



Milwaukee County

Pension Board

John M. Maier, J.D.
Chairman

Linda S. Bedford
Vice Chairman

Keith Garland
Dean Muller
Dr. Sarah W. Peck
David Sikorski
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Gerald J. Schroeder
ERS Manager

July 18, 2011

The Pension Board of the Employees' Retirement System of the County of Milwaukee ("Pension Board") invites you to submit a proposal to serve as actuary for the Employees' Retirement System of the County of Milwaukee ("ERS") and the OBRA 1990 Retirement System of the County of Milwaukee ("OBRA") (together referred to as the "Systems").

To assist you in formulating your proposal, we enclose the following information:

1. Exhibit A, general ERS and OBRA information.
2. Exhibit B, 2010 Annual Report.
3. Exhibit C, Chapter 203 and Section 201.24 of the Milwaukee County Code of General Ordinances (the "Ordinances") and the Rules of the Employees' Retirement System of the County of Milwaukee (the "Rules"), which, together, govern the Systems' operation.
4. Exhibit D, the most recent Actuarial Valuation Report.
5. Exhibit E, a list of services requested by the Pension Board of your firm.
6. Exhibit F, the fee proposal requirements.
7. Exhibit G, a questionnaire regarding your firm and the requested actuarial services.
8. Exhibit H, a proposed contract between your firm and the Systems.
9. Exhibit I, the most recent five year experience study.

Your proposal should respond to the questions listed in Exhibit G and state your firm's fee consistent with Exhibit F. If you do not intend to submit a proposal, please notify the Pension Board of your decision by contacting Marian Ninneman at the address listed below.

Please note that, as a condition to your retention, the Pension Board will require your firm to enter into a contract substantially similar to the contract enclosed as Exhibit H. If you have comments or proposed revisions to the enclosed contract, please submit them along with your fee proposal.

Your proposal must arrive no later than 5 p.m. Central Standard Time on August 19, 2011. Please send 15 copies of the proposal to:

Marian Ninneman
Operations Manager, ERS
Milwaukee County Courthouse
901 North 9th Street
Milwaukee, WI 53233

Please also send a copy of your proposal, in pdf format, by email to Marian.Ninneman@milwcnty.com.

The proposals submitted impose no liability or obligation on ERS, OBRA, the Pension Board members or their agents. To maintain the integrity of this solicitation and streamline the procedure, we ask that you refrain from making any personal or telephone inquiries of the Pension Board, its agents or other representatives working with the Systems. This requirement includes, without limitation, requests for additional information or clarification of the information contained in this request. If you wish to obtain additional information or to request a clarification, please submit a written request via e-mail to Marian Ninneman by July 28, 2011.

Answers to requests for information or clarifications will be sent to all firms who receive this request for proposal by e-mail on August 4, 2011. Therefore, please send e-mail contact information to Marian Ninneman upon receiving the request for proposal.

The Pension Board will only accept proposals from actuarial firms which meet the following minimum requirements: (1) the firm must have been in business for five years; (2) the firm must have provided actuarial services to other public retirement systems; (3) any primary individuals assigned to work for ERS must have five years of experience; and (4) the firm must be able to maintain data processing interface with the Systems' custodian and coordinate the exchange of information and data with the ERS office (the "Retirement Office").

The Pension Board is sensitive to potential conflicts of interest. This sensitivity should be taken into consideration when preparing your proposal. If your firm maintains relationships with any individuals or entities that you believe the Pension Board should consider when reviewing your proposal, please disclose those relationships as part of your response. Specifically, the Pension Board is interested in any potential conflicts or relationships with the Pension Board, Pension Board members or their employers, Milwaukee County (the "County"), County agencies, ERS, OBRA or any other conflicts that may impact the relationship between the Pension Board and its actuary. Such potential conflicts will not automatically disqualify an actuarial firm's proposal.

The Pension Board will evaluate proposals based on the following criteria: (1) the firm's experience and qualification; (2) the firm's range of service; (3) the firm's potential conflicts of interest; and (4) the firm's fees and compensation. The above criteria will not necessarily receive equal weight during the evaluation process. Fees and compensation will only be

one factor considered. The Pension Board reserves the right to reject the lowest bid from a fee perspective.

To expedite this process and the Pension Board's analysis of proposals, we request your cooperation in complying with the instructions accompanying this request. The Pension Board expressly reserves the right to exclude from consideration any proposal which fails to conform to its stated requirements or is not submitted in a timely manner.

After its receipt and review of your proposal, the Pension Board or members of the Pension Board may desire to interview one or more representatives of your firm. We will, of course, be in touch with you if this interview is necessary.

If your firm is hired, the Pension Board anticipates an October 1, 2011 contract start date and that a representative of your firm will attend the February 2012 annual meeting with retirees, the April 2012 Pension Board meeting to present the preliminary valuation report and the May 2012 Pension Board meeting to present the final valuation report

Thank you for your consideration of this request.

Marian Ninneman, CEBS, CRC
Operations Manager, ERS

EXHIBIT A

General ERS and OBRA Information

EXHIBIT A

GENERAL INFORMATION

1. ERS is a defined benefit plan established by Chapter 201 of the Wisconsin Laws of 1935, as amended by Chapter 405 of the Wisconsin Laws of 1965. ERS was originally codified within the Ordinances in section 201, and ERS's provisions were later renumbered as part of Ordinance section 201.24. ERS is also governed by the rules promulgated by the Pension Board.
2. ERS provides normal retirement, early retirement and disability benefits.
 - (a) Refer to Ordinance section 201.24 for more information on benefits and eligibility rules.
 - (b) In addition, certain members who are eligible for a normal or early retirement pension may elect to receive pension benefits through a "retroactive deferred retirement option program," which is commonly referred to as the "back DROP" or "DROP" benefit. The back DROP benefit is a two-part pension benefit.
 - (i) Under the first part of the back DROP benefit, a member receives a "lump sum DROP benefit" at retirement. The lump sum DROP benefit is the sum of all monthly DROP benefits (as explained below) that the member would have received if the member had started to receive his or her monthly pension benefit on the "back DROP date" (also described below) selected by the member, and had continued to receive that benefit through the date that the member actually retires from the County and is removed from the County's payroll. The lump sum DROP benefit also includes interest, which is compounded monthly and accrues at a rate equal to ERS's actuarial assumed rate of return.
 - (ii) Under the second part of the back DROP benefit, a member receives, beginning at retirement, a "monthly DROP benefit." The monthly DROP benefit is the normal or early retirement monthly pension benefit, which is calculated based on the member's years of service and final average salary as of some date in the past, known as the "back DROP date." The ERS member may select his or her back DROP date, provided that

date is no earlier than the first day the employee could have retired and no more recent than one year prior to the actual retirement date.

3. The authority to manage and control ERS is vested in the Pension Board. The Pension Board consists of nine members chosen in the following manner: (a) three members appointed by the County Executive (subject to confirmation by the County Board of Supervisors), (b) three employee members elected by the employee participants, (c) two members appointed by the County Board chairperson, and (d) one retiree-elected member.
4. The County's contribution requirements are governed by Ordinance section 201.24(3.1) and are based on actuarial calculations that take into account, among other factors, the retirement benefits to be provided and investment experience. During the current year, the Pension Board provides the Personnel Committee and the Finance and Audit Committee with an estimated budget contribution for the County in the following year. The County actually contributes an amount based on the estimated budget contribution (which may or may not be the estimated budget contribution provided by the Pension Board) in the year thereafter. The County contributed approximately \$33 million to ERS in 2010.
5. As of January 1, 2011, non-represented employees and elected officials eligible for pension benefits are required to contribute 2% of their pre-tax earnable compensation to ERS. The contribution increased to 3% of salary beginning June 12, 2011 and, if applicable, will be increased to 4% beginning December 11, 2011 for non-represented employees excluding elected officials.

Effective July 24, 2011, all County employees, excluding certain public safety employees, will be subject to a state mandated employee contribution of ½ of the actuarially estimated pension contribution by the County each year. Implementation of this contribution is pending based on the state statute adopting the requirement becoming effective.

6. ERS has approximately 4,500 active members and 9,000 retired and deferred vested members. ERS issues direct deposits for the approximately 7,500 retirees. The total monthly pension payout in 2010 equaled approximately \$163 million.
7. The market value of ERS assets as of December 31, 2010 was approximately \$1.9 billion.

- (a) ERS assets are invested in equities (54% target), fixed income (32% target) and real estate and infrastructure (14% target).
 - (b) The Pension Board utilizes 18 investment managers who are required to make an annual presentation to the Pension Board of their investment results and their forecasts for future investments.
 - (c) A statement of assets and cash flow of ERS can be found in the 2010 Annual Report.
8. OBRA is a defined benefit plan governed by Ordinance Chapter 203 and the rules promulgated by the Pension Board. OBRA is funded through County contributions. OBRA provides normal retirement, early retirement and disability benefits. OBRA members are employees designated as "optional employees," who chose to participate in OBRA instead of ERS. Examples of optional employees include: (a) interns, students and trainees employed in non-civil service positions, and (b) seasonal employees.

9. The Retirement Office is located at the following address:

Milwaukee County ERS
901 North Ninth Street, Room 210-C
Milwaukee, WI 53233

10. Corporation Counsel serves as the Systems' statutory legal counsel. Outside legal counsel is Reinhart Boerner Van Deuren s.c.

Marquette Associates, Inc. serves as the Systems' investment consultant.

Baker Tilly Virchow Krause, LLP serves as the Systems' auditor.

BNY/Mellon Trust serves as the Systems' custodian.

Vitech serves as the IT vendor for the Systems' computer and technology systems.

Various County departments and committees also work with the Systems, the Retirement Office and the Systems' advisors. Specifically, the Department of Human Resources supervises the Retirement Office, and, as stated earlier, Corporation Counsel serves as statutory legal counsel to the Pension Board. In addition, the County's Risk Management Department selects the insurance providers for the Pension Board, and the County's

Department of Audit conducts independent audits of certain aspects of the Systems' operations.

EXHIBIT B

2010 Annual Report

EMPLOYEES' RETIREMENT SYSTEM

of the
County of Milwaukee



2010 Annual Report of the Pension Board as of December 31, 2010

CITIZEN MEMBERS

John M. Maier, J.D., Chairman
Linda S. Bedford, Vice Chairman
Donald Cohen
Jeffrey Mawicke, J.D.
Dr. Sarah W. Peck

RETIREE MEMBER

Donald Weber

EMPLOYEE MEMBERS

Keith Garland
David Sikorski
Guy M. Stuller

SECRETARY/MANAGER, ERS

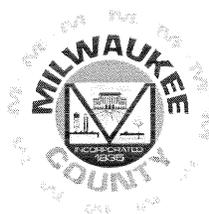
Gerald J. Schroeder

901 North 9th Street, Room 210-C
Milwaukee, Wisconsin 53233
Telephone: (414) 278-4207

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EMPLOYEES' RETIREMENT SYSTEM (ERS)



Milwaukee County

Pension Board

John M. Maier, J.D.
Chairman

Linda S. Bedford
Vice Chairman

Dean Muller
Keith Garland
David Sikorski
Dr. Sarah W. Peck

Gerald J. Schroeder
ERS Manager

June 17, 2011

Retirement System Members:

We are pleased to present the 2010 Annual Report of your Pension Board. The Employees' Retirement System ("ERS") experienced a positive investment return for the year of 12.1%. As a result, net assets available for pension benefits increased \$72.6 million. This increase includes \$32.9 million in actual County contributions. Total assets at the end of the year were \$1.895 billion. For further detailed information regarding ERS's performance, please see the management's discussion and analysis, financial statements and footnotes that follow.

The description of ERS, included in this report, highlights major plan provisions. County Ordinances, labor agreements, Pension Board rules and Governmental Accounting Standards Board pronouncements prevail over the contents of this report. If you have any questions, please call the ERS office at 414-278-4142.

Members considering retirement within the next few years are reminded to watch for announcements from the County for retirement information programs. Please call the ERS office at 414-278-4207 for further information regarding these programs. If you are interested in meeting with a retirement counselor to discuss retirement, please schedule an appointment by calling 414-278-4207.

Several options are available to members who retire or otherwise leave County service with respect to their pension benefits. Before terminating employment, you should become fully informed of the various opportunities available to you so you can make the best choice for your situation.

Each year, Milwaukee County distributes benefit statements reflecting balances as of the end of the previous year. Remember to keep your beneficiary designations current by informing the Retirement System Office of any changes. Retired members should also notify the ERS office in writing of any changes in residence or address so that your benefit payments and year-end 1099R statements are properly mailed.

The Pension Board



BAKER TILLY

Baker Tilly Virchow Krause, LLP
115 S 84th St, Ste 400
Milwaukee, WI 53214-1475
tel 414 777 5500
fax 414 777 5555
bakertilly.com

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Members of the Pension
Board of the Employees' Retirement
System of the County of Milwaukee:

We have audited the accompanying statements of plan net assets of the Employees' Retirement System of the County of Milwaukee (the "Retirement System") as of December 31, 2010 and 2009, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Retirement System as of December 31, 2010 and 2009, and the changes in its plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the Schedules of Funding Progress, Employer Contributions, and Notes to Required Supplementary Information as listed in the table of contents are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures to the 2010 and 2009 information which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The ten-year historical trend and related information on pages 20 - 21 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
June 17, 2011

Management's Discussion and Analysis
(In Thousands of Dollars)

Management is pleased to provide this overview and analysis of the financial activities of the Employees' Retirement System of the County of Milwaukee ("ERS", or the "Retirement System") for the year ended December 31, 2010. Readers are encouraged to consider the information presented in conjunction with the Financial Statements.

FINANCIAL HIGHLIGHTS

PLAN NET ASSETS

- Plan net assets for ERS increased \$72,627 as of 12/31/10 vs. 12/31/09 following an increase of \$624,726 as of 12/31/09 vs. 12/31/08. The financial markets continued to recover from a turbulent 2008. For the year, the fund experienced a positive return of 12.1%.
- The rate of return on total assets of the pension fund, net of fees, was 12.1%, 20.4%, and (22.1%) for the years ended December 31, 2010, 2009 and 2008, respectively.
- Receivables decreased \$46,638 as of 12/31/10 vs. 12/31/09 due primarily to a decrease in forward foreign exchange contracts and increased \$51,188 as of 12/31/09 vs. 12/31/08 due primarily to an increase in forward foreign exchange contracts.
- Other assets increased \$58,992 as of 12/31/10 vs. 12/31/09 and increased \$20,056 as of 12/31/09 vs. 12/31/08 due largely to changes in securities lending – collateral of \$58,889 and \$19,198, respectively.
- During 2010, ERS made investments in long/short hedge funds, infrastructure and real estate. Long/short hedge funds can either buy equities long or sell them short. Infrastructure invests in things such as: power transmission lines, water filtration systems and natural gas pipelines. Real estate invests mainly in office buildings, apartment complexes and retail locations.
- ERS buys and sells financial futures contracts to improve the performance of the fund. ERS purchases contracts that approximate the amount of cash held by US equity managers and cash used to pay benefits and expenses.
- Liabilities decreased \$5.8 million from 2009 to 2010. A \$58.9 million increase in securities lending collateral was mostly offset by a \$53.8 million decrease in payable foreign exchange contracts.

ADDITIONS AND DEDUCTIONS TO PLAN NET ASSETS

- Total additions decreased (\$534,815) in 2010 vs. 2009 and increased \$1,095,355 in 2009 vs. 2008. The 2010 decrease is mainly due to a one-time contribution that occurred in 2009 of \$397.8 million. The 2009 increase is due primarily to the one-time contribution of \$397.8 million and \$316,509 in net investment income.
- Benefit payments increased \$17,457 and \$1,185 in 2010 and 2009 respectively. The increase in 2010 was due to an increase in monthly benefits of \$5.9 million and an increase of \$11.6 million in lump-sum payments. The 2009 increase was due to a \$3.6 million increase in monthly benefits and a decrease of (\$2.5) million in lump-sum payments.
- As of December 31, 2010, 2009 and 2008, the funding ratio (actuarial value of the assets divided by the actuarial accrued liability) for the plan was 92.2%, 93.3% and 95.7%, respectively. The funding ratio gives an indication of how well the liabilities of the pension plan are funded. The higher the funding ratio the better the plan is funded. The ratio increases due to investment gains and pension contributions and declines due to investment losses, increases in the plan benefits, large pension payouts and underpayment of pension annual required contributions.

