62	\$ -	\$ 18,967,933.38

# Monthly Board Report

30-Jun-23

Account number COMALL

CITY OF MILW ALL ACCTS

Page 1 of 3

## Manager Mix Report

Account Name/ Account Number	Cash/ % of account	Short Term/ % of account	Equity/ % of account	Fixed/ % of account	R.E. and Other/ % of account	Pendings/ % of account	Total Market Value/ % of consolidation
MILWAUKEE-CASH ACCOUNT	0.00	26,449,912.91	0.00	0.00	0.00	0.00	26,449,912.91
2605491	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.46%
MILWAUKEE-THE NORTHERN TRS	0.00	0.00	196,053,804.50	0.00	0.00	0.00	196,053,804.50
2605496	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	3.42%
MILWAUKEE-ERS EXPENSE FUND	0.00	365,221.50	0.00	0.00	0.00	0.00	365,221.50
2605504	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.01%
MILWAUKEE-PABF BENEFIT PAYMENT	0.00	2,510.51	0.00	0.00	0.00	0.00	2,510.51
2610128	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
MILWAUKEE-DFA INTERNATIONAL	0.00	0.00	160,854,129.60	0.00	0.00	0.00	160,854,129.60
2619838	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	2.81%
MILWAUKEE-EARNEST -SL	0.00	2,422,899.85	105,662,519.10	0.00	0.00	0.00	108,085,419.00
2630942	0.00%	2.24%	97.76%	0.00%	0.00%	0.00%	1.89%
MILWAUKEE - UBS A&Q	0.00	0.00	0.00	0.00	338,236,200.60	0.00	338,236,200.60
2637239	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	5.90%
MILWAUKEE-DFA	0.00	0.00	184,372,197.50	0.00	0.00	0.00	184,372,197.50
2637848	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	3.22%
MILWAUKEE-BAIRD	0.00	30,893,722.66	0.00	57,099,104.07	0.00	-4,875,763.75	83,117,062.98
2674604	0.00%	37.17%	0.00%	68.70%	0.00%	-5.87%	1.45%
MILWAUKEE-CASTLEARK	0.00	626,608.12	85,126,345.54	0.00	0.00	-164,166.00	85,588,787.66
2697782	0.00%	0.73%	99.46%	0.00%	0.00%	-0.19%	1.49%
MILWAUKEE - BLACKROCK R1000V	0.00	0.00	196,812,142.10	0.00	0.00	0.00	196,812,142.10
4472746	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	3.43%
MILWAUKEE-LOOMIS SAYLE	27,132,468.88	0.00	4,146,403.29	343,014,899.50	0.00	-133,419.62	374,160,352.10
CME01	7.25%	0.00%	1.11%	91.68%	0.00%	-0.04%	6.53%
MILWAUKEE-BRANDES INT'L EQUITY	7,073,434.54	0.00	323,039,119.00	0.00	1,954,835.94	1,023,052.53	333,090,442.00
CME03	2.12%	0.00%	96.98%	0.00%	0.59%	0.31%	5.81%
MILWAUKEE-REAMS	62,193,282.12	0.00	0.00	982,280,547.60	9,782,720.14	-416,435,027.70	637,821,522.20
CME04	9.75%	0.00%	0.00%	154.01%	1.53%	-65.29%	11.12%
MILWAUKEE-BLAIR	3,453,189.54	0.00	229,501,472.10	0.00	942,672.44	1,157,096.43	235,054,430.50
CME05	1.47%	0.00%	97.64%	0.00%	0.40%	0.49%	4.10%

