

EMPLOYEE & RETIREE FRINGE BENEFITS (1950) BUDGET

DEPT: Fringe Benefits

UNIT NO. 1950  
FUND: General - 0001

**Budget Summary**

Category	2014 Budget	2014 Actual	2015 Budget	2016 Budget	2016/2015 Variance
<b>Expenditures</b>					
Direct Fringe Benefits	\$184,615,636	\$170,086,309	\$187,716,007	\$203,442,667	\$15,726,660
Operation Costs	\$3,842,943	\$3,258,401	\$3,188,614	\$4,068,564	\$879,950
Debt & Depreciation	\$0	\$0	\$0	\$0	\$0
Capital Outlay	\$0	\$0	\$0	\$0	\$0
Interdept. Charges*	\$570,991	\$572,591	\$606,115	\$625,511	\$19,396
<b>Total Expenditures*</b>	<b>\$189,029,570</b>	<b>\$173,917,301</b>	<b>\$191,510,736</b>	<b>\$208,136,742</b>	<b>\$16,626,006</b>
<b>Revenues</b>					
Direct Revenue	\$18,346,142	\$18,548,564	\$19,134,770	\$22,740,227	\$3,605,457
Intergov Revenue	\$0	\$0	\$0	\$0	\$0
Indirect Revenue*	\$170,683,428	\$156,473,784	\$172,375,966	\$176,694,128	\$4,318,162
<b>Total Revenues*</b>	<b>\$189,029,570</b>	<b>\$175,022,348</b>	<b>\$191,510,736</b>	<b>\$199,434,355</b>	<b>\$7,923,619</b>
<b>Tax Levy</b>	<b>\$0</b>	<b>(\$1,105,047)</b>	<b>\$0</b>	<b>\$8,702,387</b>	<b>\$8,702,387</b>

\* = Charges to departments for net fringe benefit costs were converted from expenditure abatements to indirect revenues in 2015. 2014 data has been restated for comparative purposes.

**Department Mission:** This non-departmental unit includes expenditures for employee and retiree (legacy) fringe benefit costs, and revenues from premium contributions for those benefits.

**Department Description:** Appropriations for employee and legacy fringe benefits in this non-departmental unit include: health and dental insurance, contributions to various pension plans, life insurance, Medicare premium contributions, employee bus passes, fees required by the Affordable Care Act, and health insurance actuarial services.

The cost of these benefits, net of employee and retiree premium contributions (which are shown as direct revenues in the table above), are allocated out to departments based on their share of countywide staffing levels. This enables the County to be reimbursed for its total personnel costs to provide services.

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Employee & Retiree Fringe Benefits Summary

2015-2016 Fringe Benefit Budget Comparisons

ITEM	2015 BUDGET	2016 BUDGET	2015-2016 Change
<b>Gross Health &amp; Dental Costs</b>	\$113,811,458	\$98,820,541	(\$14,990,917)
	+	+	
<b>Gross Pension Costs</b>	\$73,595,776	\$96,032,344	\$22,436,568
	+	+	
<b>Gross Costs - Other Benefits</b>	\$4,103,502	\$4,208,567	\$105,065
	=	=	
<b>TOTAL Gross Benefit Costs</b>	<b>\$191,510,736</b>	<b>\$199,061,452</b>	\$7,550,716
	-	-	
<b>Less Employee &amp; Retiree Premiums</b>	(\$8,447,712)	(\$8,447,712)	\$0
	-	-	
<b>Less Employee &amp; State Contributions</b>	(\$9,519,285)	(\$13,124,742)	(\$3,605,457)
	-	-	
<b>Less Other Benefit Revenues</b>	(\$1,167,773)	(\$1,167,773)	\$0
	=	=	
<b>TOTAL Net Benefit Costs - Allocated to Departments</b>	<b>\$172,375,966</b>	<b>\$176,321,225</b>	<b>\$3,945,259</b>
	-	-	
<b>Estimated Revenue Offset at 15.5%</b>	(\$26,718,274)	(\$27,329,790)	(\$611,515)
	=	=	
<b>Approximate Tax Levy Cost, Employee &amp; Retiree Fringe Benefits:</b>	<b>\$145,657,691</b>	<b>\$148,991,435</b>	<b>\$3,333,744</b>