The Board of Trustees of ERS ("the Board") has the responsibility for the overall performance of the Pension Fund. The Board's principal means to achieve this goal is by (a) determining an asset allocation policy which is expected to provide the long-term rate of return sufficient to fund benefits while minimizing the risk of loss through diversification (b) selecting an appropriate number of investment managers to manage the assets within an asset class and monitoring the performance of such investment managers relative to specified benchmarks, and (c) implementing cost containment measures intended to reduce the investment fees and costs associated with investing the Fund's assets. The Board is the fiduciary of the Fund and is responsible for carrying out the investment functions solely in the interest of the members and benefit recipients.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Retirement System's financial statements. The financial section is comprised of four components: (1) financial statements, (2) notes to the financial statements, (3) required supplementary information, and (4) other supplementary schedules.

(See independent auditor's report)

Management's Discussion and Analysis
(In Thousands of Dollars)

Financial Statements. There are two financial statements presented for the plan. The Statement of Plan Net Assets as of December 31, 2010 and 2009 indicates the net assets available to pay future benefits and gives a snapshot of the financial assets available for pension benefits at a particular point in time. The Statement of Changes in Net Plan Assets for the years ended December 31, 2010 and 2009 provides a view of the additions and deductions to the plan for the years presented.

Notes to financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the financial statements.

Required supplementary information. The required supplementary information consists of a Schedule of Funding Progress and a Schedule of Employer Contributions and related notes concerning the funding status of the plan. These schedules provide historical trend information, which contributes to understanding the changes in the funded status of the plan over time.

Other supplementary schedules. The additional schedules (Ten-Year Historical Trend Information, Net Fund Assets, Actual County Contributions, Active Membership Statistics, Retirements and Survivors) are presented for the purpose of additional analysis.

COMPARATIVE FINANCIAL STATEMENTS

<u>Retirement System's Net Assets</u>	<u>12/31/2010</u>	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>Difference</u>	<u>% Change</u>
Assets					
Cash and short-term investments	\$62,075	\$327,962	\$17,886	\$44,189	247.1%
Receivables	46,799	93,437	42,249	4,550	10.8%
Investments, at fair value	1,788,712	1,468,387	1,138,691	650,021	57.1%
Other assets	121,562	62,569	42,513	79,049	185.9%
Total Assets	<u>2,019,148</u>	<u>1,952,355</u>	<u>1,241,339</u>	<u>777,809</u>	<u>62.7%</u>
Liabilities					
Security lending obligations	115,532	56,643	37,445	78,087	208.5%
Other liabilities	8,449	73,172	6,080	2,369	39.0%
Total Liabilities	<u>123,981</u>	<u>129,815</u>	<u>43,525</u>	<u>80,456</u>	<u>184.9%</u>
Net assets available for benefits	<u>\$1,895,167</u>	<u>\$1,822,540</u>	<u>\$1,197,814</u>	<u>\$697,353</u>	<u>58.2%</u>

<u>Retirement System's Changes in Net Assets</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>Difference</u>	<u>% Change</u>
Additions					
Employer contributions	\$ 32,894	\$457,789	\$34,841	(\$1,947)	(5.6%)
Member contributions	76	132	140	(64)	(45.7%)
Investment income (loss)	206,646	316,509	(355,906)	562,552	(158.1%)
Total Additions	<u>239,616</u>	<u>774,430</u>	<u>(320,925)</u>	<u>560,541</u>	<u>(174.7%)</u>
Deductions					
Benefit payments	(162,803)	(145,345)	(144,161)	(18,642)	12.9%
Administrative expenses	(4,186)	(4,359)	(3,588)	(598)	16.7%
Withdrawals	0	0	(23)	23	(100.0%)
Total Deductions	<u>(166,989)</u>	<u>(149,704)</u>	<u>(147,772)</u>	<u>(19,217)</u>	<u>13.0%</u>
Changes in net assets available for benefits	<u>72,627</u>	<u>624,726</u>	<u>(468,697)</u>	<u>541,324</u>	<u>(115.5%)</u>
Net assets held in trust for pension benefits:					
Beginning of year	1,822,540	1,197,814	1,666,511	156,029	9.4%
End of year	<u>\$1,895,167</u>	<u>\$1,822,540</u>	<u>\$1,197,814</u>	<u>\$697,353</u>	<u>58.2%</u>

Requests for financial information:

The financial report is designed to provide the Board, our membership, taxpayers, investment managers and creditors with a general overview of ERS finances and to demonstrate ERS's accountability for the funds under its stewardship. Please address any questions about this report or requests for additional financial information to:

Milwaukee County ERS
901 N. 9th Street Room 210C
Milwaukee, WI 53233

(See independent auditor's report)

STATEMENTS OF PLAN NET ASSETS

	December 31, 2010	December 31, 2009
ASSETS:		
CASH AND CASH EQUIVALENTS	\$ 62,074,448	\$ 327,962,070
RECEIVABLES		
County of Milwaukee	32,071,082	31,647,343
Accrued interest and dividends	2,472,524	5,344,556
Miscellaneous receivables	568,377	522,586
Due from sale of investments	11,632,484	2,937,734
Receivable for foreign exchange contracts	54,861	52,985,010
TOTAL RECEIVABLES	46,799,328	93,437,229
INVESTMENTS AT FAIR VALUE		
Domestic common and preferred stocks	443,570,674	397,634,106
Long/Short hedge funds	190,166,445	-
Corporate bonds and convertible debentures	347,665,724	514,876,896
International common and preferred stocks	351,785,721	345,155,240
Real estate and REIT's	95,306,754	42,241,529
Infrastructure	129,471,845	-
Federal agency and mortgage-backed certificates	116,571,497	68,791,936
U.S. Government and state obligations	78,257,732	53,047,974
International fixed income	10,814,665	24,433,194
Private equity	25,101,387	22,205,660
TOTAL INVESTMENTS	1,788,712,444	1,468,386,535
OTHER ASSETS		
Software development costs, net (See Note 2)	6,029,436	5,926,724
Securities lending - collateral (See Note 5)	115,532,131	56,642,666
	<u>121,561,567</u>	<u>62,569,390</u>
TOTAL ASSETS	2,019,147,787	1,952,355,224
LIABILITIES:		
Securities lending - collateral (See Note 5)	115,532,131	56,642,666
Miscellaneous payables	4,287,402	5,159,458
Payable for securities purchased	2,704,169	13,120,995
Payable to OBRA Retirement Plan	1,402,225	1,038,607
Payable for foreign exchange contracts	55,017	53,853,613
TOTAL LIABILITIES	123,980,944	129,815,339
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$1,895,166,843	\$1,822,539,885
(A schedule of funding progress is presented on page 18)		

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN PLAN NET ASSETS

	Year Ended December 31, 2010	Year Ended December 31, 2009
ADDITIONS:		
CONTRIBUTIONS		
County of Milwaukee	\$ 32,893,562	\$ 457,789,154
Plan participants	<u>75,584</u>	<u>131,766</u>
	<u>32,969,146</u>	<u>457,920,920</u>
INVESTMENT INCOME		
Net appreciation in fair value	183,467,955	287,625,117
Interest and dividends	26,396,272	31,951,596
Security lending income	234,581	272,646
Other income	<u>830,406</u>	<u>239,376</u>
Total investment income	210,929,214	320,088,735
Less: Securities lending rebates and fees	(23,750)	(91,564)
Investment expense	<u>(4,259,266)</u>	<u>(3,488,070)</u>
Net investment income	<u>206,646,198</u>	<u>316,509,101</u>
TOTAL ADDITIONS	<u>239,615,344</u>	<u>774,430,021</u>
DEDUCTIONS:		
Benefits paid to retirees and beneficiaries	(162,802,590)	(145,345,520)
Administrative expenses	<u>(4,185,796)</u>	<u>(4,358,585)</u>
TOTAL DEDUCTIONS	<u>(166,988,386)</u>	<u>(149,704,105)</u>
NET CHANGE IN PLAN NET ASSETS:	72,626,958	624,725,916
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of year	<u>1,822,539,885</u>	<u>1,197,813,969</u>
End of year	<u>\$1,895,166,843</u>	<u>\$1,822,539,885</u>

The accompanying notes are an integral part of these financial statements.

Notes to The Financial Statements
For the Year Ended December 31, 2010

(1) Description of Retirement System –

The following brief description of the provisions of the Employees' Retirement System of the County of Milwaukee ("ERS" or the "Retirement System") is provided for financial statement purposes only. Members should refer to Section 201.24 of the General Ordinances of Milwaukee County and their respective bargaining agreements for more complete information.

The Retirement System is a single-employer defined benefit plan that was created to encourage qualified personnel to enter and remain in the service of the County of Milwaukee (the "County") by providing for a system of retirement, disability and death benefits to or on behalf of its employees. Under Chapter 201 of the Laws of Wisconsin for 1937, the County was mandated to create the Retirement System as a separate legal entity. The County did so by passing Section 201.24 of the General Ordinances of Milwaukee County. The authority to manage and control the Retirement System is vested in the Pension Board of ERS (the "Board"). The Board consists of nine members – three members appointed by the County Executive (subject to confirmation by the County Board of Supervisors), three employee members elected by the active employee members, two members appointed by the County Board chairperson and one retiree member elected by retirees.

The Board created two (2) committees to assist in the administration of the Board's duties. The Investment Committee reviews the investment portfolio on a monthly basis, endorses strategies and submits investment recommendations to the full Board. The Audit Committee reviews legal issues, Ordinance adherence and submits recommendations to the full Board regarding the annual audit and the Annual Report of the Pension Board.

	<u>As of December 31</u>	
Members –	<u>2010</u>	<u>2009</u>
Retiree and beneficiaries currently receiving benefits	7,441	7,292
Vested and terminated employees not yet receiving benefits	1,493	1,659
Current employees	<u>4,448</u>	<u>4,808</u>
Total participants	<u>13,382</u>	<u>13,759</u>

Contributions –

The Retirement System has been substantially noncontributory. However, members meeting certain criteria have the option to contribute to membership accounts. In addition, the County contributes to membership accounts of most employee participants enrolled prior to 1971.

As of December 31, 2010 and 2009 member account balances were \$3,446,230 and \$3,957,136 respectively.

Contributions due from the County to the Retirement System consist of amounts sufficient to fund the annual normal cost and interest on and amortization of the unfunded or overfunded actuarial accrued liability. A substantial portion of the current year's contribution is paid to the Retirement System in the following year.

As of January 1, 2011, non-represented employees and elected officials eligible for pension benefits (regardless of vesting status) are required to contribute 2% of their pre-tax earnable compensation, after appropriate FICA deductions, to the Retirement System. The contribution will be increased to 3% and 4% of salary beginning June 12, 2011 and then beginning December 11, 2011, respectively, for non-represented employees excluding elected officials. It should be noted that the 2011 State Budget Repair Bill will be implemented later in the year requiring an employee contribution rate that varies year to year based on an actuarial calculation.

The County makes contributions to the Retirement System based upon the Annual Required Contribution ("ARC") and legal requirements, at the discretion of the County Board. An actuary hired by the Pension Board establishes the ARC. Data used in the determination of the ARC is based upon the prior fiscal year's demographics. The actual contribution made to the pension plan is set during the County's budget process and may differ from the ARC as a result of changes in plan provisions implemented subsequent to establishment of the ARC and budgetary restraints. During the year, the Retirement System accrues those contributions that the County has included in its current year's budget. For 2010 and 2009, the County contribution recorded by the Retirement System was \$5,343,572 and \$29,636,619 more than the Funding Contribution Amount for 2010 and 2009, respectively.

Benefits –

The normal retirement benefit is a monthly pension for the life of the member beginning at normal retirement age. The pension amount is determined by the following formula:

$$\text{Multiplier} \times \text{Creditable Service} \times \text{Final Average Salary.}$$

For most members, the normal retirement age is either 60 or 64 depending on ERS enrollment date and collective bargaining agreement. A few labor agreements also require a minimum of five years creditable service in addition to the age requirement. For deputy sheriff members, the normal retirement age is 57 or age 55 with 15 years of creditable service. Depending on enrollment date and collective bargaining agreement, some active members are eligible to retire when their age added to their years of creditable service equals 75 (the "Rule of 75"). The multiplier is determined by the Ordinance, collective bargaining agreement and ERS enrollment date. At this time, the multiplier percentage can be 1.5%, 1.6%, 2% or 2.5%. A member's three or five consecutive years of highest earnings are used to calculate their final average salary as defined by the Ordinance and labor agreement. Annually after retirement, the monthly benefit is increased by 2% of the benefit paid for the first full month of retirement subject to IRS limits. By Ordinance, the maximum benefit (excluding post-retirement increases) payable to a member cannot exceed the sum of 80% of the member's final average monthly salary.

Certain plan changes (and bonuses) became effective January 1, 2001 (except for represented deputy sheriffs) and are summarized below:

- A bonus of 7.5% per year, up to a maximum of 25%, is added to the final average salary for those employees whose membership in ERS began before January 1, 1982 (or before July 1, 1995 for a non-represented deputy sheriff).
- All service credit earned after January 1, 2001 is credited with an additional .5% multiplier for those employees whose ERS membership began after December 31, 1981 (or June 30, 1995 for a non-represented deputy sheriff). Also, for each year of pension service earned after January 1, 2001, eight (8) years of service earned prior to January 1, 2001 shall be credited with an additional .5% multiplier.
- A "backdrop" payment option was established that permits an employee to receive a lump-sum payment plus a monthly pension benefit upon retirement. The lump-sum payment is the total of the monthly pension amounts, adjusted for COLA increases, that a member would be entitled to from a prior date ("backdrop date") to the date that the member terminates employment plus compounded interest. The backdrop date must be at least one calendar year prior to the termination date and the member must have been eligible to retire as of that date. The member will be entitled to a COLA based on the backdrop date once the member terminates employment.
- A member is vested upon attaining five years of creditable pension service.

The following changes were made effective as of the stated dates:

- As of January 1, 2010 for non-represented employees (excluding Elected Officials and Deputy Sheriffs), the multiplier was reduced from 2% to 1.6% for current members' future service and future hires total service and the normal retirement age was increased to 64 for future hires only. The Machinists and TEAMCO unions agreed to both changes effective May 1, 2010. The Association of Milwaukee County Attorneys agreed to both changes effective June 1, 2010. The 1.6% multiplier (but not age 64) applies to elected officials effective October 14, 2010.
- Non-represented employees and elected officials hired on or after March 15, 2002 are not eligible to receive the backdrop pension benefit. Employees represented by a labor agreement must also be hired prior to the date specified in the labor agreement to be eligible to receive the backdrop benefit.
- Elected officials are not eligible to receive the additional .5% pension benefit multiplier after March 15, 2002.
- Effective January 1, 2003, the pension benefit for employees who became members after December 31, 1981 shall be based on a final average salary equal to the three (instead of five) highest consecutive years of earnings, except for represented deputy sheriffs.

A member who meets the requirements for an accidental or ordinary disability retirement benefit is entitled to an amount computed in the same manner as a normal pension but not less than 60% of the member's final average salary for accidental disability. A total of 15 years of creditable service is required to apply for ordinary disability.

A represented deputy sheriff whose membership began prior to January 1, 1982 is vested upon attaining six years of creditable pension service. A represented deputy sheriff whose membership began after December 31, 1981 is vested upon attaining ten years of creditable pension service.

Most members are immediately vested upon attaining age 60 or 64. A vested member is eligible for a deferred pension beginning as of the member's normal retirement date.

A member who is 55 years of age and has 15 years of credited service may elect to receive early reduced retirement benefits. The member would be entitled to a benefit equal to the normal retirement benefit with a lifetime reduction of 5% for each year prior to the normal retirement date.

Upon the death of a member (generally after 1 year of service and depending on collective bargaining agreements), a spouse with a dependent child as defined by Ordinance will receive 40% of the deceased

member's salary, reduced by Social Security benefits payable to the spouse. An additional 10% of salary, reduced by Social Security benefits, is paid for each dependent child. Generally, the total benefit, including Social Security benefits, cannot exceed 90% of the prior salary level of the member. At age 60, the spouse will receive 50% of the normal retirement benefit based on the member's projected service to age 60. If there is no spouse or child, the death benefit payable to a designated beneficiary is equal to 50% of the deceased member's final average salary, but not to exceed \$2,000.

A member who becomes eligible for normal retirement, but continues to work may elect a Protective Survivorship Option ("PSO") designating a person to receive a pension (100% or 50% option) in the event of their death while in active service. The PSO election must be filed in writing on an approved form. In the absence of an election, a surviving spouse will be paid a 100% survivorship pension.

