Personnel
Finance
Pension Study Comm
Pension Board

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By Supervisors Sanfelippo and Rice

Journal,
File No. 10-

FILE NO. 10-62

A RESOLUTION

To amend Section 201.24 of the Milwaukee County Code of General Ordinances to reduce the annual pension service credit multiplier for elected officials from two percent to one and six tenths percent for future years.

WHEREAS, the 2010 Adopted Budget included employee wage, health and pension benefit modifications that are anticipated to result in significant expenditure reductions to help improve Milwaukee County's fiscal outlook; and

WHEREAS in December 2009 the County Board of Supervisors adopted the recommended employee wage and benefit modifications for employees not represented by a collective bargaining agreement, memorializing the 2010 Adopted Budget actions (File No. 09-471); and

WHEREAS, the deductible and co-payment increases in the employee health package fully apply to Milwaukee County elected officials, although the salary related components of the package cannot be applied to elected officials in term; and

WHEREAS, elected officials and deputy sheriffs were exempted from a key component of the benefit modification package that reduced the annual pension service credit multiplier for non-represented members of the ERS for all future years from 2.0% to 1.6%; and

WHEREAS, while these wage and pension benefit modifications will initially be applied only to non-represented employees, the modifications are expected to be included in the County's proposals during the collective bargaining process in order to extend these benefits to employees who are represented by a collective bargaining unit; and

WHEREAS, inasmuch as elected officials are relying on employee wage and benefit modifications to improve Milwaukee County's fiscal situation, it is fair and equitable for elected officials to also accept the decrease in the pension multiplier recently enacted for other employees; and

WHEREAS, the attached changes to Section 201.24 of the Milwaukee County Code of General Ordinances (MCGO) extend the reduction of the pension multiplier from 2.0% to 1.6% to Milwaukee County elected officials covered by the Milwaukee County Employee Retirement System for all future earned pension service credit; and

WHEREAS, the proposed changes to Section 201.24 of the MCGO have been referred to the pension fund actuary whose actuarial analysis indicates the changes will decrease the accrued liability and the normal actuarial cost; and

WHEREAS, the Pension Study Commission reviewed the pension fund actuary's report on ________, 2010 and has recommended the County Board adopt the proposed changes to Section 201.24 of the MCGO (Vote X-X); now therefore,

BE IT RESOLVED, that the Milwaukee County Board of Supervisors hereby amends Section 201.24 of the Milwaukee County Code of General Ordinances by adopting the following,

AN ORDINANCE

The County Board of Supervisors of the County of Milwaukee does ordain as follows:

SECTION 1. Section 201.24 (5.1)(4) of the General Ordinances of Milwaukee County, is amended as follows:

5.1. Normal pension.

(4) A member who is an elected official whose continuous membership began prior to January 1, 1982 and who meets the requirements for a normal pension shall receive an amount equal to two and one-half (2 1/2) percent of his final average salary multiplied by the number of his years of service as an elected official. A member who is an elected official whose continuous membership began after January 1, 1982 and who meets the requirements for a normal pension shall receive an amount equal to two (2) percent of his final average salary multiplied by the number of his years of service as an elected official. Regardless of when membership began, an elected official shall receive an amount equal to one and six-tenths (1.6) percent of his final average salary multiplied by the number of his years of service rendered on and after **[date of passage and publication]** as an elected official.

SECTION 2. Section 201.24 (5.15) of the General Ordinances of Milwaukee County, is amended as follows:

5.15. Recruitment and retention incentive effective January 1, 2001.

The provisions of this section shall apply to all members of the employes' retirement system eligible to accrue pension service credit as of January 1, 2001 who are not represented by a collective bargaining unit and file an application for retirement after January 1, 2001. This section shall supercede any provisions of section 5.1 that may conflict with this section. The provisions of this section shall not apply to any member of the employes' retirement system who filed an application for retirement prior to January 1, 2001 which shall be effective on or after January 1, 2001. The provisions of this section shall not apply to members of the employes' retirement system who, as of January 1, 2001, are either eligible for a deferred vested retirement benefit under section 4.5 or are receiving a retirement benefit, unless such members return to a status eligible to accrue additional service credit on or after January 1, 2001. The provisions of this section shall not apply to years of service earned on or after January 1, 2010 by a member who, at the time the service is earned, is not covered by the terms of a collective bargaining agreement, nor shall this section apply to service credit earned on or after **[date of passage and publication]** by a member ~~and~~ who, at the time service is earned, is ~~not~~ an elected official.

