

EMPLOYEE & RETIREE FRINGE BENEFITS (1950) BUDGET

DEPT: Fringe Benefits

UNIT NO. 1950  
FUND: General - 0001

**Budget Summary**

Category	2015 Budget	2015 Actual	2016 Budget	2017 Budget	2017/2016 Variance
<b>Expenditures</b>					
Direct Fringe Benefits	\$187,716,007	\$180,271,520	\$194,740,280	\$200,003,414	\$5,263,134
Operation Costs	\$3,188,614	\$2,558,054	\$4,068,564	\$2,622,000	(\$1,446,564)
Debt & Depreciation	\$0	\$0	\$0	\$0	\$0
Capital Outlay	\$0	\$0	\$0	\$0	\$0
Centralized Fringe Costs	\$0	\$0	\$8,702,387	\$65,097,376	\$56,394,989
Interdept. Charges	\$606,115	\$606,115	\$625,511	\$654,243	\$28,732
<b>Total Expenditures</b>	<b>\$191,510,736</b>	<b>\$183,435,688</b>	<b>\$208,136,742</b>	<b>\$268,377,033</b>	<b>\$60,240,291</b>
<b>Revenues</b>					
Direct Revenue	\$19,134,770	\$18,003,151	\$22,740,227	\$23,418,524	\$678,297
Intergov Revenue	\$0	\$0	\$0	\$0	\$0
Indirect Revenue	\$172,375,966	\$166,407,533	\$176,694,128	\$179,861,133	\$3,167,005
<b>Total Revenues</b>	<b>\$191,510,736</b>	<b>\$184,410,684</b>	<b>\$199,434,355</b>	<b>\$203,279,657</b>	<b>\$3,845,302</b>
<b>Tax Levy</b>	<b>\$0</b>	<b>(\$974,995)</b>	<b>\$8,702,387</b>	<b>\$65,097,376</b>	<b>\$56,394,989</b>

**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

2016-2017 Fringe Benefit Budget Comparisons

ITEM	2016 BUDGET	2017 BUDGET	2016-2017 Change
<b>Gross Health &amp; Dental Costs</b>	\$99,193,444	\$98,362,588	<b>(\$830,856)</b>
	+	+	
<b>Gross Pension Costs</b>	\$96,032,344	\$100,821,334	\$4,788,990
	+	+	
<b>Gross Costs - Other Benefits</b>	\$4,103,502	\$4,095,735	<b>(\$7,767)</b>
	=	=	
<b>TOTAL Gross Benefit Costs</b>	<b>\$199,329,290</b>	<b>\$203,279,657</b>	\$3,950,367
	-	-	
<b>Less Employee &amp; Retiree Premiums</b>	<b>(\$8,447,712)</b>	<b>(\$8,995,712)</b>	<b>(\$548,000)</b>
	-	-	
<b>Less Employee &amp; State Contributions</b>	<b>(\$13,124,742)</b>	<b>(\$13,255,039)</b>	<b>(\$130,297)</b>
	-	-	
<b>Less Other Benefit Revenues</b>	<b>(\$1,167,773)</b>	<b>(\$1,167,773)</b>	\$0
	=	=	
<b>TOTAL Net Benefit Costs - Allocated to Departments</b>	<b>\$176,589,063</b>	<b>\$179,861,133</b>	<b>\$3,272,070</b>
	-	-	
<b>Estimated Revenue Offset at 14.5%</b>	<b>(\$25,605,414)</b>	<b>(\$26,079,864)</b>	<b>(\$474,450)</b>
	=	=	
<b>Approximate Tax Levy Cost, Employee &amp; Retiree Fringe Benefits:</b>	<b>\$150,983,649</b>	<b>\$153,781,269</b>	<b>\$2,797,620</b>

The table above shows that the 2017 budget includes \$203.3 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 \$23.4 million of this total. The remainder, \$179.9 million, is allocated 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. The remainder, approximately \$153.8 million in 2016, represents tax levy. Countywide, approximately 14.5 percent of fringe benefit costs that are allocated out are reimbursed by outside revenue sources.