Currently members may choose among several benefit payment options when retiring. The available pension options are:

- Maximum Benefit payable for the member's lifetime and ceases upon member's death.
- Option 1 – Membership Account Refund This option is an actuarially reduced benefit that ceases upon member's death. This option guarantees that the member will receive the total Membership Account balance as of the retirement date. The Membership Account balance is reduced monthly by an actuarially determined amount. Any balance remaining upon the member's death will be paid to the member's beneficiary.
- Option 2 – 50% This option is an actuarially reduced pension benefit that is payable over the life of the member. Upon the member's death, 50% of the pension benefit is payable over the life of a named beneficiary, if living;
- Option 3 – 100% This option is an actuarially reduced pension benefit that is payable over the life of the member. Upon the member's death, 100% of the pension benefit is payable over the life of a named beneficiary, if living;
- Option 4 – 75% This option is an actuarially reduced pension benefit that is payable over the life of the member. Upon the member's death, 75% of the pension benefit is payable over the life of a named beneficiary, if living;
- Option 6 - 10 Year Certain This option is an actuarially reduced pension benefit payable over the member's life but is guaranteed for a period of ten years, in the event the member should die within ten years after the retirement date.
- Option 7 - Board Discretion This option is at the Pension Board's discretion and is a payment of a benefit in a form other than those set forth above. The payment in other form must be the actuarial equivalent of the benefit otherwise payable. A member requesting this option is responsible for all expenses incurred in the application for and calculation of the benefit.

Benefits of \$162.8 million and \$145.3 million were paid in 2010 and 2009, respectively, including periodic pension payments of \$142.5 million and \$136.6 million, respectively, and back drop lump sum pension payments of \$20.3 million and \$8.7 million in 2010 and 2009, respectively.

(2) Summary of Significant Accounting Policies:

GASB Statement No. 50

The Retirement System follows the provisions of GASB 50. GASB 50 requires that information about the funded status of the pension plan as of the most recent actuarial valuation be disclosed in notes to the financial statements. Additionally, GASB 50 requires disclosure of information about actuarial methods and assumptions used in valuations on which reported information about the ARC and the funded status and progress are based. The required schedules of funding progress immediately following the notes to the financial statements present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Basis of Accounting –

The accompanying financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed and expenses are recorded when the corresponding liabilities are incurred.

Investments –

Investments, primarily stocks, bonds, certain government loans and mortgage-backed certificates, are stated at quoted fair value. Temporary cash investments are valued at cost, which approximates fair value. Investments in venture capital partnerships, real estate, long/short hedge and infrastructure are valued at estimated fair value, as provided by the Retirement System's investment managers. Investment transactions are recorded on the trade date. Realized gains and losses are computed based on the average cost method.

A summary of investments at cost is as follows:

	<u>As of December 31</u>	
	<u>2010</u>	<u>2009</u>
Corporate bonds and convertible debentures	\$321,804,567	\$ 495,494,743
Domestic common and preferred stocks	355,054,737	348,524,545
International common and preferred stocks	378,397,504	422,425,979
Long/Short hedge funds	180,113,685	-
Federal agency and mortgage backed certificates	112,309,768	65,689,489
Infrastructure	120,000,000	-
Real estate and REIT's	90,082,194	41,246,553
Private equity	26,970,720	27,360,080
International fixed income	10,476,191	22,473,854
Cash and cash equivalents	62,070,263	327,937,734
U.S. Government and state obligations	75,351,316	52,201,561
Total investments at cost	<u>\$ 1,732,630,945</u>	<u>\$ 1,803,354,538</u>

Valuation of International Securities –

Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts on the date of valuation. Purchases and sales of securities and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions.

Software Development Costs –

Capitalized software development costs represent direct costs related to the development and implementation of software programs utilized in the Retirement System. The amounts are being amortized over ten years using the straight-line method. Amortization expense is included in Administrative Expenses in the accompanying Statement of Changes in Plan Net Assets.

	<u>As of December 31</u>	
	<u>2010</u>	<u>2009</u>
	<u>(in thousands of dollars)</u>	
Software development costs		
Beginning balance:	\$ 6,426	\$ 5,068
Acquisitions	748	1,358
Ending balance	<u>\$ 7,174</u>	<u>\$ 6,426</u>
Accumulated amortization		
Beginning balance:	\$ 499	\$ -
Amortization expense	646	499
Ending balance	<u>\$ 1,145</u>	<u>\$ 499</u>
Software development costs, net	<u>\$ 6,029</u>	<u>\$ 5,927</u>

Expenses –

Administrative expenses incurred by the County related to the Retirement System are payable by the Retirement System to the County. Such expenses totaled \$1,310,356 and \$1,312,156 in 2010 and 2009, respectively.

Use of Estimates –

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 could differ from those estimates.

(3) Income Taxes –

Management has submitted to the Internal Revenue Service, as part of a Voluntary Compliance Program, any compliance issues that have been discovered through a self-administered review where the provisions contained in the Internal Revenue Code, the County Pension Ordinances or Pension Rules differ from actual practice. Management is waiting for a response from the Internal Revenue Service regarding what action will be required to bring the pension system into compliance in all of its practices in order to maintain its tax-qualified status.

(4) Contributions Required and Contributions Made –

The Retirement System's funding policy provides for periodic County contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Payroll contribution rates are determined using the Aggregate Entry Age Normal method of funding. The Retirement System also uses the level percentage of payroll method to amortize the unfunded liability over a 30 year period in 2010. The significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the pension benefit obligation.

County contributions totaling \$32,893,562 and \$457,789,154 were recorded in 2010 and 2009, respectively. The 2010 contribution was \$5,343,572 above the Funding Contribution Amount ("FCA"). The 2009 contribution was well above the FCA due to a one-time contribution of \$397.8 million and the settlement of a lawsuit for \$29.0 million. See the Schedule of Employer Contributions in the Required Supplementary Information.

The 2010 and 2009 contributions reflected in the accompanying statements were actuarially determined as of January 1, 2009 and 2008. These amounts were included in the County's 2010 and 2009 budgets. The Retirement System's financial statements as of December 31, 2010 and 2009 reflected the unpaid portion of the 2010 and 2009 contributions as a contribution receivable.

Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8.0%, compounded annually in 2010 and 2009, (b) projected payroll growth increases averaging 3.5% per year compounded annually in 2010 and 2009, attributed to inflation, seniority and merit, and (c) post-retirement benefit increases of 2.0% per year for both 2010 and 2009.

(5) Deposit and Investment Risk Disclosure –

As provided by state legislative act and County Ordinance, the Board has exclusive control and management responsibility of the Retirement System's funds and full power to invest the funds. In exercising its fiduciary responsibility, the Board is governed by the "prudent person" rule in establishing investment policy. The "prudent person" rule, requires the exercise of that degree of judgment, skill and care under the circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to permanent disposition of their funds, considering the probable income as well as the probable safety of the principal. The Board has adopted a Statement of Investment Policy to formally document investment objectives and responsibilities. This policy establishes guidelines for permissible investments of the Retirement System. The Retirement System's investments are subject to various risks. Among them are credit risk, concentration of credit risk, custodial credit risk, interest rate risk, and foreign currency risk. Each of these risks is discussed in more detail below.

Concentration of Credit Risk –

Concentration of credit risk is a risk of loss that may be attributed to the magnitude of the Retirement System's investment in a single issuer, generally investments in any one issuer that represents five (5) percent or more 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 from this definition. The Retirement System has no investments in one issuer other than U.S. Government securities and mutual funds that exceed five (5) percent of the total investments.

Credit Risk –

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Services ("Moody's"), Standard and Poor ("S & P") and Fitch Ratings ("Fitch's"). With the exception of the Loomis Sayles - High Yield and the Mellon Capital Management Aggregate Bond portfolios, bonds purchased and owned in each portfolio must have a minimum quality rating of Baa3 (Moody's) or BBB- (S & P or Fitch's). The average quality of each portfolio must be A or better. For Loomis Sayles - High Yield, bonds must have a minimum quality rating of B3 (Moody's) or B- (S & P or Fitch's) at the time of purchase. The fixed income securities for the Mellon Capital Management Aggregate Bond portfolio should have a minimum quality rating of A, with the exception of 15% of the portfolio which may have a minimum quality rating of BBB. The credit quality ratings of investments in fixed income securities by Moody's, a nationally recognized statistical rating agency, as of December 31, 2010 and 2009 are as follows: (amounts are in thousands of dollars)

<u>Moody's Quality Ratings</u>	<u>12/31/10 Fair Value</u>	<u>12/31/09 Fair Value</u>
AAA	\$20,350	\$13,773
AA1	2,109	1,328
AA2	5,419	4,012
AA3	6,156	5,770
A1	9,609	8,755
A2	9,727	12,006
A3	8,255	11,396
BAA1	8,015	26,680
BAA2	5,843	17,953
BAA3	1,805	23,948
BA1	507	11,580
BA2	35	5,412
BA3	155	12,572
B1	-	19,447
B2	178	10,767
B3	164	9,299
CAA1	-	9,894
CAA2	231	1,490
CAA3	219	238
CA	688	3,020
C	-	-
NR	16,172	21,051
Total Credit Risk Fixed Income Securities	\$95,637	\$230,391
U.S. Government and Agencies	194,829	121,840
Units of Participation (Not Rated)	262,843	308,919
Total Investment in Fixed Income	\$553,309	\$661,150

Of the \$16.2 million not rated by Moody's as of December 31, 2010, \$15.4 million is rated by Standard & Poor's as investment grade. Moody's quality rating of BAA3 or above is considered investment grade. Another \$0.1 million was rated by Standard & Poor's but below investment grade. \$0.7 million is also not rated by Standard & Poor's. As of December 31, 2009, \$6.4 million was not rated by either Moody's or any other rating agency.

Custodial Credit Risk – Deposits and Investments

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 are held by the counterparty.

No formal policy exists on custodial risk. However, substantially all assets of the Retirement System are held in its name. As of December 31, 2009, the Retirement System owned repurchase agreements held in the name of Wells Fargo Bank. Therefore, approximately \$2,048,033 was exposed to custodial risk as the repurchase agreements were held outside the name of the trust. The Retirement System did not own any repurchase agreements as of December 31, 2010.

As of December 31, 2010 and 2009, all deposits with banks are fully insured by the Federal Depository Insurance Corporation or the State Deposit Guarantee Fund.

The following table presents the Retirement System's total cash, deposits and cash equivalents as of December 31, 2010 and 2009: (amounts are in thousands of dollars)

Schedule of Cash and Cash Equivalent Investments

	<u>12/31/10</u>		<u>12/31/09</u>	
	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Carrying Value</u>	<u>Bank Balance</u>
Cash held by various investment managers	\$61,443	\$61,443	\$18,598	\$18,598
Deposits with banks	631	2,231	332	451
Foreign currency	-	-	160	160
Repurchase agreement	-	-	-	2,048
Money market deposits	-	-	308,872	308,872
Total Deposits	\$62,074	\$63,674	\$327,962	\$330,129

The difference between the carrying value and bank balances are due to outstanding checks and deposits not yet processed by the bank.

Foreign Currency Risk –

Foreign currency is the risk that changes in currency exchange rates will adversely affect the fair value of an investment or deposit.

The Retirement Systems exposure to foreign currency risk derives from its positions in foreign currency denominated international equity and fixed income investments. Its exposure to foreign currency as of December 31, 2010 and 2009 is as follows: (amounts are in thousands of dollars)

12/31/2010				
Currency Unit	Equity and Private Equity	Fixed Income and Convertible Debenture	Cash and Cash Equivalents	Total
Australian Dollar	\$ 1,710	\$ -	\$ -	\$ 1,710
British Pound Sterling	923	-	-	923
Canadian Dollar	358	-	-	358
Euro Currency Unit	1,109	-	-	1,109
Hong Kong Dollar	2,317	-	-	2,317
Japanese Yen	2,348	-	-	2,348
Norwegian Krone	57	-	-	57
Singapore Dollar	1,033	-	-	1,033
Swedish Krona	128	-	-	128
Swiss Franc	113	-	-	113
Totals	\$ 10,096	\$ -	\$ -	\$ 10,096

12/31/2009				
Currency Unit	Equity and Private Equity	Fixed Income and Convertible Debenture	Cash and Cash Equivalents	Total
Australian Dollar	\$ 4,362	\$ 1,856	\$ -	\$ 6,218
Brazilian Real	517	1,393	-	1,910
British Pound Sterling	3,414	-	-	3,414
Canadian Dollar	480	3,473	-	3,953
Euro Currency Unit	3,838	-	22	3,860
Hong Kong Dollar	6,263	-	-	6,263
Japanese Yen	5,313	-	26	5,339
Mexican New Peso	-	2,357	-	2,357
New Zealand Dollar	-	1,126	-	1,126
Norwegian Krone	449	2,003	-	2,452
Singapore Dollar	1,226	181	-	1,407
South Korean Won	-	1,288	-	1,288
Swedish Krona	184	-	-	184
Swiss Franc	340	-	111	451
Thailand Baht	-	1,479	-	1,479
Totals	\$ 26,386	\$ 15,156	\$ 159	\$ 41,701

Interest Rate Risk –

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Duration is a measure of an investment's sensitivity to changes in interest rates. The higher the duration, the greater the changes in fair value when interest rates change. The Option-Adjusted Duration for a security is the percentage price sensitivity to interest rate changes of 100 basis points (or 1.0%). For example, an Option-Adjusted Duration of 5.20 means that the price of the security should fall approximately 5.20% for a 1.0% rise in the level of interest rates. Conversely, the price of a security should rise approximately 5.20% for a 1.00% fall in the level of interest rates. Interest rate changes will affect securities with negative durations in the opposite direction. The Option-Adjusted Duration method of measuring duration takes into effect the embedded options on cash flows.

The Retirement System does not have a formal investment policy that limits investment maturities as a means of managing exposure to losses arising from increasing interest rates with the exception of the cash equivalent portfolio. The investment policy limits the duration of individual securities held in the cash equivalent portfolio to 2.5 years. In addition, the duration of the entire cash equivalent portfolio should be between 1 and 2 years.

As of December 31, 2010 and 2009, the Retirement System had the following Option-Adjusted Durations for the fixed income investments: (amounts are in thousands of dollars)

Fixed Income Sector	12/31/10		12/31/09	
	Fair Value	Option Adjusted Duration	Fair Value	Option Adjusted Duration
ABS-Airplane Receivables	\$ -	0.00	\$ 2,290	0.36
ABS-Car Loan	2,219	0.88	684	1.68
ABS-Credit Cards	-	0.00	1,378	2.55
ABS-Equipment	1,453	0.94	199	0.44
ABS-Home Equity	2,320	0.62	595	0.00
Automobiles & Components	129	2.45	126	3.25
Banking & Finance	21,020	4.59	42,112	4.45
BSDT Reserve Deposit Accts.	758	0.07	40	0.00
Capital Goods	187	1.95	185	2.82
Chemicals	128	6.82	65	6.53
CMO - Conduit	10,305	3.65	3,031	3.20
CMO-U.S. Agencies	3,216	6.59	1,871	5.63
CMO-Comm/Corp	818	(0.15)	12,214	0.97
Commingled Fds Cash Equivalents	56,875	0.08	310,883	0.05
Convertible Bonds	-	0.00	7,049	3.85
Convertible Preferred	-	0.00	397	2.31
FHLMC Multiclass	34,650	1.55	20,197	3.11
FHLMC Pools	10,541	1.87	6,165	2.08
FNMA Pools	28,180	1.93	17,301	2.63
FNMA REMIC	32,220	2.07	17,246	3.67
Food Beverage & Tobacco	102	5.33	435	10.75
Food Products	815	5.45	100	6.23
GNMA Multi Family Pools	85	1.34	111	0.99
GNMA Single Family Pools	2,340	2.84	837	0.01
Govt of Canada-Direct	-	0.00	3,473	2.15
Health Care	106	2.78	7,669	2.21
Household Products	13	6.05	107	5.19
House Related	-	0.00	7,511	5.28
Industrial	6,212	5.83	46,527	5.50
Insurance	679	6.20	1,993	9.43
International Corporate Bonds	124	3.55	5,345	1.07
International Government Bonds	-	0.00	5,671	4.60
Materials	169	3.34	-	0.00
Mining	155	4.78	1,730	11.09
News/Media	968	7.23	5,997	11.88
Oil & Gas	1,500	7.22	10,644	6.59
Other Corporate Bonds	627	5.55	392	8.68
Paper & Forest Products	-	0.00	1,139	3.88
Pvt Placements - MBS	475	2.87	-	0.00
Pvt Placements-More than 1 yr	6,915	5.06	11,102	5.25
Provincials (Canadian)	262	6.45	-	0.00
Retail	691	9.66	2,535	10.37
Supranational Issues	-	0.00	1,056	8.79
Taxable Municipals	382	11.60	1,522	8.06
Technology	848	6.35	954	5.69
Transportation	926	6.28	6,308	3.66
Treasury Bills - Less Than 1 Year	3,810	0.57	16,076	0.57
U.S. Agencies	3,848	5.69	4,907	2.36
U.S. Governments	78,258	5.97	53,048	6.16
Utility-Electric	4,454	5.40	13,945	5.27
Utility-Gas	259	3.87	1,149	5.69
Utility-Telephone	3,186	6.61	21,413	6.30
Whole Loan - CMO	24,430	2.79	169	0.00
Whole Loan - Re-securitization	73	0.73	-	0.00
Yankee Bonds	196	2.30	1,154	8.50
Other*	266,826		309,076	
Total	\$ 614,753		\$ 988,123	

*For 2010 this represents \$262,843 in units of participation, \$1,124 in FNMA REMIC bonds, \$369 in FHLMC pools, \$599 in CMO's and \$1,891 in Whole Loans for which the duration is not available. For 2009 this represents \$308,919 in units of participation and \$157 FHLMC Pools for which the duration was not available.

