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FOR INFORMATION CALL

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Ald. Michael Murphy
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Spotlight on pension crises in other cities provides perspective

Significant pension crises in **Chicago** and **Detroit** provide an opportunity for the City of Milwaukee to reflect on how it has managed to achieve the top-rated public fund (Pew Charitable Trusts report, dated January 2013) in the U.S., according to **Alderman Michael J. Murphy**.

Recent media coverage of the problems with the Chicago and Detroit pension systems has brought attention to the importance of stewardship, benefit changes when necessary, sound investments and making sure necessary contributions are made and not deferred, Alderman Murphy said.

“The stewards of the City of Milwaukee Employees’ Retirement System (CMERS) have consistently maintained a fully-funded system, even through difficult economic times, and that has been a key factor in making the system one of the strongest in the nation,” he said. “The top rating we’ve achieved is no accident and has come because of careful and professional stewardship and investment decision-making.”

Alderman Murphy, chair of the Common Council’s Finance and Personnel Committee and a member of the city’s Employees’ Retirement System Annuity and Pension Board for more than 20 years, said he is proud of the work he’s done as chair of the Investment Committee for the pension board.

According to Alderman Murphy, those investments have consistently performed in the top echelon of pension systems in similar size and have outperformed many other large public funds.

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Pension system/ADD ONE

“The city’s Employees’ Retirement System has noted that our one-year rate of return for the period ending September 30, 2013 was **15.2%**, and the State of Wisconsin Investment Board’s rate of return for the same period was **11.5%**,” Alderman Murphy said.

The alderman said recent pension changes approved by the Common Council will keep the city’s pension system fully funded, protect taxpayers and save the city approximately \$93 million over the next 20 years.

The benefit changes – offered by the **Pension Study Task Force**, recommended for approval by the Finance and Personnel Committee and adopted by the Common Council earlier this year – DO NOT affect current or retired city employees who are already vested or participating in the pension system, Alderman Murphy said.

Additional funding provisions for the city’s **Employer’s Reserve Fund** (also called pension reserve fund) beginning in 2011 as well as the Stable Contribution Policy (which eliminates future City contribution “holidays”), both adopted at Alderman Murphy’s recommendation, also ensure a mechanism for regular city contributions to the pension fund to meet future obligations, Alderman Murphy said.

Starting on **January 1, 2014**, the recent changes approved by the Council earlier this year will mean the minimum service retirement age for general city new hires and new elected officials will be pushed back to 65 from its current age of 60. Those who have completed 30 years of service will now be allowed to retire starting at the age of 60, instead of the current 55. The service retirement allowance for general city new hires is scaled back to 1.6% of the member’s final average salary times the total years of creditable service, instead of 2% (for new elected officials the scale back is from 2.5% to 2%). And eligibility for a pension escalator of 2% per year would now begin after the fifth year of service retirement.

In return for the changes, general city new hires would only contribute 4% of their compensation to the pension fund, rather than the current 5.5%.

An audit of **duty disability retirements** requested by Alderman Murphy will review current duty disability provisions and administrative procedures and seeks to identify best practices employed in other cities. That audit is expected to be completed during the next 90 days.

Alderman Murphy said the audit became necessary because he and many others believe several officers under internal police department investigation for misconduct and/or rules violations have applied for duty disability as a way of “scamming the system.”

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Pension system/ADD TWO

“Again, the Council views this apparent abuse of duty disability retirement as a direct threat to the overall health of the pension system, as well as the moral of the Police Department, and we need to be in position to stop it,” he said.

CMERS is the sole pension plan for employees of the City of Milwaukee and related agencies and has approximately 27,000 members, annuitants and beneficiaries.

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