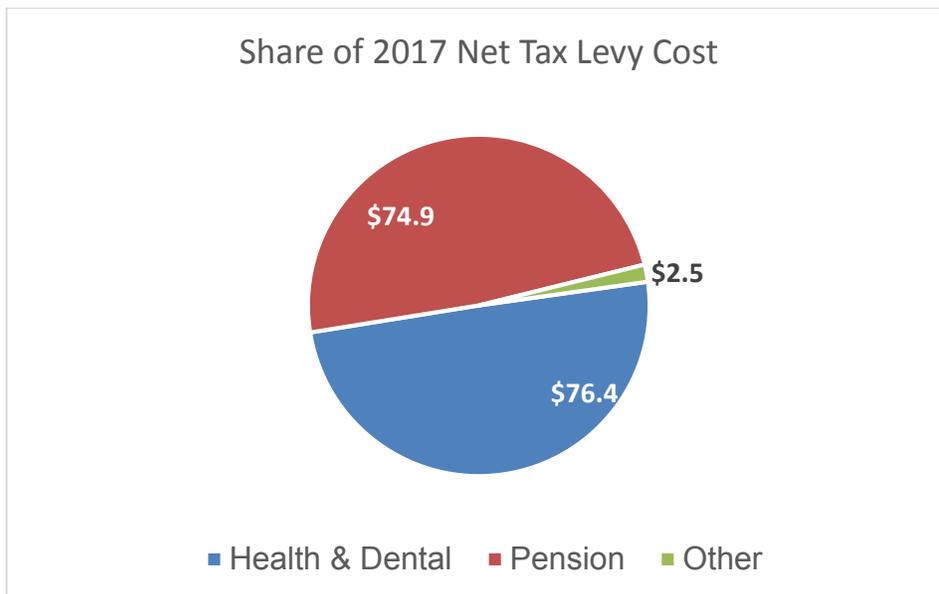
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In 2017, departments and portions of departments that do not have substantial outside revenue reimbursement have their legacy health care and legacy pension costs abated and instead held centrally in the Fringe Benefits budget in order to more clearly present the resources available to departments to provide services.

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 49.7 percent of the total. Pension benefits represent approximately \$74.9 million or 48.7 percent, and other benefits such as life insurance and the employee bus pass program require \$2.5 million in levy or 1.6 percent of the total.



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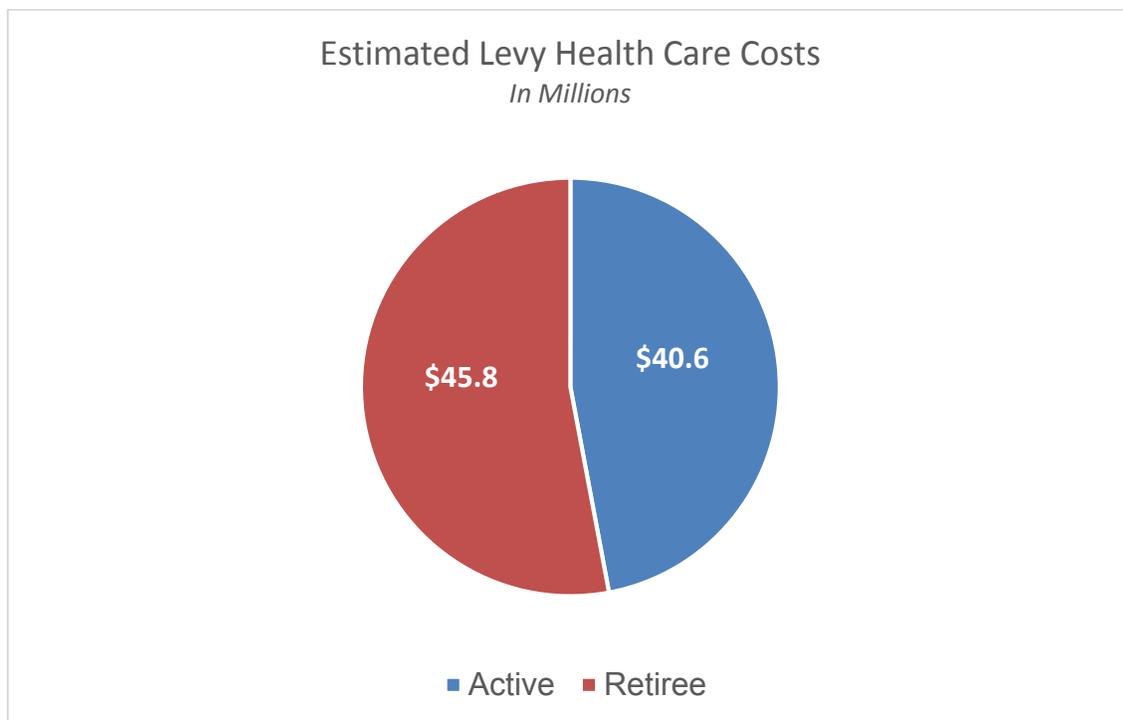
## Health & Dental Benefits Overview

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 2017, there are no significant change to deductibles, coinsurance, or office visit co-payments. There are no major plan design changes. The 2017 Budget includes a small incremental increase in some employee premium contributions in order to avoid the need for less frequent but larger premium increases that could be necessary to maintain a sustainable benefit package.