Security Lending –

Section 201.24 (9.1) of the General Ordinances of Milwaukee County and Board policies permit ERS to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. ERS participates in such a security lending program through its custodian, the Bank of New York Mellon, acting as ERS's securities lending agent. ERS requires collateral from the borrower in the form of cash or securities. Collateral for domestic issues is set at 102% of the fair value of the securities loaned at the time of the initial transaction. If the value falls to 100% of the fair value of the securities loaned, additional collateral is obtained to reestablish collateral at 102% of the fair value of securities loaned. Collateral for international securities is maintained at a level of 105% of the fair value of securities loaned at all times. The securities lending program guidelines attempt to preserve capital while earning a moderate rate of return. Earnings from securities lending, after all fees are paid, are split on a percentage basis with the custodian. For 2010 and 2009, the net investment income realized from security lending was \$210,831 and \$181,082, respectively.

ERS also invested in several commingled funds managed by Mellon Capital Management that participated in securities lending programs. The earnings and losses attributable to the commingled funds' securities lending programs are combined with the commingled funds' performance and are not reported separately in ERS's financial statements.

Securities loaned and the collateral held were as follows: (amounts are in thousands of dollars)

	As of December 31			
	2010		2009	
	Securities Lent	Collateral	Securities Lent	Collateral
Securities Lent for Cash Collateral				
Fixed income	\$ 52,956	\$ 53,876	\$ 21,125	\$ 21,655
Domestic stocks	56,524	58,271	27,806	28,870
REITS	3,297	3,385	5,886	6,118
Subtotal	<u>112,777</u>	<u>115,532</u>	<u>54,817</u>	<u>56,643</u>
Securities Lent for Securities Collateral				
Domestic stocks	-	-	93	107
REITS	80	82	-	-
Subtotal	<u>80</u>	<u>82</u>	<u>93</u>	<u>107</u>
Grand Total*	<u>\$112,857</u>	<u>\$ 115,614</u>	<u>\$ 54,910</u>	<u>\$ 56,750</u>
Percent Collateral to Securities Loaned		102.44%		103.35%

*The 2010 Securities Lent increased due to a temporary increase in the securities lending cap.

The collateral received from security lending transactions are recorded as assets at quoted fair value of the financial statement date. The Retirement System records an identical amount as a liability, representing the obligation of the Retirement System to return the collateral at the time the borrower of the Retirement System's securities return those securities.

The collateral received from securities lending transactions includes cash of \$115,532 and \$56,643 and REITS and U.S. Treasury securities of \$82 and \$107 for the years ended December 31, 2010 and 2009, respectively. Under the terms of the securities lending agreement, the Retirement System has the right to sell or pledge the cash collateral. The non-cash collateral in the amount of \$82 and \$107 for the years ended December 31, 2010 and 2009, respectively, is controlled by the custodian and, correspondingly, is not reflected in the Statement of Net Assets Available for Plan Benefits.

At year-end, the Retirement System has no credit risk exposure to borrowers because the amounts the Retirement System owes the borrowers exceed the amounts the borrowers owe the Retirement System. The contract with the Retirement System's custodian requires it to indemnify the Retirement System if a borrower fails to return the securities (and if the collateral is inadequate to replace the securities lent) or fails to pay the Retirement System for income distributions by the securities' issuers while the securities are on loan.

(6) Financial Instruments With Off-Balance Sheet Risks –

A 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. Forward commitments are entered into with the foreign exchange department of a bank located in a major money market. These transactions are entered into in order to hedge risks from exposure to foreign currency rate fluctuations. Recognition of realized gain or loss depends on whether the currency exchange rate has moved favorably or unfavorably to the contract holder upon termination of the contract. Prior to termination of the contract, the Retirement System records the amount receivable or payable at fair value, with the unrealized gain or loss reported as a component of net appreciation in fair value. All contracts are short-term in duration and mature within 90 days.

Financial instruments with off-balance sheet risk held were as follows: (amounts are in thousands of dollars)

	Cost	Market Value	Gain/(Loss)
As of December 31, 2010			
Currency forward receivables	\$ 55	\$ 55	\$ 0
Currency forward payables	(55)	(55)	0
Total gain (loss)			<u>\$ 0</u>
As of December 31, 2009			
Currency forward receivables	\$ 53,751	\$ 52,985	\$ (766)
Currency forward payables	(53,751)	(53,854)	(103)
Total gain (loss)			<u>\$ (869)</u>

ERS invests in financial futures contracts in order to improve the performance of the fund. The Retirement System purchases contracts that approximate the amount of cash held by US equity investment managers and cash used to pay benefits and expenses. Financial futures contracts are agreements to buy or sell a specified amount at a specified delivery or maturity date for an agreed upon price.

The market values of the futures contracts vary from the original contract price. A gain or loss is recognized and paid to or received from the clearinghouse. Financial futures represent an off balance sheet obligation, as there are no balance sheet assets or liabilities associated with those contracts. The cash or securities to meet these obligations are held in the investment portfolio. All contracts are short-term in duration and mature within 90 days.

ERS is subject to credit risk in the event of non-performance by counter parties to financial futures and forward contracts. ERS generally only enters into transactions with credit worthy institutions. The Retirement System is exposed to market risk, the risk that future changes in market conditions may make an instrument less valuable. Exposure to market risk is managed in accordance with risk limits set by ERS management and by buying or selling futures or forward contracts. The cash or securities to meet these obligations are held in the investment portfolio.

	<u>As of December 31</u>		<u>As of December 31</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>(in thousands of dollars)</u>		<u>(in thousands of dollars)</u>	
US Equity Managers			Cash Used to Pay Benefits and Expenses	
<u>Cash Held</u>			<u>Cash Held</u>	\$ 41,709 \$ 35,605
Pension Obligation Bonds	\$ -	\$ 144,607	<u>Futures Purchased</u>	
US Equity Investment Managers	<u>14,291</u>	<u>8,196</u>	Barclays AGG (Fixed Income)	19,905 13,421
	14,291	152,803	S&P 500 (US Equity)	14,597 13,773
			MSCI EAFE (International Equity)	<u>7,391</u> <u>7,216</u>
<u>Futures Purchased</u>				<u>41,893</u> <u>34,410</u>
S&P 500 (US Equity)	<u>13,908</u>	<u>149,945</u>	Futures Above\ (Below) Cash	\$ 184 \$ (1,195)
Futures Above\ (Below) Cash	<u>\$ (383)</u>	<u>\$ (2,858)</u>	Market Value	\$ 117 \$ (223)
Market Value	\$ 141	\$ 121	Total Market Value	<u>258*</u> <u>\$ (102)*</u>

*Futures contracts are included in domestic common and preferred stocks of the Statement of Plan Net Assets.

(7) Commitments and Contingencies –

The Retirement System is involved in litigation and certain other 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 financial statements.

(8) OBRA 1990 Retirement System of the County of Milwaukee –

The County established the OBRA 1990 Retirement System of the County of Milwaukee (OBRA) to cover seasonal and certain temporary employees who are not enrolled in the Retirement System. Assets of the OBRA system are commingled for investment purposes with the assets of the Retirement System. The assets of the Retirement System are legally available to pay benefits of either the ERS or OBRA and all assets have been commingled. The Retirement System and OBRA are considered a single plan for financial reporting purposes. Net assets identified for OBRA benefits as of December 31, 2010 and 2009, were as follows:

	<u>(Unaudited)</u>	
	<u>2010</u>	<u>2009</u>
Assets		
Cash	\$ 763	\$ 327
Contributions receivable from County	786,000	660,925
Assets held by Retirement System	<u>615,462</u>	<u>377,355</u>
Total assets	<u>\$1,402,225</u>	<u>\$1,038,607</u>
Liabilities		
Taxes payable	\$ -	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ -</u>
Net assets available for benefits	<u>\$1,402,225</u>	<u>\$1,038,607</u>

Changes in net assets available for benefits for OBRA for the years ended December 31, 2010 and 2009, were as follows:

	<u>(Unaudited)</u>	
	2010	2009
Contributions from County	\$786,000	\$660,925
Investment income (loss)	100,815	173,545
Investment and administrative expenses	(519,351)	(627,953)
Benefits paid	(3,846)	(27,833)
Net increase (decrease) in assets available for benefits	\$363,618	\$178,684

As of December 31, 2010 and 2009, respectively, there were 11,539 and 11,309 participants with vested benefits in OBRA. The actuarial accrued liability of OBRA at December 31, 2010 and 2009, was \$5,519,524 and \$5,068,513, respectively, leaving net assets available less than the actuarial accrued liability of (\$4,117,299) and (\$4,029,906), respectively. These amounts are not reflected in the required supplementary information tables that follow the notes to the financial statements.

(9) Funded Status and Actuarial Information

The Retirement System engages an independent actuarial firm to perform an annual actuarial valuation. The funded status of the Retirement System as of January 1, 2011, the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
\$1,929,428	\$2,091,927	\$162,499	92.2%	\$221,647	73.3%

The schedules of funding progress, presented as required supplementary information (RSI) immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of the plan assets are increasing or decreasing over time relative to the AALs for benefits.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates about the future. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. These calculations reflect long-term perspectives and use techniques that are designed to reduce short-term volatility.

Following is a listing of the actuarial method significant assumptions used to determine the Annual Required Contribution (ARC) for the current year:

Valuation date	1/1/2011
Actuarial cost method	Aggregate Entry Age Normal
Asset valuation method	5-year smoothed market
Amortization methods:	
Contribution variance	Level dollar, closed
Administrative expenses	Level dollar, closed
All other unfunded liability	Level percent of payroll, closed
Remaining amortization periods:	
Contribution variance	5 years
Administrative expenses	10 years
All other unfunded liability	30 years
Actuarial Assumptions:	
Investment rate of return	8.00%
Projected salary increases	3.50%
Post-retirement benefit increases	2%, simple

(10) Subsequent Events

The Retirement System has evaluated subsequent events occurring through June 17, 2011. The date the financial statements were available to be issued for events requiring recording or disclosure in the Retirement System's financial statements. Management feels that no material events occurred that would require disclosure.

Required Supplementary Information

Schedule of Funding Progress

(in thousands of dollars)

<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability—AAL (b)</u>	<u>Funded ratio (a/b)</u>	<u>(Overfunded) Unfunded AAL—(UAAL) (b-a)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a percentage of covered payroll ((b-a)/c)</u>
12/31/10	\$1,929,428	\$2,091,927	92.2%	\$162,499	\$221,647	73.3%
12/31/09	1,956,444	2,097,332	93.3%	140,888	237,040	59.4%
* 12/31/08	1,968,518	2,057,377	95.7%	88,859	233,820	38.0%
12/31/07	1,627,288	2,024,923	80.4%	397,635	227,364	174.9%
12/31/06	1,525,532	1,931,220	79.0%	405,688	223,005	181.9%
12/31/05	1,454,302	1,909,321	76.2%	455,019	225,722	201.6%

* Includes the anticipated impact from the \$397.8 million in pension obligation bonds that was actually received by the plan during plan year 2009.

Analysis of the dollar amounts of plan net assets, actuarial accrued liability, and unfunded (overfunded) actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of the Retirement System's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Retirement System is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Retirement System. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids the analysis of the Retirement System's progress in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, or the larger the percentage, if negative, the stronger the Retirement System.

Schedule of Employer Contributions for the Year Ended December 31,

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2010	\$29,529,322	106.3%
2009	\$30,355,535	1,508.1%*
2008	53,063,610	65.7%
2007	52,395,263	94.1%
2006	52,638,196	52.1%
2005	37,607,940	94.2%

*Actual contribution includes \$397.8 million in pension obligation bonds and \$29.0 million from a lawsuit settlement.

Notes to Required Supplementary Information

(1) Description –

The historical trend information is presented as required supplementary information. This information is intended to help users assess the Retirement System's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems.

(2) Actuarial Assumptions and Methods –

The information presented in the required supplementary schedules was determined as part of the actuarial valuations as of January 1, 2011, for the plan year ending December 31, 2010. The actuarial valuations consider the changes effective January 1, 2011. Additional information as of the latest actuarial valuation follows:

(See independent auditor's report)

Valuation date	1/1/11
Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level percent of payroll, closed
Equivalent Single Amortization Period	14 years
Asset valuation method	5-year smoothing of difference between total expected return versus actual return

Actuarial Assumptions:	
COLA	2% of original pension benefits
Investment rate of return*	8.0%
Projected payroll growth*	3.5%
Mortality	Sex-distinct up – 1994 Mortality Table (for healthy pensioners) RP 2000 Disabled Mortality Table (for disabled pensioners)

*Includes inflation at 3.0%

(3) Significant Factors Affecting Trends in Actuarial Information –

The changes regarding the increases in the Annual Compensation limit and the Annual benefit limit for years 2007-2011 are subject to the passage of the Ordinance Amendments by the County Board.

2011 Changes in Plan Provisions or Actuarial Assumptions Since Prior Year -

- During 2010, the multiplier was reduced from 2.0% to 1.6% for elected officials, attorneys, the Machinists and TEAMCO members.
- During 2010, the retirement age for attorneys, Machinists and TEAMCO members for new hires was increased from 60 to 64.

2010 Changes in Plan Provisions or Actuarial Assumptions Since Prior Year -

- Multiplier was reduced from 2.0% to 1.6% for non-represented employees, except Elected Officials and Deputy Sheriffs.
- Retirement age for non-represented new hires was increased to 64.

2009 Changes in Plan Provisions or Actuarial Assumptions Since Prior Year -

- Increased annual compensation limit to \$245,000.
- Increased annual benefit limit to \$195,000.

2008 Changes in Plan Provisions or Actuarial Assumptions Since Prior Year –

- Changed maximum period for back drop period to earliest unreduced benefit.
- Increased annual compensation limit to \$230,000.
- Increased annual benefit limit to \$185,000.

2007 Changes in Plan Provisions or Actuarial Assumptions Since Prior Year –

- Changed disability assumption from assuming 100% of disabilities are Ordinary to 10% Ordinary and 90% Accidental for represented employees and 95% Ordinary and 5% Accidental for non-represented employees.
- Changed the back drop assumption from 70% of eligible employees elect a back drop with an average back drop period of four years to 75% of eligible employees elect a backdrop, where 75% are assumed to take the maximum period available to them and 25% take half the maximum period available.
- Increased annual compensation limit to \$225,000.
- Increased annual benefit limit to \$180,000.