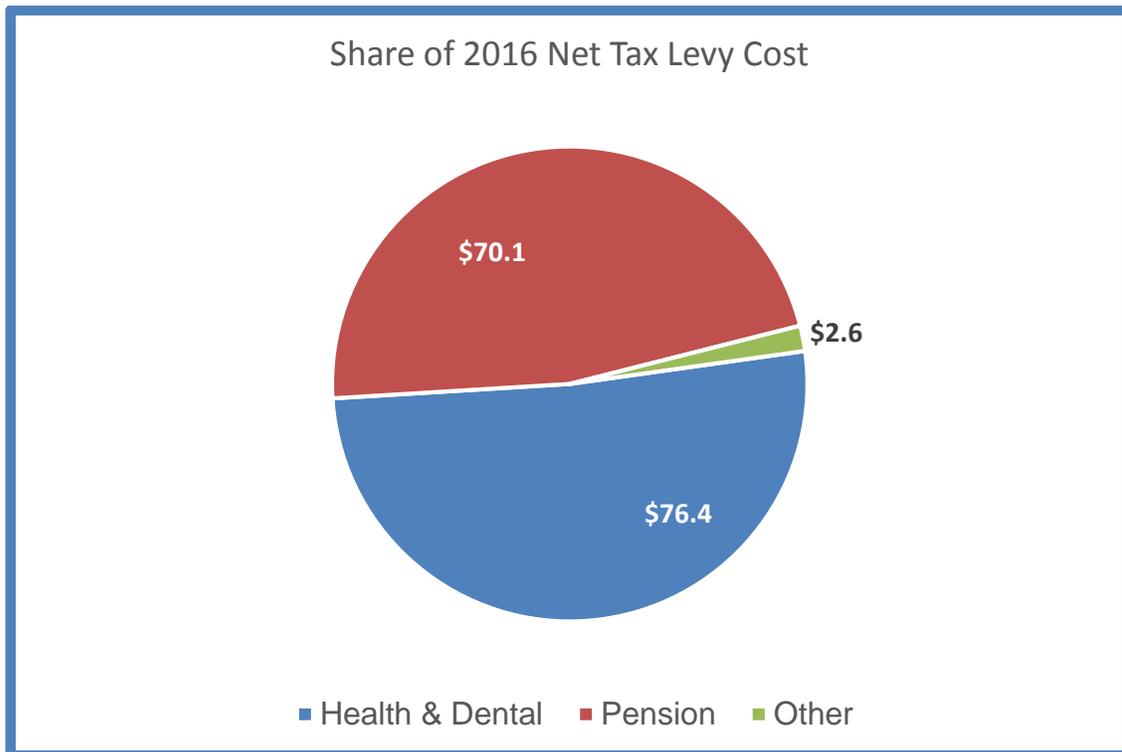
The table above shows that the 2016 budget includes \$199.0 million in gross fringe benefit costs. Revenues directly related to fringe benefits, such as employee and retiree health insurance premiums, employee pension contributions required by State Statute, and other revenues offset approximately \$22.7 million of this total. The remainder, \$176.3 million, is allocated out to departments. This is done for two primary reasons. One is to show the “true cost” of providing each service, as personnel costs including fringe benefits comprise a large share of the County’s operating cost. The second reason for this allocation is that many departments receive outside revenue reimbursement for these costs, reducing the County’s tax levy requirements. For instance, all personnel costs allocated to the Airport Division of the Department of Transportation are reimbursed by various fees and charges at the County’s airports. In the Department of Child Support Services, approximately two-thirds of the cost is reimbursed by federal revenues. Countywide, approximately 15.5 percent of fringe benefit costs that are allocated out are reimbursed by outside revenue sources. The remainder, approximately \$149.0 million in 2016, represents tax levy.

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Of the total tax levy cost (after reimbursement from outside revenue sources) for employee and retiree fringe benefits, health and dental costs make up the largest share at approximately \$76.4 million or 51 percent of the total. Pension benefits represent approximately \$70.1 million or 47 percent, and other benefits such as life insurance and the employee bus pass program require \$2.6 million in levy or 2 percent of the total.