# Monthly Board Report

30-Jun-23

Account number COMALL

CITY OF MILW ALL ACCTS

Page 2 of 3

## Manager Mix Report

Account Name/ Account Number	Cash/ % of account	Short Term/ % of account	Equity/ % of account	Fixed/ % of account	R.E. and Other/ % of account	Pendings/ % of account	Total Market Value/ % of consolidation
MILWAUKEE-MFS CME12	2,164,756.34 1.00%	0.00 0.00%	214,030,180.50 98.80%	0.00 0.00%	425,109.35 0.20%	0.00 0.00%	216,620,046.20 3.78%
MILWAUKEE-POLEN 2644553	0.00 0.00%	3,900,342.10 3.06%	123,399,408.80 96.94%	0.00 0.00%	0.00 0.00%	0.00 0.00%	127,299,750.90 2.22%
MILWAUKEE - PRINCIPAL DRA -SL 2677436	0.00 0.00%	0.00 0.00%	170,737,718.50 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	170,737,718.50 2.98%
MILWAUKEE-BLACKROCK GLOBAL-SL 2683493	0.00 0.00%	0.00 0.00%	247,574,618.30 94.07%	0.00 0.00%	0.00 0.00%	15,600,000.00 5.93%	263,174,618.30 4.59%
MILWAUKEE - APEF X / 4416352 4416352	0.00 0.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	7,476,792.00 100.00%	0.00 0.00%	7,476,792.00 0.13%
MILWAUKEE- AQR-SL 4468331	0.00 0.00%	0.00 0.00%	97,347,551.00 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	97,347,551.00 1.70%
MILWAUKEE-APTITUDE / 4479682 4479682	0.00 0.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	164,066,875.20 100.00%	0.00 0.00%	164,066,875.20 2.86%
MILWAUKEE - DFA US LCV CME15	513,497.64 0.35%	0.00 0.00%	144,638,928.00 99.66%	0.00 0.00%	0.00 0.00%	-22,140.46 -0.02%	145,130,285.20 2.53%
MILWAUKEE - BLACKROCK US G-SL MULTIPLE	0.00 0.00%	0.00 0.00%	0.00 0.00%	329,949,090.80 100.00%	0.00 0.00%	0.00 0.00%	329,949,090.80 5.75%
MILWAUKEE-PRIVATE EQUITY MULTIPLE	0.00 0.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	743,559,282.00 100.00%	0.00 0.00%	743,559,282.00 12.97%
MILWAUKEE-REAL ESTATE MULTIPLE	0.00 0.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	509,642,432.19 100.30%	-1,546,408.37 -0.30%	508,096,023.79 8.86%

# Monthly Board Report

30-Jun-23

Account number COMALL

CITY OF MILW ALL ACCTS

Page 3 of 3

## Manager Mix Report

Account Name/ Account Number	Cash/ % of account	Short Term/ % of account	Equity/ % of account	Fixed/ % of account	R.E. and Other/ % of account	Pendings/ % of account	Total Market Value/ % of consolidation
Total for consolidation	102,530,629.06	64,661,217.65	2,483,296,537.83	1,712,343,641.97	1,776,086,919.86	-405,396,776.94	5,733,522,169.55
% for consolidation	1.79%	1.13%	43.31%	29.87%	30.98%	-7.07%	100.00%

Please note that this report has been prepared using best available data. This report may also contain information provided by third parties, derived by third parties or derived from third party data and/or data that may have been categorized or otherwise reported based upon client direction - Northern Trust assumes no responsibility for the accuracy, timeliness or completeness of any such information. Northern Trust assumes no responsibility for the consequences of investment decisions made in reliance on information contained in this report. If you have questions regarding third party data or direction as it relates to this report, please contact your Northern Trust relationship team.

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**Employees' Retirement System**  
**Securities Lending Income and Expenses: 2023**  
**As of JUNE 30, 2023**

Date	Amounts Expended			Balance
	Income From Lending	Fees	Administrative Transfers	
<b>Balance 12-31-22</b>				<b>\$791,432.47</b>
<b>Quarter 1 Totals</b>	\$207,243.48	\$40,423.69	\$792,000.00	\$166,252.26
04/05/23	\$567.67	\$0.00	\$0.00	\$166,819.93
04/17/23	\$74,964.17	\$14,885.09	\$0.00	\$226,899.01
05/03/23	\$770.43	\$0.00	\$0.00	\$227,669.44
05/15/23	\$80,468.23	\$16,087.03	\$0.00	\$292,050.64
06/05/23	\$1,132.24	\$0.00	\$0.00	\$293,182.88
06/15/23	\$88,426.33	\$17,677.88	\$0.00	\$363,931.33
<b>Current Totals</b>	<b>\$453,572.55</b>	<b>\$89,073.69</b>	<b>\$792,000.00</b>	<b>\$363,931.33</b>

Note: Expenses for Board Travel/Education, Computer Equipment, Publications and Consulting are now paid from the Operations/Management account