(See independent auditor's report)

TEN-YEAR HISTORICAL TREND INFORMATION
REVENUES BY SOURCE AND EXPENSES BY TYPE
(Unaudited)

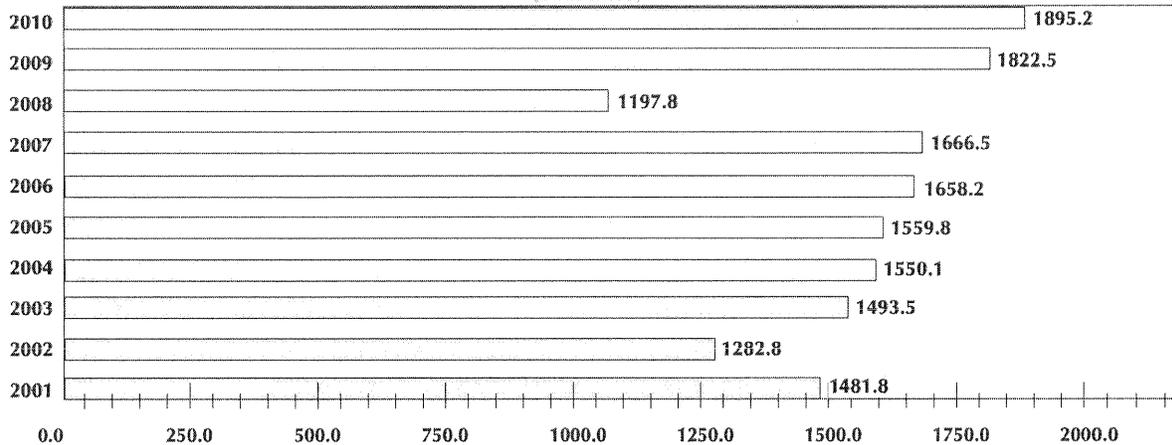
Revenues by Source				
Fiscal Year	Participant Contributions	County Contributions(1)	Investment Income (Loss)(2)	Total
2010	\$ 75,584	\$ 32,893,562	\$210,905,464	\$243,874,610
2009	131,766	457,789,154	319,997,171	777,918,091
2008	140,209	34,840,886	(352,108,625)	(317,127,530)
2007	344,782	49,291,072	106,442,068	156,077,922
2006	545,258	27,435,154	207,804,929	235,785,341
2005	360,283	35,415,185	128,528,748	164,304,216
2004	711,322	35,143,178	188,633,703	224,488,203
2003	704,758	33,980,592	292,669,096	327,354,446
2002	436,682	2,579,984	(78,508,968)	(75,492,302)
2001	265,567	2,646,523	(28,309,035)	(25,396,945)

Expenses by Type				
Fiscal Year	Benefits(3)	Investment and Administrative Expenses(4)	Withdrawals	Total
2010	\$162,802,590	\$8,445,062	\$-0-	\$171,247,652
2009	145,345,520	7,846,655	-0-	153,192,175
2008	144,160,665	7,385,443	23,557	151,569,665
2007	139,990,962	7,715,976	56,626	147,763,564
2006	130,730,539	6,622,923	13,571	137,367,033
2005	148,307,335	6,294,816	36,963	154,639,114
2004	161,368,700	6,302,951	154,522	167,826,173
2003	111,109,514	5,662,380	12,999	116,784,893
2002	118,078,160	5,301,678	30,230	123,410,068
2001	94,842,239	5,389,064	233,732	100,465,035

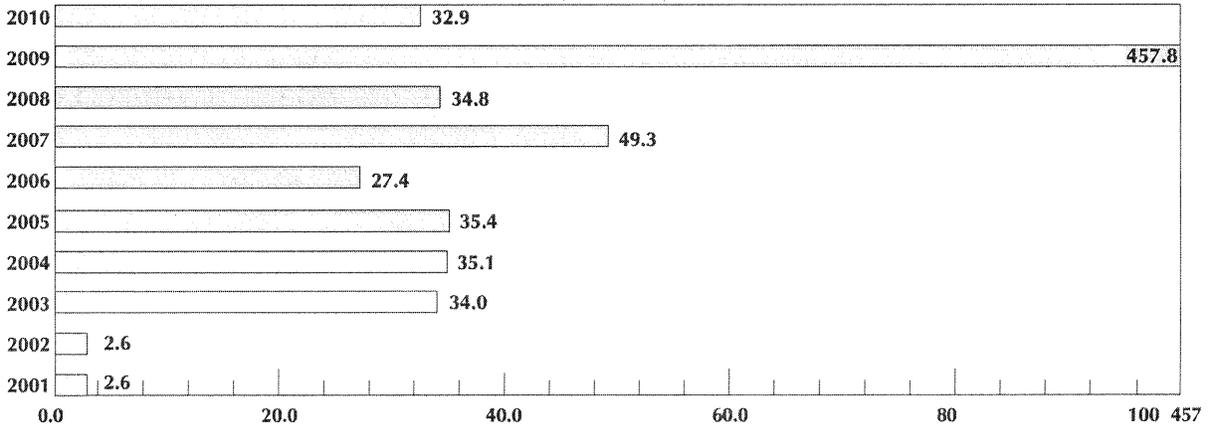
FOOTNOTES ARE IN THOUSANDS OF DOLLARS:

- (1) Contributions are set during the County's budget process and are made at the discretion of the County Board.
- (2) Includes interest and dividends, net appreciation (depreciation) of fair value, net security lending income and other income.
- (3) Included in the benefits for 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003 and 2002 are back drop lump-sum payments of \$20.3, \$8.7, \$11.2, \$10.5, \$5.5, \$25.7, \$55.1, \$11.0 and \$23.1 million, respectively.
- (4) The increase in investment and administrative expenses of \$3,056 during the past ten years was due to increases in the following expenses:
 - outside consultants of \$655 with most of this increase occurred in 2008 and 2007. This expense dropped (\$147) from 2009 to 2010. This is due to the completion of most of the work on the new pension computer system as of January 1, 2009;
 - legal and corporate counsel fees of \$412 due to buyback/buyin issues, RFP preparation and analysis, tax issues and various other legal matters;
 - insurance expense of \$225. This expense has been declining for the last six years;
 - salaries and wages of \$719 due primarily to the increase in benefits and increase in staff;
 - temporary help of \$125 due to unfilled positions and temporary projects;
 - computer system expenses of \$1,024. The plan started using its new computer system as of 1/1/09. Amortization of \$646 and hosting expense of \$250 caused most of this increase.
 - investment manager, custodial and cash management fees increased \$67 due to the increase in the size of the fund and a new pricing schedule for custodial services.

NET FUND ASSETS
FAIR VALUES 2010-2001
(in millions of dollars)
(unaudited)



ACTUAL COUNTY CONTRIBUTIONS
(in millions of dollars)
(unaudited)



ACTIVE MEMBERSHIP STATISTICS (Unaudited)

	2010	2009
Members as of January 1	6467	6,234*
Changes During the Year:		
New enrollments	266	320
Rehires.....	-	46
Nonvested terminations	(210)	(139)
Retirements.....	(344)	(266)
Deaths in active service	(4)	(15)
New deferred beneficiaries	-	0
Data adjustments	(234)	287
Members as of December 31	<u>5,941</u>	<u>6,467*</u>

*The total includes vested inactive members of 1,659 and 1,493 as of the beginning of the year and end of the year respectively.

RETIREMENTS AND SURVIVORS (Unaudited)

	Maxi- mum Pension	Retirements Granted							Survivors & Benefi- ciaries	Total
		Option								
		Refund	100%	75%	50%	25%	10-yr.	Other		
January 1, 2010	2,937	514	1,244	197	1,088	328	137	54	793	7,292
Changes During the Year:										
Adjustments (actuary)* ..	(18)	2	5	4	12	6	11	(3)	(20)	(1)
Retirements	194	1	57	10	38	38	20	-	26	384
Pensioner deaths	(103)	(43)	(40)	(1)	(43)	(2)	(1)	(1)	-	(234)
December 31, 2010	<u>3,010</u>	<u>474</u>	<u>1,266</u>	<u>210</u>	<u>1,095</u>	<u>370</u>	<u>167</u>	<u>50</u>	<u>799</u>	<u>7,441</u>

*Adjustments as a result of reclassifications made to beginning balances by the actuary.

CONSULTANTS
as of December 31, 2010

Legal Advisors

Milwaukee County
Corporation Counsel
Timothy Schoewe

Reinhart, Boerner, Van Deuren s.c.
Milwaukee, Wisconsin

Actuary

Buck Consultants
Chicago, Illinois

Disbursing Agent

County Treasurer

Custodian/Securities Agent

BNY/Mellon Trust
Boston, Massachusetts

Medical Board

Aurora Medical Group
Milwaukee, Wisconsin

Investment Consultant

Marquette Associates, Inc.
Chicago, Illinois

Cash Management Manager

Mellon Trust
Boston, Massachusetts

Cash Equitization Manager

BNY Mellon BETA Management
San Francisco, California

Private Equity Managers

Adams Street Partners
Chicago, Illinois

Progress Investment Management Company
San Francisco, California

Long/Short Managers

ABS Investment Management
Greenwich, Connecticut

K2 Advisors
Stamford, Connecticut

U.S. Equity Investment Managers

AQR Capital Management, LLC
Greenwich, Connecticut

Artisan Partners
Milwaukee, Wisconsin

Fiduciary Management Associates, LLC
Chicago, Illinois

Robeco Investment Management
(formerly Boston Partners Asset Management)
Boston, Massachusetts

Mellon Capital Management
Pittsburgh, Pennsylvania

Reinhart Partners, Inc.
(formerly Reinhart & Mahoney Capital Management)
Mequon, Wisconsin

Fixed-Income Investment Managers

JPMorgan Investment Management
Columbus, Ohio

Mellon Capital Management
Pittsburgh, Pennsylvania

International Investment Managers

Barings Asset Management, Inc.
Boston, Massachusetts

Grantham, Mayo, Van Otterloo & Co.
Boston, Massachusetts

Real Estate Investment Trusts

ING Clarion Real Estate Securities
Radnor, Pennsylvania

Morgan Stanley
New York, New York

Infrastructure Managers

IFM Investment Advisor
New York, New York

JP Morgan
New York, New York

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EXHIBIT C

Chapter 203

Section 201.24 of the Milwaukee County Code of General
Ordinances

Rules of the Employees' Retirement System of the
County of Milwaukee

Chapter 201 COUNTY EMPLOYEES' RETIREMENT SYSTEM*

*Editor's note--Rules of the employees' retirement system are printed on appendix B to the Code.

201.01--201.23. (On file in county clerk's office.)

201.24. Employee's retirement system of the county (effective December 24, 1967).

Section I. Purpose and Effective Date

Section II. Definitions

2.1. Retirement system.

2.2. Board.

2.3. County.

2.4. Employee.

2.5. Member.

2.6. Pension.

2.7. Earnable compensation.

2.8. Final average salary.

2.9. Service.

2.10. Military service.

2.11. Termination of service.

2.12. Medical board.

2.13. Actuarial equivalent.

2.14. Deputy sheriff.

2.15. Elected official.

2.16. Beneficiary.

2.17. Normal retirement date.

2.18. Normal retirement age.

2.19. Retirement.

2.20. Membership account.

2.21. Savings account.

2.22. Masculine and feminine pronouns.

Section III. Contributions

3.1. County contributions.

3.3. Employee membership accounts.

3.4. Voluntary employee contributions.

3.5. Refunds upon severance or death.

3.6. Withdrawals.

3.7. Nondiscriminatory member contributions.

Section IV. Requirement for Retirement Benefits

3.11. Employee contribution

4.1. Normal retirement.

4.2. Early retirement.

4.25. Retirement incentive for a limited time period.

4.26. Retirement incentive for a limited time period due to discontinuance of Doyme Hospital operations.

4.3. Accidental disability retirement.

4.4. Ordinary disability retirement.

4.5. Deferred vested retirement.

4.6. Distribution requirements.

4.7. Minimum death distribution provision.

4.8. TEFRA transitional rule.

4.9. Hearings before the pension board with respect to disability retirement.

Section V. Amount of Retirement Benefit

5.1. Normal pension.

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

5.16. Back drop pension benefit.

5.17. Lump sum termination benefit.

- 5.2. Early pension.
- 5.3. Accidental disability pension.
- 5.31. Accidental disability pension for nonrepresented officers and employes.
- 5.4. Ordinary disability pension.
- 5.5. Deferred vested pension.
- 5.6. Minimum pension.
- 5.7. Post-retirement pension adjustment.
- 5.8. Retirees prior to December 24, 1967.
- 5.9. Sheriffs' annuity and benefit fund retirees prior to December 22, 1968.
- 5.10. [Paid health insurance.]
 - Section VI. Other Benefits
 - 6.1. Accidental death benefit for deputy sheriffs.
 - 6.2. Ordinary death benefit for deputy sheriffs.
 - 6.3. Lump sum benefit upon death.
 - 6.4. Survivor pensions for members other than deputy sheriffs.
 - 6.5. Election by surviving spouse at age sixty.
- Section VII. Optional Retirement Benefits
- 7.1. Optional benefits.
- 7.2. Other forms of payment.
- Section VIII. Administration
- 8.1. Pension board.
- 8.2. Membership.
- 8.3. Vacancy; how filed.
- 8.4. Oath of office.
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201.01--201.23.

Sections 201.01 through 201.23 are not published as they are only applicable to employees who entered county service prior to December 24, 1967. These sections may be examined at the county clerk's office.

201.24. Employee's retirement system of the county (effective December 24, 1967).

Notwithstanding the provisions of sections 201.01 to 201.23 of the Code, the benefits payable and the manner of payment to members of the employees' retirement system of the county, the management of the funds of the system and the method of financing on and after the effective date of this section shall be as follows:

SECTION I. PURPOSE AND EFFECTIVE DATE

The purpose of this ordinance is to encourage qualified personnel to enter and remain in the service of the county by providing for a system of retirement, disability and death benefits to or on behalf of such employes.

The system created hereunder shall become effective as of December 24, 1967 as to all persons in the employment of the county on or after such date and shall be a continuation of the retirement system originally effective on January 1, 1938 as amended from time to time thereafter.

SECTION II. DEFINITIONS

Except where the context plainly requires a different meaning, the following words and phrases shall have the following meanings:

2.1. Retirement system.

Retirement system shall mean the employes' retirement system of the county.

2.2. Board.

Board shall mean the pension board provided for in section 8.1 of this ordinance to administer the retirement system.

2.3. County.

County shall mean Milwaukee County.

2.4. Employee.

Employee shall mean any person regularly employed by the county at an annual wage or salary including any person who is employed by the state but receives part of his/her wage or salary from the county. In the event of a question arising as to the right of any person in the service of the county to be classified as an employee under this act, the decision of the board shall be final.

2.5. Member.

Member shall mean any person who is an employee on or after December 24, 1967, unless:

- (a) He has previously filed an election not to become a member, or
- (b) He has been excluded by action of the board as provided in section 8.17.

2.6. Pension.

Pension shall mean a series of periodic payments which are payable to a person who is entitled to receive benefits under the ordinance.

2.7. Earnable compensation.

Earnable compensation shall mean total compensation that would be payable to a member if he worked the full normal working time for his position, plus all payments for authorized overtime but excluding payments in lieu of vacations, provided that where service is credited during periods of absences as provided in section 2.9 hereof, the employee shall be considered to have earnable compensation during such periods of

absence equivalent to his earnable compensation as of the last month of employment prior to the beginning of such absences. In cases where compensation includes maintenance, the board shall fix the value of that part of the compensation not payable in money. Where the county pays less than the full rate of compensation for a position and the balance is payable by some other government, company or individual, the amount paid by the county shall be considered the earnable compensation for such period of service. The annual earnable compensation of each member taken into account for determining all benefits provided under the system for any year shall not exceed the annual compensation limit pursuant to Code section 401(a)(17); provided, however, that this limitation shall apply only with respect to members who first commence participation in the system after 1995. The annual compensation limit shall be adjusted annually for increases in the cost of living by the Secretary of the Treasury or his delegate, except that the dollar increase in effect on January 1 of any calendar year is effective for years beginning in such calendar year. The "annual compensation limit" is one hundred fifty thousand dollars (\$150,000.00), as indexed.

2.8. Final average salary.

Final average salary for a member whose continuous membership began prior to January 1, 1982, means the average annual earnable compensation for the three (3) consecutive years of service during which the member's earnable compensation was the highest, or, if he should have less than three (3) years of service, then his/her average annual earnable compensation during such period of service. Final average salary for a member whose continuous membership began after January 1, 1982, means the average annual earnable compensation for the five (5) consecutive years of service during which the member's earnable compensation was the highest, or, if he should have less than five (5) years of service, then his/her average annual earnable compensation during such period of service. However, when a member is employed by the state but paid partly by the county, his/her final average salary with respect to any period of employment solely by the county shall be the average earnable compensation for the three (3) or five (5) consecutive years respectively of such service during which his/her earnable compensation was the highest.

(a) For non-represented employes whose continuous membership in the employe retirement system begins on or after September 1, 1985, the final average salary shall be based solely on the total straight time hours paid, excluding any overtime hours paid, for the five (5) consecutive years of service during which the employe's earnable compensation was the highest, or, if he/she should have less than five (5) years of service then his/her average straight time hours paid, excluding any overtime hours paid, during such period of service.

(b) For non-represented employes, and employes represented by a collective bargaining unit which has agreed to the provisions of 5.15, final average salary shall include the retention incentive bonus authorized in section 5.15. Final average salary shall not include any payments for accrued sick allowance received by the member at the time of retirement under 17.184 nor shall final average salary include any back drop pension benefit payment received by the member under section 5.16.

(c) For non-represented employes, and employes represented by a collective bargaining unit which has agreed to this provision, effective January 1, 2003 final average salary shall mean the average annual earnable compensation for the three (3) consecutive years of service during which the member's earnable compensation was the highest, or, if he/she should have less than three (3) years of service, then his/her average annual earnable compensation during such period of service. This paragraph shall not apply to a member who was formerly a represented deputy sheriff who was appointed to a non-represented position effective after June 30, 2009.

2.9. Service.

Service shall mean service as an employe of the county or of any municipal subdivision of the county in departments the operation of which is taken over by the county. Service shall also include any period of military service recognized hereunder; any period of employment by the county or in any department of any town, village, city or metropolitan sewerage commission in the county, which has been absorbed by the county, prior to January 1, 1938; any period of continuous employment with the City of Milwaukee which terminated between September 1 and December 31, 1937; and any prior service granted to new members brought into the system by any amendment effective subsequent to January 1, 1938.