Personnel costs represent a significant portion of the County's operating expenses and costs for retiree benefits represent a significant portion of its personnel costs. [The Office of the Comptroller's five-year forecast report](#) estimates that fringe benefit costs will grow by nearly 17 percent in the next five years.

In an effort to reduce the number of crosscharges, the 2016 Budget removes fringe benefit charges from departments that are primarily financed through the tax levy. The fringe benefit tax levy for these departments will remain in Org. Unit-1950-Fringe Benefits. It is the policy of Milwaukee County to reduce the number of crosscharges to: 1) simplify the budgeting process, 2) still retain outside revenues wherever possible, and 3) provide accurate information on the cost to provide programs and services.

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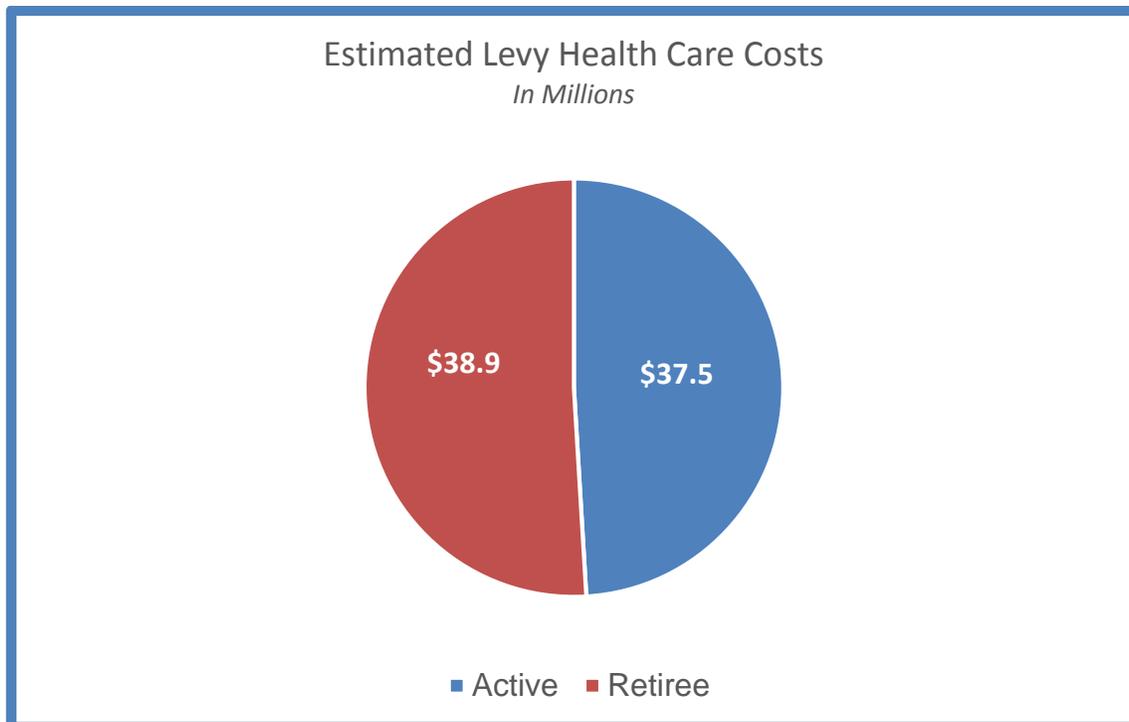
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## Health & Dental Benefits Overview

The County allocates its benefit costs to active employees and retirees based on estimates provided by various sources, including the health care actuary or the Office of the Comptroller. In some cases, benefits are solely categorized to either active employees (dental insurance) or to retirees (Medicare Part B premium reimbursements).

In 2016, there is no change to employee premiums, deductibles, coinsurance, or office visit co-payments. There are no major plan design changes. However, there are some minor changes to pharmacy coverage that are expected to impact a small percentage of plan participants.

For health care expenditures, which include medical claims and Medicare Part B premium reimbursements, retirees account for an estimated 51 percent of tax levy funded benefits, while active employees represent 49 percent.