(1) If membership in the employes' retirement system initially began on or after January 1, 1982, the following recruitment and retention incentives shall apply:

(a) Except for a non-represented deputy sheriff whose membership began prior to July 1, 1995, and elected officials whose membership began on or after March 15, 2002, all pension service credit earned on and after January 1, 2001 shall be credited in an amount equal to an additional 0.5 percent of the member's final average salary. For each year of service credit earned after January 1, 2001, eight years of service credit earned prior to January 1, 2001 shall be credited at an additional 0.5 percent of the member's final average salary. The additional service credits under this section 5.15(1)(a) shall not apply to any elected official whose membership began prior to March 15, 2002 if such elected official consents irrevocably in writing filed with the system to waive the right to receive such additional pension service credits.

(b) An employe shall not be eligible for a deferred vested pension if his/her employment is terminated prior to his/her completion of five (5) years of service.

(2) Retention incentive bonus. If initial membership in the employes' retirement system began prior to January 1, 1982, or July 1, 1995 for a non-represented Deputy Sheriff, at the time of retirement, the member shall have their final average salary increased by a bonus of 7.5 percent for each year of pension service credit earned after January 1, 2001. The maximum bonus that shall be added to an eligible member's final average salary shall not be more than twenty-five (25) percent. This provision shall not apply to a member of the employes' retirement system who became a member of the system prior to January 1, 1982 and, as of January 1, 2001, is either eligible for a deferred vested benefit under 201.24 (4.5), or is receiving a pension benefit, unless such member returns to a status whereby the member is eligible to earn additional pension service credit on or after January 1, 2001. The retention incentive bonus under this section 5.15(2) shall not apply to any elected official who is otherwise

eligible to receive such bonus if such elected official consents irrevocably in writing filed with the system to waive the right to receive such retention incentive bonus.

(3) Members who hold positions for which membership in the employes' retirement system is optional and opt for such membership, shall have pension service credit earned after January 1, 2001 credited at two (2) percent. However, such service credit shall not result in a multiplier increase for service credit earned prior to January 1, 2001 nor shall such service credit qualify the member for a retention incentive bonus.

The provisions of this section shall not apply to a member of the employes' retirement system who is either eligible for a deferred vested benefit under 201.24 (4.5), or is receiving a pension benefit as of January 1, 2001, unless such member returns to active county employment and is eligible to earn additional pension service credit under 201.24.

SECTION 3. The provisions of this ordinance shall be effective upon passage and publication.

; and

BE IT FURTHER RESOLVED, in the event collective bargaining agreements or arbitration decisions covering a majority of represented County employees include pension modifications that are not in agreement with the terms and provisions of Sections 1 and 2 above, revisions to these ordinances shall be drafted within 90 days to match those settled or arbitrated pension modifications, subject to approval of the County Board.

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: January 11, 2010

Original Fiscal Note ☒

Substitute Fiscal Note ☐

SUBJECT: A Resolution amending Section 201.24 of the Milwaukee County Code of General Ordinances to reduce the annual pension service credit multiplier from 2.0% to 1.6% for future years for elected officials.

FISCAL EFFECT:

☐ No Direct County Fiscal Impact

☐ Existing Staff Time Required

☐ Increase Operating Expenditures (If checked, check one of two boxes below)

☐ Absorbed Within Agency's Budget

☐ Not Absorbed Within Agency's Budget

☐ Decrease Operating Expenditures

☐ Increase Operating Revenues

☐ Decrease Operating Revenues

☐ Increase Capital Expenditures

☐ Decrease Capital Expenditures

☐ Increase Capital Revenues

☐ Decrease Capital Revenues

☐ Use of contingent funds

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure		
	Revenue		
	Net Cost		
Capital Improvement Budget	Expenditure		
	Revenue		
	Net Cost		

DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.