2.10. Military service.

Military service shall mean all time after January 1, 1938, during which any employe performed service in the uniformed services. "Service in the uniformed services" shall mean the performance of duty on a voluntary or involuntary basis in the uniformed services under competent authority and includes active duty, active duty for training, initial active duty for training, inactive duty training, full-time National Guard duty, and period for which a person is absent from a position of employment for the purposes of an examination to determine the fitness of the person to perform any such duty. "Uniformed service" shall mean the Armed Forces, the Army National Guard, and the Air National Guard when engaged in active duty for training, inactive duty training or full-time National Guard duty, the commissioned corps of the Public Health Service, and any other category of persons designated by the President in time of war or emergency. Military service shall include absence during federal hospitalization because of injuries or sickness resulting from military service. Military service shall begin with the date the employe was excused or granted leave of absence from the county and shall extend until the date the employe returns to county employment. An employe shall be granted service credit for military service to the extent required by 38 U.S.C. § 4318 and Internal Revenue Code section 414(u) provided he returns to county employment within three (3) months after termination of military service. An employe must, if reasonable, give advance written or oral notice to the county of the absence for military service to be eligible for military service credit.

Military service shall also include all military service in the U.S. armed forces after January 1, 1938, and before December 31, 1974, for any person who is credited with five (5), ten (10), fifteen (15) or twenty (20) or more years of creditable service at the time of retirement, for not more than one (1), two (2), three (3) or four (4) years, respectively, of active service for any such person who was discharged from the U.S.

armed forces under conditions other than dishonorable and not counting any previously creditable military service heretofore defined in the preceding paragraph and such creditable military service under this paragraph shall be allocated at the time of retirement in proportion to the amount of the member's creditable service under section 5.1 either before or after January 1, 1982, on the date the member attains five (5), ten (10), fifteen (15) or twenty (20) years of creditable county service. Provided further that any such eligibility under this paragraph shall not apply with respect to any such active service if the active service is used for the purpose of establishing entitlement to, or in the amount of, any benefit to be paid by any state retirement program. The provisions of this section shall apply to all retirees who retired between July 1, 1985 and January 26, 1989 and to retirees who retired after January 26, 1989 and were not represented by a collective bargaining unit immediately prior to their retirement. The provisions of this section shall also apply to retirees who were represented by a collective bargaining unit immediately prior to their retirement and retired after January 26, 1989 providing the labor agreement negotiated and executed by that collective bargaining unit immediately after the agreement in effect as of January 26, 1989 included the provisions of this section. Any proportional pension service credit received as a result of the foregoing shall not be used to obtain eligibility for county paid health insurance benefits for retirees as provided in section 17.14(17) of the Code.

Effective solely with respect to pension payments payable on and after January 1, 1997, the provisions of the preceding paragraph shall apply to all retirees who retired from the county before July 1, 1985. Pensions payable with respect to such retirees shall be recalculated effective January 1, 1997, to take into account any additional years of military service awarded pursuant to the preceding paragraph. This adjustment will apply prospectively only (effective January 1, 1997), and such retirees will not be entitled to receive any retroactive increase, adjustment or payment for periods during which a pension was in pay status before January 1, 1997.

2.11. Termination of service.

Should any member in a period of ten (10) consecutive years after last becoming a member be absent from service more than five (5) years, except for military service or authorized leave of absence, he shall thereupon cease to be a member and his service credit hereunder shall be terminated.

2.12. Medical board.

Medical board shall mean the board of physicians provided for in section VIII of this act.

2.13. Actuarial equivalent.

Actuarial equivalent shall mean an equality in value of the aggregate expected payments under different forms of pension payments considering expected mortality and interest earnings on the basis of tables adopted from time to time by the board.

2.14. Deputy sheriff.

Deputy sheriff shall mean a person employed in the sheriff's department of the county, whose duty is to preserve the peace and order of the county, having the power to arrest without warrant.

2.15. Elected official.

Elected official is any employe elected by vote of the people.

2.16. Beneficiary.

Each member shall designate the beneficiary(ies) who shall receive the amount, if any, which is payable upon his death under section 6.2 or due to his contributions to the system. The designation of a beneficiary, and any change or revocation thereof, shall be made in writing on forms provided by the board and shall not be effective unless filed with the board. If a valid designation is not in effect at the time of the death of a member or retired member, the amount payable upon his death, if any, shall be paid to his surviving spouse, or there be none surviving, to his estate.

2.17. Normal retirement date.

Normal retirement date shall be the first day of the month following the date on which the member reaches the minimum ages for normal retirement.

2.18. Normal retirement age.

Normal retirement age shall be age fifty-seven (57) for deputy sheriffs. Normal retirement age for a member (a) who is not covered by a collective bargaining agreement at the time his employment terminates; (b) who is not an elected official at the time his employment terminates; and (c) whose initial membership in the retirement system began on or after January 1, 2010 shall be age sixty-four (64). For all other members, normal retirement age shall be age sixty (60).

2.19. Retirement.

Retirement shall mean termination of employment after a member has fulfilled all requirements for a pension. Retirement shall be considered as commencing on the day immediately following a member's last day of employment (or authorized leave of absence, if later), and terminating upon date of death of retiree or beneficiary under option.

2.20. Membership account.

Membership account shall mean the account maintained to record the contributions of each employe, contributions credited pursuant to section 3.3 and adjustments to such account in accordance with section III.

2.21. Savings account.

Savings account shall mean the account maintained to record the voluntary contribution of each employe and adjustments to such account in accordance with section III.

2.22. Masculine and feminine pronouns.

The masculine pronoun shall include the feminine.

SECTION III. CONTRIBUTIONS

3.1. County contributions.

Budget year contributions. The pension board shall furnish to the county executive, prior to June 1 of each year:

(a) An estimated budget contribution required by the county, including contributions required under section 3.3, to pay the following year's cost and to amortize the amount of unfunded obligation of the county over such period of years as determined from time to time by the county board (e.g., in 1984, estimate the cost to be incurred in 1985, which will be payable in 1986); and

(b) The established actuarial assumptions supporting said required amount. The county executive shall submit an informational report to the committees on finance and audit and personnel, for consideration during the June committee cycle, providing for an estimated contribution amount for the next year's budget and shall include this pension contribution amount in the executive budget as transmitted to the county board. The final amount appropriated in the adopted budget by the county board shall be the estimated contribution to be expensed in the budget year, but paid to the system in the next following budget year (e.g., in 1984, an estimate will be made for the amount to be expensed in 1985 but paid in 1986).

Current year contribution. The pension board shall furnish to the committee on personnel and the committee on financial and audit of the county board, annually, in time for the first county board committee cycle after the summer recess, a statement of the actual contribution required for the current year compared with the amount provided in the budget. The amount appropriated in the adopted budget shall be paid to the system, regardless of whether such amount is more or less than the actual amount required for that year, as determined by the final calculations prepared by the actuary retained by the system. Any overpayment or shortfall in the amount actually provided to the system for a given year shall be amortized over a five-year period, commencing with the contribution estimate prepared by the system's actuary for inclusion in the budget for the following year. In order to meet the requirements of this ordinance, the county board is authorized to levy a tax, annually, which tax shall be in addition to all other taxes such county board has been authorized to levy upon all taxable property, real and personal. Such tax shall be levied and collected at the same time and in the same manner as other county taxes are levied and collected according to the law.

3.3. Employee membership accounts.

(1) In addition to the contributions required by section 3.1, the County, commencing with the 4th day of January 1969, shall contribute to the system the following percentage of the earnable compensation of each member, except members listed in paragraph (2):

(a) Employees, other than deputy sheriffs and elected officials, six (6) percent.

(b) Deputy sheriffs, eight (8) percent.

(c) Elected officials, eight (8) percent.

All such sums contributed by the county for members whose last period of employment began prior to January 1, 1971, shall be credited to the employee's membership account in addition to contributions made by the employee, other than voluntary savings. The contributions provided for in this section 3.3(1) shall be considered separate and distinct from the employee contributions required under section 3.11.

(2) The following members, who have elected to become optional members of ERS, shall contribute to the system, by payroll deduction, six (6) percent of their earnable compensations:

- (a) All interns, students and trainees employed in non-civic-service positions.
- (b) All resident physicians employed in non-civil-service positions.
- (c) Seasonal employees, except those whose last period of continuous membership began prior to December 24, 1967.
- (d) Employees serving under emergency appointments except:
 - (1) Employees whose last period of continuous membership began prior to December 24, 1967.
 - (2) Employees on leave of absence to accept an emergency appointment.
 - (3) Employees whose positions have been reclassified.

Every member required to make the above contribution shall be deemed to consent and agree to the payroll deductions made and provided herein. All sums contributed by a member shall be credited to his membership account. The contributions provided for in this section 3.3(2) shall be considered separate and distinct from the employee contributions required under section 3.11.

3.4. Voluntary employee contributions.

A member may voluntarily contribute to his savings account an amount not to exceed ten (10) percent of his annual earnable compensation for the year. Voluntary contributions may be made by payroll deductions, or by other methods and at other intervals, in accordance with rules established by the board. A member shall be permitted to discontinue voluntary contributions but, in such event, he shall not be permitted to resume such contributions. Effective January 1, 1971, members shall not be permitted to make contributions to a voluntary savings account unless, prior to such date, they have authorized payroll deductions for such purposes. Employees who have authorized payroll deductions prior to such date shall be permitted to increase or decrease the amount of such deductions.

3.5. Refunds upon severance or death.

Upon termination of employment, for reason other than death or retirement, a member shall be entitled to receive a refund of the balance as of the date of termination of his membership account and his savings account, accumulated at interest as set from time to time by the board. However, if a member who is eligible for a deferred vested pension withdraws his membership account, he shall forfeit all rights to a deferred vested pension.

Upon termination of employment by reason of a member's death or upon the death of a member who is eligible for a deferred vested pension, the member's beneficiary shall be paid in lump sum the balance, as of the date of death, of his membership account and his savings account, provided that if a joint and survivor option under section VII is effective or a survivorship benefit under section VI is payable, the membership account shall not be paid to the beneficiary. However, if the amount of the membership account at the date of a member's death exceeds the total of the amount of the payments made to the spouse and children under sections 6.1, 6.2, 6.4 and 7.1, after all payments due thereunder have been made, such excess shall be paid in a lump sum to the member's beneficiaries.

Upon retirement of a member, the balance of his savings account shall be paid in one (1) of the following forms as determined by the board:

- (a) Lump sum payment.
- (b) Life annuity with full cash refund or on a term certain basis.
- (c) Installments of a designated amount or over a designated period of time.

If under any of the above options a benefit becomes payable to some other person as a result of the death of the retired member, payment shall be made to the beneficiary designated by the member or, in the absence of a valid designation, than as provided in section 2.16.

3.6. Withdrawals.

While in the employ of the county, a member shall be permitted to withdraw his savings account, or any portion thereof, only with the consent of the board, and the board shall permit such withdrawal only in the event of financial hardship. After January 1, 1971, withdrawals from voluntary savings accounts shall be permitted only if the entire balance in the account is withdrawn.

3.7. Nondiscriminatory member contributions.

To the extent applicable to the retirement system, contributions to the savings account shall satisfy the actual contribution percentage test, and Internal Revenue Code section 401(m)(2) and Treasury regulation section 1.401(m)-1(b) are incorporated by reference.

3.11 Employee Contribution

(1) Mandatory Employee Contributions. Each member of the Employees' Retirement System who is not covered by the terms of a collective bargaining agreement, who is an elected official, or who is covered by a collective bargaining agreement that has adopted this ordinance, other than members who make a contribution to the System under section 3.3(2), shall contribute to the retirement system a percentage of the "Member's Compensation" according to subsection 3.11(2). "Member Compensation" shall include all salaries and wages of the member, except for the following: overtime earned and paid; any expiring time paid such as overtime, and holiday; and injury time paid; and any supplemental time paid such as vacation or earned retirement.

(2) Contribution Percentage: The percentage shall be as follows:

(a) Two (2) percent of Member's Compensation earned between January 9, 2011 and June 11, 2011.

(b) Three (3) percent of Member's Compensation earned between June 12, 2011 and December 10, 2011.

(c) Four (4) percent of Member's Compensation earned on or after December 11, 2011;

(d) Notwithstanding the sections 3.11(2)(a)-(c), elected officials shall contribute two (2) percent of Member's Compensation earned on and after January 9, 2011.

(3) Pick-Up Contributions. Notwithstanding the preceding, contributions shall be made by the County in lieu of contributions by the employee even though the contribution is designated as an employee contribution. Members have no option to choose to receive the contributions provided for in this section directly instead of having the contribution paid by the County to the retirement system. The contribution shall be made on a pre-tax basis, and there shall be a corresponding reduction in compensation actually paid to the member. These contributions shall qualify as pick-up contributions (pursuant to Internal Revenue Code section 414(h)(2)). These contributions shall have no impact on internal plan contribution limits or forms of benefit payment under the retirement system. The pick-up of these contributions shall not be construed to reduce the salary upon which final average salary is calculated, as defined in section 2.8. Unless specified otherwise, these contributions do not impact the calculation of a member's benefit.

(4) Determination of Accumulated Contributions. A member's accumulated contributions shall be equal to the sum of his mandatory employee contributions.

(5) Refund of Accumulated Contributions.

(a) Refunds of all accumulated contributions made under this section 3.11, with interest at the rate of five percent (5%) per annum, shall be made on the same conditions and under the same circumstances as refunds under section 3.5, but may only be paid in the form of a lump sum payment. For an employee terminating employment with the County, any refund of accumulated contributions must be requested within 60 days after termination.

(b) Members receiving a refund or on whose behalf a refund is paid under this subsection shall cease to be a member of the Employees' Retirement System and shall have no further right to any benefit under this plan.

(c) The provisions of section 11.1 shall not apply to accumulated contributions withdrawn by members under this section.

SECTION IV. REQUIREMENT FOR RETIREMENT BENEFITS

4.1. Normal retirement.

(1) A member shall be eligible for a normal pension if his employment is terminated on or after he has attained age fifty-five (55) and has completed thirty (30) years of service, or if his employment is terminated on or after he has attained normal retirement age as defined in section 2.18. Deputy sheriffs shall be eligible to retire at age fifty-seven (57) regardless of their number of years of service or at age fifty-five (55) with at least fifteen (15) years of creditable pension service.

(2) A member who is not covered by the terms of a collective bargaining agreement at the time his employment is terminated and whose initial membership in the retirement system under chapter 201.24 began prior to January 1, 2006, retires on and after September 1, 1993, shall be eligible for a normal pension when the age of the member when added to his years of service equals seventy-five (75), but this provision shall not apply to any member eligible under section 4.5 nor to any non-represented deputy sheriff who was hired as a deputy sheriff after December 31, 1993 and whose appointment to a non-represented position was first effective after June 30, 2009.

4.2. Early retirement.

A member shall be eligible for an early pension if his employment is terminated on or after his 55th birthday, provided he has completed fifteen (15) or more years of service, but the amount thereof shall be reduced as provided in section 5.2.

4.25. Retirement incentive for a limited time period.

Any member of the employees' retirement system, except for elected officials, who files an application for retirement benefits between August 15, 1990 and October 15, 1990 and completes their last day of active service as a county employe no later than October 27, 1990 shall be entitled to:

- (1) Three (3) additional years of creditable pension service credit; or
- (2) Add three (3) years to their age in order to meet the age requirement for retirement benefits; or
- (3) Add a total of not more than three (3) years, in some combination to be determined by the employe, to both their age and years of creditable pension service so as to be able to qualify for retirement benefits.

All other existing ordinances and rules governing the pension benefits to which an applicant may be entitled shall remain in effect. Members of the employees' retirement system who apply for a nondeferred pension benefit on or after June 12, 1990 but prior to October 15, 1990, as well as members who applied for a nondeferred pension benefit prior to June 12, 1990 with an effective retirement date on or after that date, shall also be entitled to the provisions of this section.

4.26. Retirement incentive for a limited time period due to discontinuance of Doyne Hospital operations.

Any member of the employees retirement system, except for those eligible under subsection 4.5 of this section, who files an application for retirement benefits or has a retirement date, between November 30, 1994, and August 1, 1995, and completes their last day of active service as a county employe no later than September 9, 1995, shall be eligible for:

- (1) An additional three (3) years of creditable pension service credit; or
- (2) The addition of three (3) years to their age in order to meet the age requirement for retirement benefits; or
- (3) The addition of a total of not more than three (3) years, in some combination to be determined by the employe, to both his/her age and years of creditable pension service credit so as to able to qualify for retirement benefits.