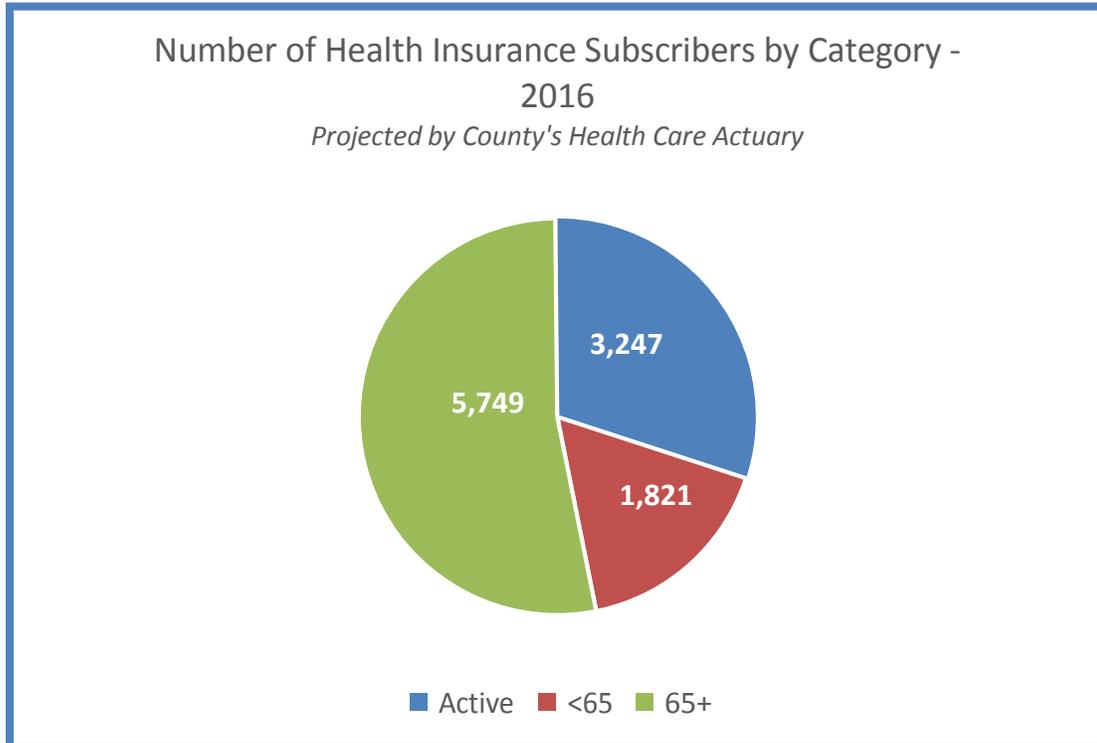


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Retirees represent the largest share of health care costs for two primary reasons: One is that Medicare Part B premium reimbursements to retirees will require approximately \$6.4 million in tax levy support in 2016 (84.5 percent of the gross cost of \$7.6 million), and because *there are nearly two retirees to each active employee* who receive health care benefits but do not pay premiums in 2016. Therefore, the County will continue to utilize the long-standing strategy of setting cost sharing from plan design above benchmarks, and premium costs at or below large employer averages.



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The Flexible Spending Account (FSA) Employer contribution for 2016 is a maximum of \$2,000. Employees eligible for an FSA must provide \$2000 (a 1 dollar to 1 dollar match) to receive the maximum contribution. For 2015, the maximum an employee may contribute to the health care FSA is \$2,550.

Expenditures in Org. 1950 – Employee Fringe Benefits include:

- Health and dental insurance benefits.
- Third-party administrative costs for health insurance, prescription drugs, dental insurance, and wellness.
- Stop loss insurance.
- Fees required by the Affordable Care Act.

In addition to the health plan design above, appropriations of \$8,152,000 are provided for:

- Medicare Part B premium reimbursements for retirees (\$7,560,000)
- Actuarial and consulting costs (\$400,000)
- Opt-out payments to employees who decline health insurance benefits (\$150,000)
- Employee flu shots (\$42,000)