In 2017, a new and voluntary vision plan is included based on input and feedback from employees. If elected, the County will pay half of the monthly premium (which is expected to total between \$6 and \$15 depending on coverage). The plan will cover fixed dollar amounts for eye exams, glasses, and other vision related expenses. Net expenses for the new vision plan in 2017 total \$80,000

For health care expenditures, which include medical claims and Medicare Part B premium reimbursements, retirees account for an estimated 53 percent of tax levy funded benefits, while active employees represent 47 percent.

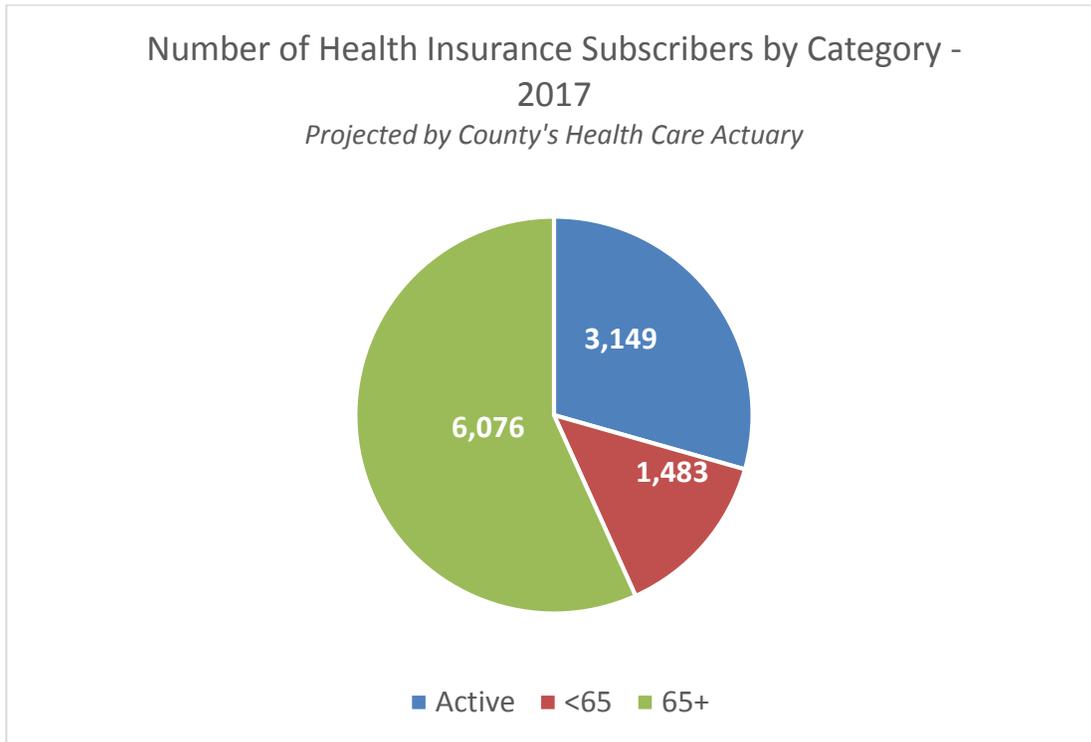


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Retirees represent the largest share of health care costs for two primary reasons: One is that Medicare Part B premium reimbursements to retirees will require approximately \$6.5 million in tax levy support in 2017 (85.5 percent of the gross cost of \$7.6 million), and because there are significantly more covered retirees than active employees.