Employees eligible to retire under this section may be required to remain in the active service as a county employe until no later than December 2, 1995, if their continued active service is deemed critical to the operations of the county by the directors of administration and human resources. However, employees at the School of Nursing who file an application to retire under this section and are deemed critical may be required to remain in active service as a county employe until December 31, 1997. Additionally, employees at the Mental Health Division who file an application to retire under this section and are deemed critical to "outpatient services" may be required to remain in active service as a county employe until a date identified in the 1996 adopted budget.

Employees who apply for retirement under this section shall have all accrued sick allowance, vacation, holiday and personal time to which they are entitled as of the last day of active service converted to additional pension service credit in lieu of receiving payment for such accrued time in accordance with the provisions of chapter 17 of the county general ordinances, unless payment for such time commenced prior to April 8, 1995. Employees who filed an application for retirement and received payment for accrued time prior to April 8, 1995, shall not be able to rescind their application for the purpose of having accrued time converted to pension service credit. Accrued time converted to pension service credit shall not be used to attain eligibility to retire under this section. All other existing ordinances and rules governing the pension benefits to which an applicant may be entitled and all other provisions of chapter 17, which are not inconsistent with this section, shall remain in effect. Provisions of this section are contingent on county board and county executive approval of an agreement for the sale or lease of Doyne Hospital, or county board and county executive approval of the discontinuance of Doyne Hospital operations, effective no later than December 31, 1995. This section shall not be effective if the county is prohibited from discontinuing operation of Doyne Hospital.

- (4) Any member who was eligible to retire under this section as of September 9, 1995, and completes their last day of service as a county employe no later than December 2, 1995, shall be eligible for the benefit of this section if they file an application to retire after November 30, 1994, and on or before November 27, 1995.

4.3. Accidental disability retirement.

A member shall be eligible for an accidental disability pension if his employment is terminated prior to his normal retirement age by reason of total and permanent incapacity for any duty as the natural and proximate result of an accident occurring at some definite time and place while in the actual performance of duty. The last payment shall be made, if disability ceases prior to his normal retirement date, the first day of the month in which disability ceases.

Disability shall be considered total and permanent if the medical board, after a medical examination of such member, shall certify that such member is mentally or physically incapacitated to perform any job that he is reasonably suited for by means of education, training or experience. Disability must be as a result of such service accident and such incapacity is likely to be permanent.

A member shall not be entitled to both an accidental disability pension and ordinary disability pension.

(County clerk note: An ordinance change to accidental disability benefits for nonrepresented officers and employes was adopted on February 19, 1987, J. Proc. p. 186--187, published March 19, 1988. The effective date and application of these changes to section 5.31 is conditioned upon certain contingencies which are listed as follows: This ordinance shall become effective following passage and publication and on the date that any salary adjustment for 1987 for nonrepresented employes is to take effect, but its future application involving nonrepresented officers and employes shall not take effect as to any member either presently receiving an accidental disability pension under section 5.3 nor as to any member who has sustained an accident occurring prior to the language change accomplished within section 4.3 by adoption of an ordinance on December 18, 1986, whereby eligibility would have existed under the former language in such ordinance before the date of publication and language change.)

4.4. Ordinary disability retirement.

A member shall be eligible for an ordinary disability pension if his employment is terminated by reason of ordinary disability, provided he has completed fifteen (15) or more years of service. The last payment shall be made, if disability ceases prior to his normal retirement date, the first day of the month in which disability ceases.

Disability shall be considered total and permanent if the medical board, after a medical examination of such member, shall certify that such member is mentally or physically incapacitated for further duty and such incapacity is likely to be permanent.

4.5. Deferred vested retirement.

(1) A member shall be eligible for a deferred vested pension if his employment is terminated for any cause, other than fault or delinquency on his part, provided that he elects not to withdraw any part of his membership account and that his pension when he qualifies for a normal retirement as defined in section 4.1 is at least ten dollars (\$10.00) per month.

(2) Notwithstanding the foregoing provisions of this section 4.5, any member whose last period of continuous membership began on or after January 1, 1971, but

prior to January 1, 1982, shall not be eligible for a deferred vested pension if his employment is terminated prior to his completion of six (6) years of service. Also, notwithstanding the foregoing provisions of this section 4.5 any member who first became a member of the system on and after January 1, 1982, shall not be eligible for a deferred vested pension if his employment is terminated prior to his completion of ten (10) years of service.

(3) Notwithstanding the foregoing provisions of this section, any non-represented Doyme employe who was a member of the employe's retirement system and any member who was represented by the Federation of Nurses & Health Professionals when they voluntarily resigned their employment between September 1, 1995, and December 31, 1995, at the time of, and in lieu of, a layoff from county service as a direct result of the sale/lease of John L. Doyme Hospital and employes of the School of Nursing who resign from county service in lieu of being laid off due to the closure of the School of Nursing who left county service with seven (7) or more years of service shall be vested for a deferred vested pension.

(4) Payment of a deferred vested pension shall commence as of the member's normal retirement date, but in no event until timely application for the deferred vested pension is filed with the board. However, if a member has at least fifteen (15) years of service, he may request the board to authorize commencement of his deferred vested pension as of his 55th birthday, or as of any date after his 55th birthday, which precedes his normal retirement date, and if the board consents thereto, his pension shall commence as of the date so requested but the amount thereof shall be reduced as provided in section 5.5. The last payment shall be made as of the date of death of the retired member.

4.6. Distribution requirements.

(1) In order to receive a pension, a member shall file with the board a written application therefor on a form prescribed by the board.

(2) A member who files with the board a completed application for benefits from the system shall be entitled to have his benefits commence no later than the 60th day after the close of the year in which the later of the following occurs:

- (a) The member attains his normal retirement age; or
- (b) The member terminates employment.

In all events, payments shall commence no later than the April 1 following the calendar year in which the member attains age seventy and one-half (70 1/2) or, if later, the calendar year in which the member retires. For a retired member who attained age seventy and one-half (70 1/2) after December 31, 1987 and before January 1, 1989, payments shall commence not later than April 1, 1990.

(3) Benefits may not be distributed to any member under a method of payment which, as of the member's required beginning date, does not satisfy the minimum distribution requirements of Internal Revenue Code Section 401(a)(9) and applicable Treasury regulations, including the minimum distribution incidental benefit requirements of proposed Treasury regulation Section 1.401(a)(9)-2, which the system hereby incorporates by reference. Section II(6) permits a member to receive a pension in the form of an annuity (i.e., periodic payments payable at regular intervals). If a member receives his pension benefit in the form

of an annuity, payments under the annuity shall satisfy the following requirements:

- (a) The amount to be distributed each year must be at least an amount equal to the quotient obtained by dividing the member's entire interest by the life expectancy of the member or the joint and last survivor expectancy of the member and designated beneficiary;
- (b) Life expectancy (a joint life and last survivor expectancy), for purposes for determining the period certain, shall be determined without recalculation of life expectancy;
- (c) Life expectancy of a member and the joint life expectancy of a member and his beneficiary for all other purposes shall be determined in accordance with applicable law and regulations, provided that the member or his spouse may elect to recalculate life expectancy for one (1) or both lives no more frequently than annually, provided such election is made prior to the member's required distribution date;
- (d) Once payments have begun over a period certain, the period certain may not be lengthened even if the period certain is shorter than the maximum permitted; and
- (e) Annuity distributions must be paid in periodic payments made at intervals not longer than one (1) year.

4.7. Minimum death distribution provision.

(1) If the member dies after his required beginning date, as determined under section 4.6(2), or, if earlier, the date he commences an irrevocable annuity, any remaining benefit must continue to be distributed at least as rapidly as under the method of distribution in effect prior to the member's death.

(2) If the member dies before his required beginning date, as determined under subsection 4.6(2), distribution of the member's entire benefit shall be completed by December 31 of the calendar year containing the 5th anniversary of the member's death, unless an election is made to receive distributions in accordance with subsections (a) or (b) below.

(a) If any portion of the member's benefit is payable to a designated beneficiary, distributions may be made either (i) over the life of the designated beneficiary or (ii) over a period certain not greater than the life expectancy of the designated beneficiary commencing on or before December 31 of the calendar year immediately following the calendar year in which the member died.

(b) If the designated beneficiary is the member's spouse, the date distributions are required to begin in accordance with section (a) above shall not be earlier than the later of (i) December 31 of the calendar year immediately following the calendar year in which the member died, or (ii) December 31 of the calendar year in which the member would have attained age seventy and one-half (70 1/2).

If the member has not made an election pursuant to this section by the time of his death, the member's designated beneficiary must elect the method of distribution no

later than the earlier of (a) December 31 of the calendar year in which distributions would be required to begin under this section, or (b) December 31 of the calendar year which contains the 5th anniversary of the date of death of the member. If the member has no designated beneficiary, or if the beneficiary fails to elect a method of distribution, distribution of the member's entire interest must be completed by December 31 of the calendar year containing the 5th anniversary of the member's death.

If the surviving spouse dies after the member, but before payments commence, the above provisions, with the exception of subsection (b) above, shall be applied as if the surviving spouse were the member.

(3) The board shall, upon the member's written request, or in the case of a distribution described in subsection (2)(b) above, upon written request of the member's surviving spouse, may recalculate his and/or his spouse's life expectancy for purposes of calculating the minimum distribution. The member must make such an election not later than his required beginning date as defined in Section 4.62(2). A member's surviving spouse must make such an election no later than the December 31 date described in subsection (2)(b) above. This election is irrevocable. A recalculation election applicable to a joint life expectancy payment where the survivor is a nonspouse may not take into account any adjustment to any life expectancy other than the member's life expectancy. In the absence of a recalculation election, the system does not permit recalculation of applicable life expectancy.

4.8. TEFRA transitional rule.

(1) Notwithstanding the other requirements of this section, distribution on behalf of any employe may be made in accordance with all of the following requirements (regardless of when such distribution commences);

(a) The distribution by the trust is one which would not have disqualified such trust under Internal Revenue Code Section 401(a)(9), as in effect prior to amendment by the Deficit Reduction Act of 1984.

(b) The distribution is in accordance with a method of distribution designated by the employe whose interest in the trust is being distributed or, if the employe is deceased, by a beneficiary of such employe;

(c) Such designation was in writing, was signed by the employe or the beneficiary, and was made before January 1, 1984;

(d) The employe had accrued a benefit under the system as of December 31, 1983; and

(e) The method of distribution designated by the employe or the beneficiary specifies the time at which distribution will commence, the period over which distributions will be made, and in the case of any distribution upon the employe's death, the beneficiaries of the employe listed in order of priority.

(2) A distribution upon death will not be covered by this transitional rule unless the information [in the designation contains the required information] described above with respect to the distributions to be made upon the death of the employe.

(3) For any distribution which commences before January 1, 1984, but continues after December 31, 1983, the employee, or the beneficiary, to whom such distribution is being made, will be presumed to have designated the method of distribution under which the distribution is being made if the method of distribution was specified in writing and the distribution satisfies the requirements in subsections (1)(a) and (2) above.

(4) If a designation is revoked, any subsequent distribution must satisfy the requirements of Internal Revenue Code Section 401(a)(9) and the proposed regulations thereunder. If a designation is revoked subsequent to the date distributions are required to begin, the trust must distribute, by the end of the calendar year following the calendar year in which the revocation occurs, the total amount not yet distributed which would have been required to have been distributed to satisfy Internal Revenue Code Section 401(a)(9) and the proposed regulations thereunder, including the minimum incidental benefit requirements of proposed regulation section 1.401(a)(9)-2. Any changes in the designation will be considered to be a revocation of the designation. However, the mere substitution or addition of another beneficiary (one not named in the designation) under the designation will not be considered to be a revocation of the designation, so long as such substitution or addition does not alter the period over which distributions are to be made under the designation, directly or indirectly (for example, by altering the relevant measuring life).

4.9. Hearings before the pension board with respect to disability retirement.

(1) The board shall provide a hearing with respect to a petition filed by a member which is based upon a denial of disability retirement under sections 4.3 and 4.4. Such petition must be verified and filed with the board within thirty (30) days from the determination by the board denying such disability retirement, and such members shall request a hearing on such denial. The petition shall state the name and address of the member, the department in which he was employed, the date on which he entered active service, the date of the occurrence which is claimed as a basis for the disability retirement and a full explanation, in writing, of the facts which relate to such occurrence and which are claimed to support the member's right to a disability retirement allowance, including such other and pertinent information as the board deems necessary.

(2) Upon receipt of such verified petition, the board shall set a hearing on said petition and shall notify the member by registered mail, at least five (5) days prior to the hearing, with respect to the date, time and place when the hearing on the petition will be held.

(3) The hearing shall be convened before the board and, at such hearing, not less than four (4) members of the board shall be present.

(4) The board, after the hearing on the petition, shall make a finding based on the facts adduced at such hearing and such finding shall be made in such manner and form as the board determines to be appropriate. In making such finding, the board shall give due consideration to the requirements of section 4.3. Predicated upon the finding of the board, the board shall make a determination in writing as to whether disability retirement is warranted under the provisions of the employes' retirement system. A copy of the written findings, and of the board's determination, shall be forwarded to the member who filed the petition.

(5) The member filing a petition shall appear in person and may also be represented at the hearing by counsel. If the member selects counsel to appear at the hearing for and on his behalf, then the member shall state in writing who his counsel shall be.

(6) The board may examine, under oath, such persons as it believes has knowledge of the facts pertaining to the claim for disability retirement. The chairperson of the board, or any member of the board designated by the chairperson, may administer the oath to persons who shall appear before the board as witnesses, and the oath shall be in the form which is employed in the circuit court of the county.

(7) The board shall have charge of the procedure of the hearing and may determine the order of calling witnesses. It shall rule on the relevancy and pertinence of the evidence submitted at the hearing. The board may also devise procedures which are designed to make the hearing more expeditious and less time consuming, and the board's judgment as to the procedure to be employed shall be at its exclusive determination, and the board may promulgate rules relating to procedures with respect to hearings.

(8) The board, in its discretion, may permit oral arguments by the member or by the attorney, and may request a brief to be filed.

(9) When the board is fully advised in the premise, it shall make the determination with respect to the claimed disability, either granting it or denying it. At least four (4) members of the board shall approve the determination in order to make it effective and binding.

(10) Following the hearing and a determination made by the board, if the member who has filed such a petition deems himself aggrieved by the determination of the board, he may seek a review of such determination by filing a writ of certiorari with the circuit court of the county within thirty (30) days from the date of the board's determination, but not thereafter.

(11) The board may authorize an examiner or a committee of the board to hold hearings, make rulings, consider evidence, swear witnesses and make findings of fact, conclusions of law and order. Any party in interest, who is dissatisfied with the findings, conclusions or order of an examiner or a committee of the board, may file a written petition with the board as a body to review the findings, conclusions and order. If no petition is filed within twenty (20) days from the date a copy of the findings, conclusions and order of examiner or committee of the board was mailed to the member or his attorney, the findings, conclusions and order shall be considered the findings, conclusions and order of the board as a body unless set aside, reversed or modified by the board within such time. Within forty-five (45) days after the filing of such petition with the board, the board shall either affirm, reverse, set aside or modify such findings, conclusions or order, in whole or in part, or direct the taking of additional testimony. Such action shall be based on a review of the evidence submitted.

SECTION V. AMOUNT OF RETIREMENT BENEFIT

5.1. Normal pension.

(1) A member, other than a member covered by the terms of a collective bargaining agreement, a deputy sheriff or elected official, whose continuous membership began prior to January 1, 1982 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 rendered prior to January 1, 2010, other than as a member covered by the terms of a collective bargaining agreement, a deputy sheriff or elected official, and 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 January 1, 2010, other than as a member covered by the terms of a collective bargaining agreement, a deputy sheriff or elected official. A member, other than a member covered by the terms of a collective bargaining agreement, a deputy sheriff or elected official, whose continuous membership began after January 1, 1982 who meets the requirements for a normal pension shall receive an amount equal to one and one-half (1 1/2) percent of his final average salary multiplied by the number of his years of service rendered prior to January 1, 2010, other than as a member covered by the terms of a collective bargaining agreement, a deputy sheriff or elected official and shall receive an amount equal to one and six-tenth (1.6) percent of his final average salary multiplied by the number of his years of service rendered on and after January 1, 2010, other than as a member covered by the terms of a collective bargaining agreement, a deputy sheriff or elected official.

(2) A member covered by the terms of a collective bargaining agreement, other than a deputy sheriff, whose continuous membership began prior to January 1, 1982 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 a collective bargaining agreement member other than a deputy sheriff. A member covered by the terms of a collective bargaining agreement, other than a deputy sheriff, whose continuous membership began after January 1, 1982 who meets the requirements for a normal pension shall receive an amount equal to one and one-half (1 1/2) percent of his final average salary multiplied by the number of his years of service as a collective bargaining agreement member other than a deputy sheriff.