**MERS PERFORMANCE ESTIMATES**  
June 30, 2023

Account	2022 Return	1st Quarter 2023	Apr 2023	May 2023	Jun 2023	2nd Quarter 2023	YTD Thru 6/30/23
<b>Northern Trust S&amp;P 500 Index</b>	-18.10%	7.49%	1.56%	0.44%	6.61%	8.75%	16.90%
S&P 500	-18.11%	7.50%	1.56%	0.43%	6.61%	8.74%	16.89%
Difference	0.01%	-0.01%	0.00%	0.01%	0.00%	0.01%	0.01%
<b>BlackRock Russell 1000 Value Index</b>	-7.54%	1.02%	1.51%	-3.85%	6.64%	4.08%	5.15%
Russell 1000 Value	-7.54%	1.01%	1.51%	-3.86%	6.64%	4.07%	5.12%
Difference	0.00%	0.01%	0.00%	0.01%	0.00%	0.01%	0.03%
<b>DFA US Large Cap Value</b>	-4.95%	1.12%	1.24%	-4.77%	7.20%	3.35%	4.51%
Russell 1000 Value	-7.54%	1.01%	1.51%	-3.86%	6.64%	4.07%	5.12%
Difference	2.59%	0.11%	-0.27%	-0.91%	0.56%	-0.72%	-0.61%
<b>Polen</b>	-37.54%	14.15%	0.00%	4.67%	4.85%	9.75%	25.27%
S&P 500	-18.11%	7.50%	1.56%	0.43%	6.61%	8.74%	16.89%
Difference	-19.43%	6.65%	-1.56%	4.24%	-1.76%	1.01%	8.38%
<b>Earnest</b>	-15.13%	4.68%	-1.30%	-1.95%	7.57%	4.10%	8.98%
Russell MidCap	-17.32%	4.06%	-0.53%	-2.79%	8.34%	4.76%	9.01%
Difference	2.18%	0.62%	-0.77%	0.84%	-0.77%	-0.66%	-0.03%
<b>CastleArk</b>	-27.99%	5.14%	-1.58%	-1.12%	8.26%	5.36%	10.78%
Russell 2000 Growth	-26.36%	6.07%	-1.16%	0.02%	8.29%	7.05%	13.55%
Difference	-1.63%	-0.93%	-0.42%	-1.14%	-0.03%	-1.69%	-2.77%
<b>DFA US Small Cap Value</b>	-1.67%	0.83%	-1.78%	-3.46%	10.32%	4.61%	5.48%
Russell 2000 Value	-14.48%	-0.66%	-2.49%	-1.97%	7.94%	3.18%	2.50%
Difference	12.81%	1.49%	0.71%	-1.49%	2.38%	1.43%	2.98%
<b>Brandes</b>	-6.88%	11.24%	2.84%	-3.78%	5.98%	4.87%	16.66%
MSCI EAFE	-14.45%	8.47%	2.82%	-4.23%	4.55%	2.95%	11.67%
Difference	7.57%	2.77%	0.02%	0.45%	1.43%	1.92%	4.99%
<b>William Blair</b>	-28.99%	8.57%	1.33%	-1.70%	3.59%	3.18%	12.03%
MSCI ACWI ex US	-15.57%	7.00%	1.81%	-3.54%	4.54%	2.67%	9.86%
Difference	-13.42%	1.57%	-0.48%	1.84%	-0.95%	0.51%	2.17%
<b>DFA Int'l Small Cap Value</b>	-9.75%	6.53%	2.35%	-5.47%	4.26%	0.87%	7.46%
MSCI EAFE Small Cap	-21.39%	4.92%	2.01%	-4.18%	2.89%	0.58%	5.53%
Difference	11.64%	1.61%	0.34%	-1.29%	1.37%	0.29%	1.93%
<b>AQR</b>	-20.81%	5.88%	-0.63%	-2.49%	5.11%	1.85%	7.84%
MSCI EM	-20.09%	3.96%	-1.13%	-1.68%	3.80%	0.90%	4.89%
Difference	-0.72%	1.92%	0.50%	-0.81%	1.31%	0.95%	2.95%
<b>BlackRock Global Alpha Tilts</b>	-16.81%	7.57%	1.38%	-1.62%	6.37%	6.09%	14.12%
MSCI EAFE	-18.36%	7.31%	1.44%	-1.07%	5.81%	6.18%	13.93%
Difference	1.55%	0.26%	-0.06%	-0.55%	0.56%	-0.09%	0.19%
<b>MFS</b>	-18.15%	8.45%	0.91%	-1.02%	6.35%	6.22%	15.20%
MSCI ACWI	-18.36%	7.31%	1.44%	-1.07%	5.81%	6.18%	13.93%
Difference	0.22%	1.14%	-0.53%	0.05%	0.54%	0.04%	1.27%
<b>BlackRock Gov't Bond Index</b>	-12.31%	3.19%	0.53%	-1.14%	-0.74%	-1.35%	1.79%
Bloomberg Gov't Bond	-12.32%	2.98%	0.53%	-1.14%	-0.74%	-1.35%	1.59%
Difference	0.01%	0.21%	0.00%	0.00%	0.00%	0.00%	0.20%
<b>Reams</b>	-11.39%	4.03%	0.57%	-1.02%	-0.13%	-0.59%	3.42%
Bloomberg US Aggregate	-13.01%	2.96%	0.61%	-1.09%	-0.36%	-0.84%	2.09%
Difference	1.62%	1.07%	-0.04%	0.07%	0.23%	0.25%	1.33%
<b>Loomis Sayles</b>	-12.21%	3.29%	0.54%	-1.40%	0.65%	-0.22%	3.06%
Bloomberg US Aggregate	-13.01%	2.96%	0.61%	-1.09%	-0.36%	-0.84%	2.09%
Difference	0.80%	0.33%	-0.07%	-0.31%	1.01%	0.62%	0.97%
<b>UBS</b>	8.91%	0.93%	0.61%	0.35%	0.23%	1.19%	2.13%
SOFR + 4%	4.90%	2.08%	0.68%	0.76%	0.73%	2.18%	4.31%
Difference	4.01%	-1.15%	-0.07%	-0.41%	-0.50%	-0.99%	-2.18%
<b>Aptitude</b>		0.18%	0.21%	0.11%	0.83%	1.15%	1.34%
SOFR + 4%		2.08%	0.68%	0.76%	0.73%	2.18%	4.31%
Difference		-1.90%	-0.47%	-0.65%	0.10%	-1.03%	-2.97%
<b>Principal</b>	-5.88%	1.28%	1.12%	-4.56%	2.77%	-0.82%	0.45%
Blended Benchmark	-5.06%	1.11%	1.11%	-5.27%	3.15%	-1.20%	-0.10%
Difference	-0.82%	0.17%	0.01%	0.71%	-0.38%	0.38%	0.55%
<b>Baird</b>	-1.80%	1.32%	0.44%	0.02%	0.02%	0.48%	1.81%
Bloomberg Govt/Credit 1-3 Year	-3.69%	1.51%	0.34%	-0.31%	-0.41%	-0.37%	1.13%
Difference	1.89%	-0.19%	0.10%	0.33%	0.43%	0.85%	0.68%
<b>Total MERS</b>	<b>-6.49%</b>	<b>3.33%</b>	<b>0.58%</b>	<b>-1.32%</b>	<b>2.91%</b>	<b>2.14%</b>	<b>5.54%</b>