■ Active ■ <65 ■ 65+

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The Flexible Spending Account (FSA) Employer contribution for 2016 is a maximum of \$1,000. Employees eligible for a FSA must provide \$1,000 (a 1 dollar to 1 dollar match) to receive the maximum County contribution. For 2017, the maximum an employee may contribute 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 \$8,173,000 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 (\$44,100)

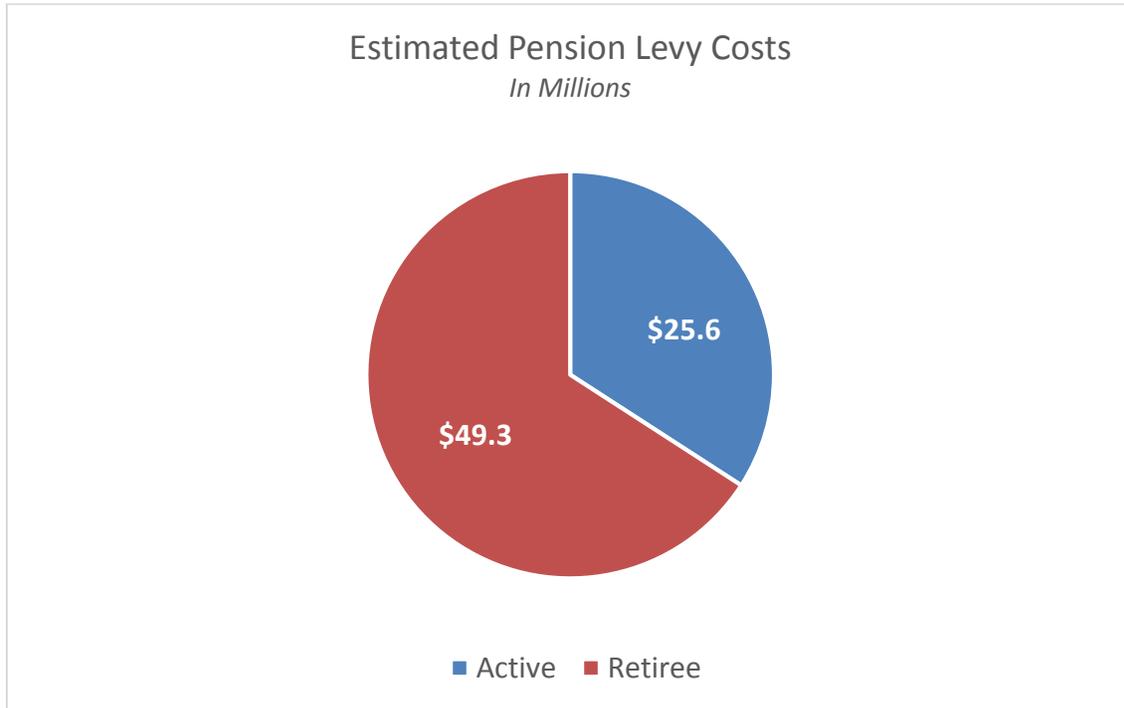
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Pension Benefits Overview

As with health care and dental benefits, the County allocates pension-related costs between active employees and retirees. For 2017, the projected tax levy cost of pension benefits is approximately \$75 million. Of this total, approximately \$49.3 million or 66 percent is allocated to retiree costs and \$25.6 million or 34 percent is allocated to active employees.



The 2017 budget provides total appropriations for pension benefits of \$100,821,334. This amount represents an increase over the 2016 Adopted Budget of \$4.8 million or 5 percent and includes the following items: The largest change effecting the County’s pension contribution is related to the ERS Unfunded Actuarial Liability, mostly due lower than anticipated investment returns.

Item	2016 Budget	2017 Budget	2016/17 Change
OBRA Retirement System Contrib.	\$304,000	\$318,000	\$14,000
ERS Contrib. for pre-1971 employees	\$17,700	\$17,700	\$0
ERS Normal Cost	\$19,166,000	\$19,150,000	(\$16,000)
ERS Unfunded Actuarial Liability	\$40,785,000	\$46,841,000	\$6,056,000
Pension Obligation Bonds	\$33,142,644	\$33,182,634	\$39,990
Doyme Pension	\$2,617,000	\$1,312,000	(\$1,305,000)
<b>TOTAL Pension Costs</b>	<b>\$96,032,344</b>	<b>\$100,821,334</b>	<b>\$4,788,990</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 \$13.3 million are budgeted in 2017. \$13.2 million of this total is based on the actuary's estimated employee contribution rate required by Wisconsin State Statutes. For 2017, general employees shall contribute 6.5 percent of salary to the pension plan (no change from 2016). 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.