B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.[1] If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.

C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.

D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

<u>Upon referral, this resolution will be forwarded to the pension fund actuary to determine the 2010 budgetary impact of the proposed amendments. Upon receipt of the actuary's report, a substitute fiscal note will be prepared and appended to this original fiscal note to fully detail the cost or benefit of this proposal.</u>

Department/Prepared By <u>County Board/ Ceschin</u>

Authorized Signature Rock Ceschin COUNTY BOARD CHAIRMAN

Did DAS-Fiscal Staff Review? ☐ Yes ☒ No

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[1] If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

buckconsultants

A Xerox Company

March 3, 2010

Supervisor Paul M. Cesarz
Chairman
Pension Study Commission
901 N. 9th St.
Milwaukee, WI 53233

RE: Actuary's Review of Proposed Ordinance Amendment to the Employees' Retirement System for Elected Officials

Dear Supervisor Cesarz:

As requested, we have analyzed the actuarial impact on the Milwaukee County Employees' Retirement System of the attached proposed ordinance amendments. If adopted, these amendments would decrease the multiplier from 2.0% to 1.6% for Elected Officials' future service. These changes would go into effect March 18, 2010. That is, all benefit accruals for service after March 18, 2010 would be at the 1.6% multiplier level.

Actuarial Analysis

The ordinance amendments affect current and future Elected Officials, which includes 24 active employees as of January 1, 2009. Assuming that future Elected Officials have similar characteristics as current employees, we have estimated that a decrease in multiplier to this group's future service would decrease the total present value of benefits as of January 1, 2009 from $2.199B to $2.198B.

The change in multiplier would decrease the present value of future normal cost as of January 1, 2009 from $141.35M to $141.29M. The effect of the multiplier change would be a decrease in the annual contribution from $30.36M to $30.33M. Thus, the multiplier change would have the effect of decreasing the annual required contribution by $30,000.00.

Basis for the Analysis

Unless otherwise noted below, we have based this analysis on the data, assumptions and methods used for the most recently completed valuation, which was as of January 1, 2009. We understand that these proposed amendments would only impact Elected Officials.

One North Dearborn Street, Suite 1400 • Chicago, IL 60602-4336
312.846.3000 • 312.846.3999 (fax)

The undersigned is a Member of the American Academy of Actuaries and meets the Academy's Qualification Standards to issue this Statement of Actuarial Opinion.

Please call if you have any questions.

Sincerely,

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

LL:pl
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cc: Mark Grady
Marco Ruffini

Milwaukee County Cost Study

Multiplier decrease from 2.0 to 1.6 for Elected Officials future service

Item	For Elected Officials	
	Current Valuation	Multiplier Change - Future Service
Valuation Results		
1. Present Value of Future Benefits		
a) Active Participants	$ 812,317,967	$ 812,010,015
b) Participants with Deferred Benefits	72,648,595	72,648,594
c) Participants Receiving Benefits	1,313,759,117	1,313,759,117
d) Total	$ 2,198,725,679	$ 2,198,417,726
2. Present Value of Future Normal Cost	$ 141,348,691	$ 141,292,269
3. Actuarial Accrued Liability: (1 - 2)	$ 2,057,376,988	$ 2,057,125,457
4. Actuarial Value of Assets	$ 1,968,518,479	$ 1,968,518,479
5. Funded Status: (4 / 3)	95.7 %	95.7 %
6. Unfunded Actuarial Accrued Liability: (3 - 4)	$ 88,858,509	$ 88,606,978
7. Normal Cost Rate	8.805 %	8.801 %
8. Normal Cost for the Plan Year	$ 20,587,867	$ 20,578,514
Employer Actual Funding Contribution and Annual Required Contribution for Fiscal Year		
9. Actual Funding Contribution Calculated by Actuary		
a) Normal Cost with Interest	$ 21,395,539	$ 21,385,819
b) Net Annual Amortization Payments	8,959,996	8,944,299
c) Total Contribution: ((a + b), not less than zero)	$ 30,355,535	$ 30,330,118

1) The cost study above affects only Elected Officials. This means that 24 out of the 4,837 Active members are affected by this change.