The calculation for the Fund's total rate of return is based on the Modified Dietz method. Although periodic cash flows (i.e., contributions, redemptions) are not time weighted, they are accounted for in the Fund's total rate of return. Therefore, this estimated rate of return may vary slightly from the rate of return reported by the custodian.

The returns shown are gross of fees (except Total MERS, DFA International Small Cap Value, William Blair International Growth, AQR, Principal, UBS, and Aptitude)

# ACTUAL ALLOCATIONS

June 30, 2023

		Target	Market Value	Allocation
<b>EQUITY</b>				
<b>Public Equity</b>				
Domestic				
Passive Large Cap Equity	Northern Trust (S&P 500)	3.45%	\$ 196,053,805	3.47%
	BlackRock (Russell 1000 Value)	3.45%	\$ 196,812,142	3.48%
	Sub-Total Passive Large Cap Equity	6.90%	\$ 392,865,947	6.95%
Active Large Cap Equity	Polen (S&P 500)	1.94%	\$ 127,299,751	2.25%
	DFA (Russell 1000 Value)	2.46%	\$ 145,130,285	2.57%
	Sub-Total Active Large Cap Equity	4.40%	\$ 272,430,036	4.82%
Active Mid/Small Cap Equity	Earnest Partners (Russell MidCap)	1.77%	\$ 108,085,419	1.91%
	CastleArk (Russell 2000 Growth)	1.42%	\$ 85,588,788	1.51%
	DFA (Russell 2000 Value)	3.05%	\$ 184,304,459	3.26%
	Sub-Total Active Mid/Small Cap Equity	6.24%	\$ 377,978,666	6.68%
Total Domestic		17.55%	\$ 1,043,274,649	18.45%
International				
Active International Equity	Brandes (MSCI EAFE)	5.14%	\$ 333,090,442	5.89%
	William Blair (MSCI ACWI ex US)	3.91%	\$ 235,054,431	4.16%
	DFA (MSCI EAFE Small Cap)	2.84%	\$ 160,854,130	2.84%
	AQR (MSCI EM)	1.76%	\$ 97,347,551	1.72%
Total International		13.65%	\$ 826,346,553	14.61%
Global				
Active Global Equity	BlackRock (MSCI ACWI)	4.29%	\$ 263,174,618	4.65%
	MFS (MSCI ACWI)	3.51%	\$ 216,620,046	3.83%
Total Global		7.80%	\$ 479,794,665	8.48%
<b>Total Public Equity</b>		<b>39.00%</b>	<b>\$ 2,349,415,866</b>	<b>41.54%</b>
<b>Private Equity</b>				
	Abbott Capital (Russell 3000 Quarter Lag + 2%)	4.20%	\$ 315,810,292	5.58%
	Mesirow (Russell 3000 Quarter Lag + 2%)	4.20%	\$ 289,320,218	5.12%
	Neuberger Berman (Russell 3000 Quarter Lag + 2%)	1.80%	\$ 57,168,233	1.01%
	Apogem (Russell 3000 Quarter Lag + 2%)	1.80%	\$ 94,250,692	1.67%
<b>Total Private Equity</b>		<b>12.00%</b>	<b>\$ 756,549,435</b>	<b>13.38%</b>
<b>TOTAL EQUITY (Public Equity + Private Equity)</b>		<b>51.00%</b>	<b>\$ 3,105,965,301</b>	<b>54.92%</b>
<b>FIXED INCOME &amp; ABSOLUTE RETURN</b>				
<b>Fixed Income</b>				
Cash		1.00%	\$ 26,817,645	0.47%
Passive Fixed Income	BlackRock (Bloomberg US Government)	7.22%	\$ 329,949,091	5.83%
Active Fixed Income	Reams (Bloomberg US Aggregate)	12.83%	\$ 638,855,953	11.30%
	Loomis Sayles (Bloomberg US Aggregate)	7.95%	\$ 374,158,815	6.62%
	Sub-Total Active Fixed Income	20.78%	\$ 1,013,014,768	17.91%
<b>Total Fixed Income</b>		<b>29.00%</b>	<b>\$ 1,369,781,504</b>	<b>24.22%</b>
<b>Absolute Return</b>				
	Aptitude (SOFR + 4%)	3.00%	\$ 165,381,331	2.92%
	UBS (SOFR + 4%)	4.00%	\$ 339,014,144	5.99%
<b>Total Absolute Return</b>		<b>7.00%</b>	<b>\$ 504,395,475</b>	<b>8.92%</b>
<b>TOTAL FIXED INCOME &amp; ABSOLUTE RETURN</b>		<b>36.00%</b>	<b>\$ 1,874,176,979</b>	<b>33.14%</b>
<b>REAL ASSETS</b>				
Private Real Estate - Core	JP Morgan (NFI-ODCE)	2.50%	\$ 134,222,930	2.37%
	Morgan Stanley (NFI-ODCE)	2.70%	\$ 150,080,228	2.65%
	LaSalle (NFI-ODCE)	2.30%	\$ 116,731,187	2.06%
	Prologis (NFI-ODCE)	1.30%	\$ 92,055,126	1.63%
	New Core Fund (NFI-ODCE)	0.90%	\$ -	0.00%
	Sub-Total Private Real Estate - Core	9.70%	\$ 493,089,471	8.72%
Private Real Estate - Non-Core	Non-Core Real Estate (NFI-ODCE)	0.00%	\$ 11,154,678	0.20%
Public Real Assets	Principal (Blended Benchmark)	3.30%	\$ 170,737,718	3.02%
<b>TOTAL REAL ASSETS</b>		<b>13.00%</b>	<b>\$ 674,981,868</b>	<b>11.94%</b>
<b>TOTAL ERS</b>			<b>\$ 5,655,124,148</b>	<b>100.00%</b>
<b>Total City Reserve Fund</b>			<b>R. W. Baird</b>	<b>83,117,063</b>