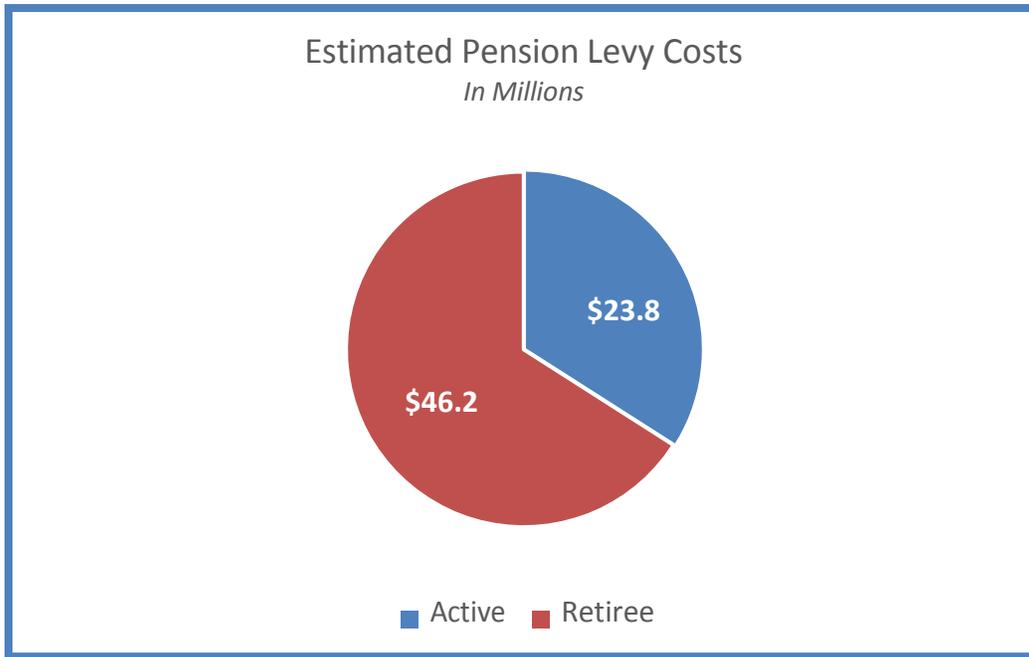
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Pension Benefits Overview

As with health care and dental benefits, the County allocates pension-related costs between active employees and retirees. For 2015, the projected tax levy cost of pension benefits is approximately \$70 million. Of this total, approximately \$46.2 million or 66 percent is allocated to retiree costs and \$23.8 million or 34 percent is allocated to active employees.



The 2016 budget provides total appropriations for pension benefits of \$96,032,344. This amount represents an increase over the 2015 Adopted Budget of \$22.4 million or 30 percent and includes the following items:

Item	2015 Budget	2016 Budget	2015/16 Change
OBRA Retirement System Contrib.	\$440,000	\$304,000	(\$136,000)
ERS Contrib. for pre-1971 employees	\$17,700	\$17,700	\$0
ERS Normal Cost	\$15,769,000	\$19,166,000	\$3,397,000
ERS Unfunded Actuarial Liability	\$22,536,000	\$40,785,000	\$18,249,000
Pension Obligation Bonds	\$33,083,076	\$33,142,644	\$59,568
Doyme Pension	\$1,750,000	\$2,617,000	\$867,000
<b>TOTAL Pension Costs</b>	<b>\$73,595,776</b>	<b>\$96,032,344</b>	<b>\$22,436,568</b>

The Employees Retirement System (ERS) and 1990 Retirement System of the County of Milwaukee (“OBRA”) contributions represent amounts recommended by the County’s pension actuary.

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Revenues of \$13.1 million are budgeted in 2016. \$13.0 million of this total based on the actuary's estimated employee contribution rate required by Wisconsin State Statutes. For 2016, general employees shall contribute 6.5 percent of salary to the pension plan (up from 5.0 percent in 2015). Public safety employee contributions are subject to collective bargaining. Revenue from the State of Wisconsin for Mecca/Miles employees is budgeted at \$95,000 based on the most recent agreement with the State for space rental at the Marsha Coggs Human Services Center.

In 2016, the ERS Unfunded Actuarial Liability increases \$18,249,000 to \$40,785,000. The increase is due to the inclusion of retiree cost-of-living adjustments in 2016 (which were omitted in 2015), decreasing the amortization period from 30 years to 20 years as well as other changes to actuarial assumptions to bring Milwaukee County practices in alignment with recommendations from the Government Fiscal Officers Association (GFOA) and Governmental Accounting Standards Board (GASB).