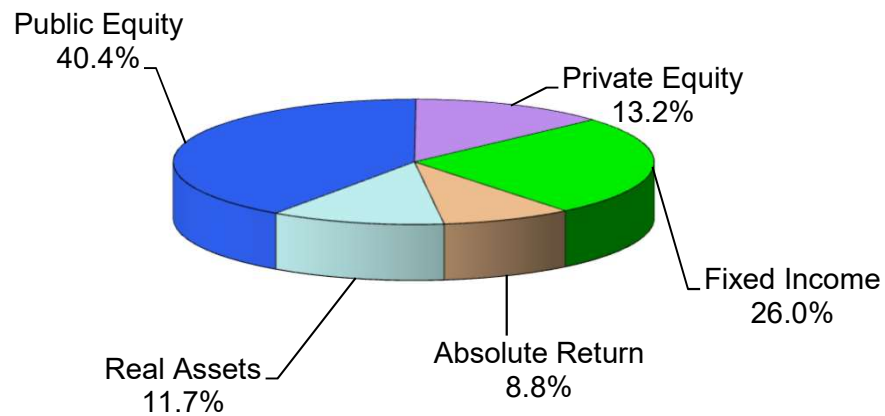
# PROJECTED TARGET ALLOCATIONS

Jul 18, 2023

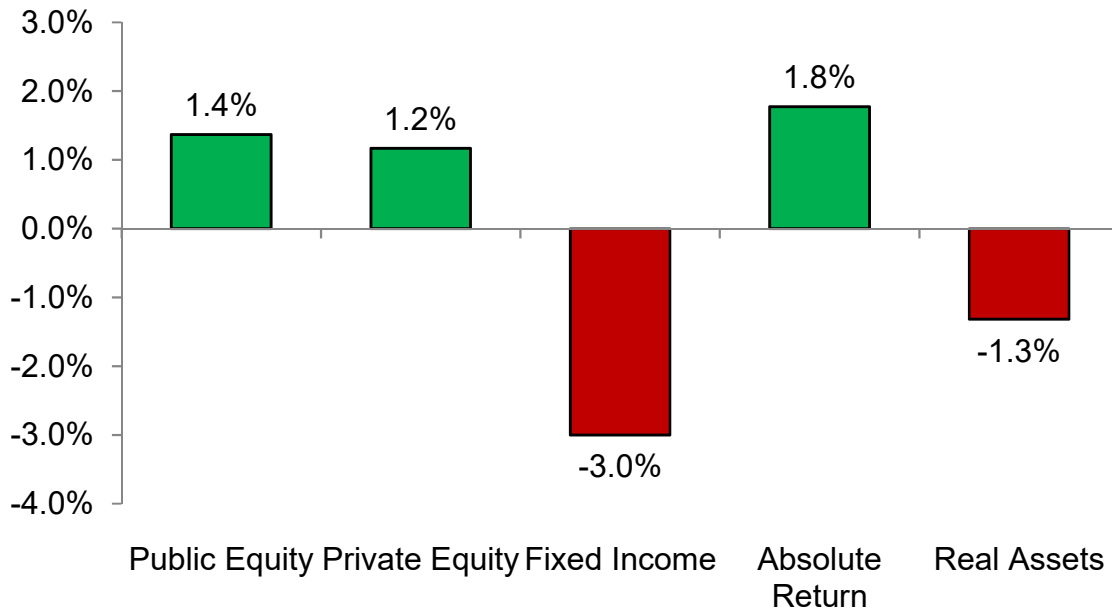
		Target	Market Value	Allocation
<b>EQUITY</b>				
<b>Public Equity</b>				
Domestic				
Passive Large Cap Equity	Northern Trust (S&P 500)	3.45%	\$ 200,779,316	3.49%
	BlackRock (Russell 1000 Value)	3.45%	\$ 199,840,205	3.48%
	Sub-Total Passive Large Cap Equity	6.90%	\$ 400,619,522	6.97%
Active Large Cap Equity	Polen (S&P 500)	1.94%	\$ 125,062,838	2.18%
	DFA (Russell 1000 Value)	2.46%	\$ 142,742,923	2.48%
	Sub-Total Active Large Cap Equity	4.40%	\$ 267,805,761	4.66%
Active Mid/Small Cap Equity	Earnest Partners (Russell MidCap)	1.77%	\$ 105,059,741	1.83%
	CastleArk (Russell 2000 Growth)	1.42%	\$ 82,746,518	1.44%
	DFA (Russell 2000 Value)	3.05%	\$ 181,962,144	3.17%
	Sub-Total Active Mid/Small Cap Equity	6.24%	\$ 369,768,403	6.43%
Total Domestic		17.55%	\$ 1,038,193,686	18.06%
International				
Active International Equity	Brandes (MSCI EAFE)	5.14%	\$ 324,061,947	5.64%
	William Blair (MSCI ACWI ex US)	3.91%	\$ 225,788,101	3.93%
	DFA (MSCI EAFE Small Cap)	2.84%	\$ 169,256,354	2.94%
	AQR (MSCI EM)	1.76%	\$ 100,900,110	1.76%
Total International		13.65%	\$ 820,006,512	14.27%
Global				
Active Global Equity	BlackRock (MSCI ACWI)	4.29%	\$ 254,359,237	4.43%
	MFS (MSCI ACWI)	3.51%	\$ 207,871,530	3.62%
Total Global		7.80%	\$ 462,230,767	8.04%
<b>Total Public Equity</b>		<b>39.00%</b>	<b>\$ 2,320,430,965</b>	<b>40.37%</b>
<b>Private Equity</b>				
	Abbott Capital (Russell 3000 Quarter Lag + 2%)	4.20%	\$ 316,110,292	5.50%
	Mesirow (Russell 3000 Quarter Lag + 2%)	4.20%	\$ 289,320,218	5.03%
	Neuberger Berman (Russell 3000 Quarter Lag + 2%)	1.80%	\$ 57,168,233	0.99%
	Apogem (Russell 3000 Quarter Lag + 2%)	1.80%	\$ 94,250,692	1.64%
<b>Total Private Equity</b>		<b>12.00%</b>	<b>\$ 756,849,435</b>	<b>13.17%</b>
<b>TOTAL EQUITY (Public Equity + Private Equity)</b>		<b>51.00%</b>	<b>\$ 3,077,280,400</b>	<b>53.54%</b>
<b>FIXED INCOME &amp; ABSOLUTE RETURN</b>				
<b>Fixed Income</b>				
Cash		1.00%	\$ 56,000,032	0.97%
Passive Fixed Income	BlackRock (Bloomberg US Government)	7.22%	\$ 377,720,042	6.57%
Active Fixed Income	Reams (Bloomberg US Aggregate)	12.83%	\$ 642,004,694	11.17%
	Loomis Sayles (Bloomberg US Aggregate)	7.95%	\$ 418,550,253	7.28%
	Sub-Total Active Fixed Income	20.78%	\$ 1,060,554,946	18.45%
<b>Total Fixed Income</b>		<b>29.00%</b>	<b>\$ 1,494,275,020</b>	<b>26.00%</b>
<b>Absolute Return</b>				
	Aptitude (SOFR + 4%)	3.00%	\$ 165,381,331	2.88%
	UBS (SOFR + 4%)	4.00%	\$ 339,014,144	5.90%
<b>Total Absolute Return</b>		<b>7.00%</b>	<b>\$ 504,395,475</b>	<b>8.78%</b>
<b>TOTAL FIXED INCOME &amp; ABSOLUTE RETURN</b>		<b>36.00%</b>	<b>\$ 1,998,670,496</b>	<b>34.77%</b>
<b>REAL ASSETS</b>				
Private Real Estate - Core	JP Morgan (NFI-ODCE)	2.50%	\$ 134,222,930	2.34%
	Morgan Stanley (NFI-ODCE)	2.70%	\$ 150,080,228	2.61%
	LaSalle (NFI-ODCE)	2.30%	\$ 114,626,938	1.99%
	Prologis (NFI-ODCE)	1.30%	\$ 88,096,756	1.53%
	New Core Fund (NFI-ODCE)	0.90%	\$ -	0.00%
	Sub-Total Private Real Estate - Core	9.70%	\$ 487,026,852	8.47%
Private Real Estate - Non-Core	Non-Core Real Estate (NFI-ODCE)	0.00%	\$ 11,175,352	0.19%
Public Real Assets	Principal (Blended Benchmark)	3.30%	\$ 173,297,504	3.02%
<b>TOTAL REAL ASSETS</b>		<b>13.00%</b>	<b>\$ 671,499,709</b>	<b>11.68%</b>
<b>TOTAL ERS</b>			<b>\$ 5,747,450,604</b>	<b>100.00%</b>
<b>Total City Reserve Fund</b>	<b>R. W. Baird</b>		<b>83,469,885</b>	

# PROJECTED VERSUS POLICY ALLOCATIONS

## Asset Mix Using Projected Balances



## Asset Allocation vs. Current Policy Benchmark



## YTD Market Value Change

December 31, 2022 Market Value including City Reserve & PABF Accounts			\$ 5,550,112,010
Monthly Cash Outflows thru	<u>July 18, 2023</u>		
Retiree Payroll Expense		\$ (228,994,062)	
PABF Payroll Expense		\$ (19,442)	
Expenses Paid		\$ (8,426,055)	
GPS Benefit Payments		\$ (4,667,775)	
Sub-Total Monthly Cash Outflows			\$ (242,107,334)
Monthly Cash Inflows thru	<u>July 18, 2023</u>		
Contributions		\$ 138,756,389	
PABF Contribution		\$ 21,435	
Sub-Total Monthly Contributions			\$ 138,777,825
Capital Market Gain/(Loss)			<u>\$ 384,137,988</u>
Value including City Reserve & PABF Accounts as of	<u>July 18, 2023</u>		<u>\$ 5,830,920,489</u>
Less City Reserve Account <sup>1</sup>			\$ 83,469,885
Less PABF Fund <sup>2</sup>			\$ 2,517
Net Projected ERS Fund Value as of	<u>July 18, 2023</u>		<u><u>\$ 5,747,448,087</u></u>

1 The City Reserve Account balance equals the market value currently held in the Baird account.

2 PABF Fund balance equals the market value currently held in the PABF account.

# 2023 ESTIMATED MONTHLY CASH FLOWS

Revised 7/19/2023

(in 000's)

	<u>12/31/2022</u>	<u>1/31/2023</u>	<u>2/29/2023</u>	<u>3/31/2023</u>	<u>4/30/2023</u>	<u>5/31/2023</u>	<u>6/30/2023</u>	<u>7/31/2023</u>	<u>8/31/2023</u>	<u>9/30/2023</u>	<u>10/31/2023</u>	<u>11/30/2023</u>	
<b><u>Beginning Cash Account Balance</u></b>													
Townsend Cash Account	5,435	-	-	-	-	-	-	-	-	-	-	-	
Cash Contribution Account	-	-	-	-	-	-	-	-	-	-	-	-	
Milwaukee Cash Account	17,447	80,926	44,668	55,372	44,788	51,099	26,178						
Total Cash Available	22,883	80,926	44,668	55,372	44,788	51,099	26,178						
Less: Estimated Cash Needs for non-Investment Outflows	39,500	39,500	39,500	39,500	39,500	39,500	39,500						
Cash Available for Other Outflows	(16,617)	41,426	5,168	15,872	5,288	11,599	(13,322)						
<b><u>For Monthly Cash Outflows of:</u></b>													
Retiree Payroll Expense	(39,141)	(39,561)	(39,102)	(38,290)	(39,016)	(38,553)	(39,465)	(39,561)	(39,658)	(39,754)	(39,851)	(39,947)	(471,899)
Normal Retirement Payroll	(38,011)	(38,140)	(38,215)	(38,049)	(38,308)	(38,271)	(38,366)	(38,462)	(38,559)	(38,655)	(38,752)	(38,848)	(460,637)
Retiree Lump Sum Payments	(1,130)	(1,421)	(886)	(241)	(708)	(283)	(1,099)	(1,099)	(1,099)	(1,099)	(1,099)	(1,099)	(11,262)
Real Estate Capital Calls	-	-	-	(43)	-	-	-	-	-	-	-	-	(43)
Private Equity Capital Calls	(826)	(1,620)	(11,248)	(3,017)	(13,730)	(25,576)	(300)	-	-	-	-	-	(56,316)
Expenses Paid through City	(1,949)	(1,554)	(1,410)	(566)	(2,112)	(835)	(1,588)	(1,949)	(1,949)	(1,949)	(1,949)	(1,949)	(19,759)
PABF Payroll	(2)	(12)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(25)
<b>Sub-Total Monthly Cash Outflows</b>	<b>(41,917)</b>	<b>(42,747)</b>	<b>(51,761)</b>	<b>(41,917)</b>	<b>(54,859)</b>	<b>(64,965)</b>	<b>(41,354)</b>	<b>(41,511)</b>	<b>(41,608)</b>	<b>(41,704)</b>	<b>(41,801)</b>	<b>(41,897)</b>	<b>(548,041)</b>
<b><u>For Monthly Cash Inflows:</u></b>													
Sponsoring Agency and Employee Contribution	2,514	2,483	3,470	2,779	2,530	2,438	2,444	3,676	2,457	2,463	2,469	2,475	32,197
Real Estate Distributions	2,400	42	11,651	345	251	3,330	0	-	-	-	-	-	18,020
Private Equity Distributions	235	3,647	9,453	2,389	3,376	11,468	-	-	-	-	-	-	30,569
Miscellaneous Income	164	315	277	218	213	269	272	80	80	80	80	80	2,129
Security Lending Transfer	792	-	-	-	-	-	-	-	-	-	-	-	792
City and Agency Required Contribution	101,853	-	-	-	-	-	19,560	-	-	-	-	-	121,413
PABF Inflow	2	2	14	1	-	-	2	1	1	1	1	1	26
<b>Sub-Total Monthly Cash Inflows</b>	<b>107,961</b>	<b>6,489</b>	<b>24,865</b>	<b>5,733</b>	<b>6,370</b>	<b>17,506</b>	<b>22,279</b>	<b>3,757</b>	<b>2,538</b>	<b>2,544</b>	<b>2,550</b>	<b>2,556</b>	<b>205,146</b>
<b>Net Monthly Cash Inflows/(Outflows) Before Withdrawals</b>	<b>66,043</b>	<b>(36,258)</b>	<b>(26,896)</b>	<b>(36,184)</b>	<b>(48,489)</b>	<b>(47,460)</b>	<b>(19,075)</b>	<b>(37,755)</b>	<b>(39,070)</b>	<b>(39,160)</b>	<b>(39,251)</b>	<b>(39,341)</b>	<b>(342,895)</b>
<b>Net Monthly Cash Surplus (Need)</b>	<b>49,426</b>	<b>5,168</b>	<b>(21,728)</b>	<b>(20,312)</b>	<b>(43,201)</b>	<b>(35,860)</b>	<b>(32,397)</b>	<b>(37,755)</b>	<b>(39,070)</b>	<b>(39,160)</b>	<b>(39,251)</b>	<b>(39,341)</b>	<b>(293,481)</b>
<b><u>Monthly Cash Withdrawals (Additions)</u></b>													
AQR													
BlackRock Global Alpha Tilts				9,900		39,600							
BlackRock Russell 1000 Value Index					3,000	17,600	9,000						
BlackRock US Government Bond Index				(50,000)	(44,000)	(15,000)	(46,000)						
Brandes			12,500	12,900	14,300	20,800	19,800						
CastleArk						5,300	4,500						
Dimensional Fund Advisors US Large Cap					4,500	9,100	5,000						
Dimensional Fund Advisors International				6,800	7,500	19,700	7,600						
Dimensional Fund Advisors US Small Cap						11,700	10,500						
Earnest						6,700	6,400						
Loomis Sayles			5,100			(35,000)	(41,000)						
MFS	(36,000)			8,200	8,900	13,300	12,800						
Northern Trust S&P 500 Index				6,000	15,600	22,100	8,900						
Polen			4,000	4,600	5,000	7,700	7,500						
Principal													
Reams			7,000	(47,000)		(94,000)							
UBS A&Q	28,000			75,000	20,000								
Goldman/Aptitude						(6,262)							
William Blair			9,000	9,100	10,100	14,800	13,500						
<b>Sub-Total Monthly Cash Withdrawals</b>	<b>(8,000)</b>	<b>-</b>	<b>37,600</b>	<b>35,500</b>	<b>44,900</b>	<b>38,138</b>	<b>18,500</b>						
<b><u>Estimated Month-End Cash Balance</u></b>													
Cash Available	41,426	5,168	15,872	15,188	1,699	2,278	(13,897)						
Estimated Cash Needs for non-Investment Outflows	39,500	39,500	39,500	39,500	39,500	39,500	39,500						
Total Cash Estimated on Hand For Next Month	80,926	44,668	55,372	54,688	41,199	41,778	25,603						