(3) A member who is a deputy sheriff whose continuous membership began prior to July 1, 1995 and who meets the requirements for a normal pension shall receive an amount equal to two and five-tenths (2.5) percent of his final average salary multiplied by the number of his years of service as a deputy sheriff. A member who is a deputy sheriff whose continuous membership began on or after July 1, 1995 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 a deputy sheriff. Incumbents of positions of chief investigator or investigator authorized in the office of the district attorney shall receive the same pension benefit as a deputy sheriff. Incumbents of the positions of airport fire chief, assistant airport fire chief, and fire fighter shall receive an amount equal to one and one-half (1 1/2) percent of their final average salary multiplied by the number of years of service for all service in these classifications prior to January 1, 1999, and two (2) percent of their final average salary multiplied by the number of years of service in these classifications for all service after December 31, 1998.

(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.

(5) If a member has service in more than one (1) of the foregoing job capacities, his pension shall be the sum of the amounts computed by multiplying his final average salary by the product of the foregoing benefit percentage for each such capacity and his service in each such capacity.

(6) If a member has service in one (1) or more of the foregoing job capacities as well as service as an employe of the state who receives part of his wage or salary from the county, his pension for service shall be equal to two and one-half (2 1/2) percent or two (2) percent respectively of his final average salary paid by the county multiplied by the number of years of service as an elected county or state official and two (2) percent or one and one-half (1 1/2) percent respectively multiplied by the number of years of service other than as an elected official.

(7) The pension payable to a member under the provisions of this section 5.1 shall not exceed eighty (80) percent of his final average salary increased by the post-retirement pension adjustment percentage in effect for each year of the member's continued employment after having accrued sufficient service to have become subject to the eighty-percent maximum percentage.

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 and who 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.

5.16. Back drop pension benefit.

The provisions of this section shall apply to any member whose application to retire is filed and effective after January 1, 2001; but shall not apply to any member of the employee retirement system who began membership in said system on or after March 15, 2002 or who is eligible for a deferred pension benefit under 201.24(4.5) or a disability pension benefit under 201.24(5.3), (5.31) or (5.4). The "back drop" pension

benefit under this section 5.16 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 elect to receive a "back drop" pension benefit. Upon retirement, a member may opt for a "back drop" pension benefit as follows:

(1) A member may request a monthly pension benefit based on accrued pension service credit and final average salary calculation as of a specific date in the past which shall be referred to as the "back drop date." The "back drop date" may not be prior to the earliest date that the member was eligible to retire, and shall not be less than one (1) year prior to the date the member leaves active county service. The monthly pension benefit the member was eligible to receive as of the "back drop date" shall be referred to as the "monthly drop benefit."

(2) The total amount of the "monthly drop benefit" payments the member would have received (including the annual two (2) percent pension increase) between the "back drop date" and the date the member is removed from the county payroll due to actual retirement (after exhausting all accrued time balances as documented by an ETCR form), plus interest earnings (compounded monthly) equal to the pension fund rate of return used by the ERS actuary, shall be referred to as the "total drop benefit."

(3) If the member opts for a "back drop" pension benefit:

a. The "total drop benefit" shall be paid to the member with appropriate deductions for state and federal taxes; or if permitted by IRS regulations, the member may "roll over" the "total drop benefit" to an IRA.

b. The "monthly drop benefit" shall be paid to the member.

(4) The standard pension options shall be available to a member who opts for a "back drop benefit", and the retention incentives incorporated into the pension benefit effective January 1, 2001 shall be included when calculating the "monthly drop benefit." Therefore, a member who opts for a "back drop benefit" with a "back drop date" prior to January 1, 2001 shall be eligible for the retention incentives which became effective as of January 1, 2001 based on continued service after January 1, 2001.

(5) A member who opted for a "back drop benefit" upon retirement and later returns to active service and is eligible to earn additional pension service credit, shall cease receiving the monthly drop benefit until the member once again terminates active service. Upon once again retiring, the member shall have any new service credit added to the service credit used to calculate the "monthly drop benefit", and the member's final average salary shall be recalculated to incorporate the most recent earnings.

5.17. Lump sum termination benefit.

A member whose membership in the Employee's Retirement System began prior to January 1, 1994 shall, upon commencing his/her pension from the Retirement, receive from the Retirement System a termination benefit equal to the member's total

unpaid sick hours accrued with the County multiplied by the applicable "hourly dollar rate." The County shall annually fund the entire estimated cost of this benefit regardless of and separate from any surplus funding in the Retirement. The lump sum termination payment shall be paid in a single lump sum or a direct rollover (if eligible), as elected by the member. The amount shall be paid as soon as administratively feasible but no later than thirty (30) days after the employe leaves the County payroll, as shown by a completed ETCR form.

5.2. Early pension.

A member who meets the requirements for an early pension shall receive an amount which shall be computed in the same manner as a normal pension, considering his earnable compensation and service prior to retirement. If payment of an early pension commences prior to the member's normal retirement date, the monthly amount shall be reduced by five-twelfths of one (1) percent for each month (i.e. five (5) percent for each full year) in the period between the date as of which the pension begins and his normal retirement date.

5.3. Accidental disability pension.

A member who meets the requirements for an accidental disability pension shall receive an amount computed in the same manner as a normal pension considering his earnable compensation and service prior to retirement, but no less than seventy-five (75) percent of his final average salary.

5.31. Accidental disability pension for nonrepresented officers and employes.

Notwithstanding the provisions of section 5.3, a member who is a nonrepresented officer or employe and who meets the requirements for an accidental disability pension shall receive an amount computed in the same manner as a normal pension considering earnable compensation and service prior to retirement, but no less than sixty (60) percent of his final average salary.

All accidental disability pensions computed under this paragraph shall be converted at age sixty-two (62) to a retirement based on years of service. A member shall be credited with years of active service plus years of presumed service while on accidental disability pension to age sixty-two (62) when conversion occurs.

(County clerk note: An ordinance change to accidental disability benefits for nonrepresented officers and employes was adopted on February 19, 1987, J. Proc. p. 186--187, published March 19, 1987. The effective date and application of these changes to section 5.31 is conditioned upon certain contingencies which are listed as follows: This ordinance shall become effective following passage and publication and on the date that any salary adjustment for 1987 for nonrepresented employes is to take effect, but its future application involving nonrepresented officers and employes shall not take effect as to any member either presently receiving an accidental disability pension under section 5.3 nor as to any member who has sustained an accident occurring prior to the language change accomplished within section 4.3 by adoption of an ordinance on December 18, 1986, whereby eligibility would have existed under the former language in such ordinance before the date of publication and language change.)

5.4. Ordinary disability pension.

A member who meets the requirements for an ordinary disability pension shall receive an amount computed in the same manner as a normal pension considering his earnable compensation and service prior to retirement, but not less than twenty-five (25) percent of his final average salary.

5.5. Deferred vested pension.

A member who meets the requirements for a deferred vested pension shall receive an amount computed in the same manner as a normal pension considering his earnable compensation and service prior to retirement. If payment of a deferred vested pension commences prior to the member's normal retirement date, the monthly amount shall be reduced by five-twelfths of one (1) percent for each month (i.e. five (5) percent for each full year) in the period between the date as of which the pension begins and his normal retirement date.

5.6. Minimum pension.

The pension of an employe who is a member on December 24, 1967 shall in no event be less than the amount which would have been payable to him under the system as in effect on December 23, 1967 had the system continued in effect without change until the member's date of retirement after making an appropriate allowance for changes, if any, in the member's mandatory contribution rate made by this ordinance.

5.7. Post-retirement pension adjustment.

Each year after retirement, effective on the first day of the month in which a retired member reaches the anniversary of his retirement date, his monthly pension shall be increased by one and one-half (1 1/2) percent of the amount paid him for the first full month of his retirement. In the event that the member has elected option 2, the percentage increase shall be applied to the reduced pension. On the member's death, the accumulated percentage increases during his retired life plus an additional one and one-half (1 1/2) percent per year shall be applied to the payments of his beneficiary. Commencing with the calendar year 1971, the percentage of increase in the monthly pension shall be two (2) percent instead of one and one-half (1 1/2) percent.

This section shall apply with retroactive effect to all persons retiring after December 24, 1967.

The monthly pension payable to a survivor under section 6.4 shall be increased each year by two (2) percent of the first full monthly benefit. This provision shall be retroactive to July 15, 1969.

5.8. Retirees prior to December 24, 1967.

Commencing with the month of July 1970, the monthly pension payable to members who retired prior to December 24, 1967, or to their beneficiaries, shall be increased by three (3) percent, and commencing with the month of January 1971, by five (5) percent. In the month of January of each succeeding year, the pension shall be

increased by two (2) percent of the monthly pension paid to such member or beneficiary for the month of June 1970.

On or before the first day of July 1970, each member who retired prior to December 24, 1967, or the beneficiary of such member, shall receive a lump sum payment of thirty-six (36) percent of the monthly pension payable to such member or beneficiary for the month of June 1970, being the amount of the post-retirement adjustment such member or beneficiary would have received if the provisions of section 5.7 had been applicable during the period from December 24, 1967 to July of 1970.

5.9. Sheriffs' annuity and benefit fund retirees prior to December 22, 1968.

Commencing with the month of September 1970, the monthly pension payable to members of the sheriffs' annuity and benefit fund who retired prior to December 22, 1968, and the monthly pension payable to widows of members of the sheriffs' annuity and benefit fund, shall be increased by three (3) percent, and commencing with the month of January 1971, by five (5) percent. In the month of January of each succeeding year, the pension shall be increased by two (2) percent of the monthly pension paid to such member or widow for the month of August 1970.

On or before the first day of August 1970, each member of the sheriffs' annuity and benefit fund who retired prior to December 22, 1968, and each widow of a member of the sheriffs' annuity and benefit fund, shall receive a lump sum payment of twenty-one (21) percent of the monthly pension payable to such member or widow for the month of September 1970, being the amount of the post-retirement adjustment such member or beneficiary would have received if such adjustment had been in effect during the period from December 22, 1968 to September of 1970.

5.10. [Paid health insurance.]

Members who retire with sufficient pension service credit as noted in chapter 17 of the Code, or the appropriate labor agreement, shall be provided with paid health insurance as noted in chapter 17 of the Code, however such benefit shall not be funded via the pension fund.

SECTION VI. OTHER BENEFITS

6.1. Accidental death benefit for deputy sheriffs.

If the death of a member who is a deputy sheriff occurs in active service as the natural and proximate result of an accident occurring at some definite time and place while the member was in the actual performance of duty, as determined by the board on the basis of acceptable evidence presented to it, the board shall grant a survivorship pension equal to fifty (50) percent of the final average salary of such deceased member:

- (a) To a surviving spouse for life or until remarriage.
- (b) If there be no surviving spouse, or if the surviving spouse dies or remarries before every child of such deceased member attains the age of eighteen (18) years, then to his child(ren) under said age divided in such manner as the board in its discretion shall determine, to continue as a joint and survivor pension until every such child dies or attains said age; or
- (c) If there be no surviving spouse or child under the age of eighteen (18) years surviving such deceased member, then to his dependent father or mother, as the deceased member shall have nominated by written designation duly acknowledged and filed with the board; or if there be no such nomination, then to his dependent father or to his dependent mother as the board in its discretion shall direct, to continue for life.
- (d) The monthly benefit payable hereunder to a spouse or child shall at no time be less than the amount of the monthly benefit to which they would have been entitled under section 6.2 if death had not occurred in performance of duty.

6.2. Ordinary death benefit for deputy sheriffs.

Upon the death of a deputy sheriff in active service prior to satisfying the applicable age and service eligibility requirements for a normal pension (as described in section 4.1) after completing at least one (1) year of service if a benefit is not payable under section 6.1, his surviving dependent spouse or child shall be entitled to receive the benefits set forth in section 6.4.

6.3. Lump sum benefit upon death.

Upon the receipt of proper proofs of the death of a member, if such member has completed one (1) or more years of creditable service, and no survivors' benefits are payable under sections 6.1, 6.2, 6.4 or 7.1, there shall be paid a lump sum benefit of one-half the final average salary of such deceased member, but not to exceed two thousand dollars (\$2,000.00). The member may designate as beneficiary a trustee(s) named or to be named by will.

6.4. Survivor pensions for members other than deputy sheriffs.

In the event of the death of a member in active service prior to satisfying the applicable age and service eligibility conditions for a normal pension (as described in

section 4.1) and after completing at least one (1) year of service, his surviving dependent spouse or child shall receive a survivor pension. The pension to a dependent spouse shall be payable for life or until remarriage. The pension to a child shall be payable until the child reaches age eighteen (18) or marries, or until attainment of age twenty-two (22) while not married and a full-time student in attendance at an educational institution including periods of nonattendance not in excess of four (4) months and in accordance with such rules and regulations as may be established by the board from time to time.

A dependent spouse is a spouse of a member:

- (a) Who is over age sixty (60) or who is under age sixty (60) and has a child who is eligible for a pension hereunder.
- (b) Who was married to the member at least one (1) year prior to his death.

The monthly pension payable to a dependent spouse prior to age sixty (60) and while with a child eligible for a pension hereunder shall be forty (40) percent of the rate of monthly salary of the member paid by the county for the year of his death less monthly survivors benefits payable to such spouse under the federal social security law. Commencing with the month immediately following attainment of age sixty (60) a dependent spouse shall be paid a monthly pension equal to fifty (50) percent of the normal pension which would have been payable to the member if his service had continued to the date he would have satisfied the applicable age and service eligibility conditions for a normal pension (as described in section 4.1) with the same final average salary as determined at the date of his death.

The monthly pension payable to an eligible child shall be equal to ten (10) percent of the rate of monthly salary of the member paid by the county for the year of his death less social security benefits payable to the child under the federal social security law, provided that if there are more than five (5) eligible children, the children's pension shall be reduced pro rata so that the total of the dependent spouse's pension and the pensions payable to the children, when added to monthly survivors benefits payable to them from federal social security, does not exceed ninety (90) percent of the rate of monthly salary of the member paid by the county. The social security laws in effect as of the date of death of the member shall be used in determining the social security benefits payable to the surviving spouse and children.

The monthly pensions provided herein for a dependent spouse and children shall not be payable where a member has designated a beneficiary(ies) to receive in lieu of the monthly pensions a lump sum payment of the balance in his membership account plus the death benefit payable under section 6.3.

6.5. Election by surviving spouse at age sixty.

A surviving spouse eligible to receive a pension under the provisions of section 6.4 at age sixty (60) may in lieu thereof elect to receive payment of the balance in the member's membership account and any death benefit payable under section 6.3, less any payments made under the provisions of section 6.4.

SECTION VII. OPTIONAL RETIREMENT BENEFITS

7.1. Optional benefits.

By filing an application with the board prior to the date on which his pension is due to commence a member may elect to convert his pension into another form in accordance with the following options:

Option 1. A reduced pension payable during his life, with the provision that the balance in his accumulated membership account as of the date of his retirement over the payments he has received that are attributable to that account, disregarding any post-retirement pension adjustment, shall be paid to his beneficiary.

Option 2. A reduced pension payable during his life, with the provision that after his death pension at one-half (1/2) of his reduced pension shall be continued during the life of and shall be paid to his beneficiary.

Option 3. A reduced pension payable during his life, with the provision that after his death it shall continue in the same amount during the life of and shall be paid to such beneficiary as he shall have nominated by written designation duly executed and filed with the board at the time of retirement.

The aggregate of the pension payments expected to be paid to the member under option 1 or to the member and his contingent pensioner under option 2 or 3 shall be the actuarial equivalent of the pension which the member is otherwise entitled to receive upon retirement.

Any member in active service who has attained age fifty-five (55) and has completed thirty (30) years of service or has attained age sixty (60), or who, pursuant to section 4.1 or a collective bargaining agreement, is eligible for a pension, or if a deputy sheriff has either attained age fifty-seven (57), or attained age fifty-five (55) and completed fifteen (15) years of service, [he] may elect a protective survivorship option by selecting option 2 or 3 in the manner hereinafter set forth, which option shall then become effective at his death with the same force and effect as if such member had retired under such option immediately prior to his death. The election of such option shall be in writing on a form prescribed by the board and may be revoked at any time prior to retirement. If the designated beneficiary shall die or if the designated beneficiary is the member's spouse and a divorce is granted prior to the member's retirement, the election shall be automatically revoked. If any member eligible to elect an option shall die in active service, without electing an option, his surviving spouse shall be paid a survivorship pension equal to the amount that would have been payable if such member had retired under option 3 immediately prior to his death except where the member has designated a beneficiary to receive in lieu of the survivorship pension payable under option 3 a lump sum payment of the balance in his membership account plus the death benefit payable under section 6.3.

The foregoing provision shall apply with retroactive effect to all employees who died in active service since July 15, 1969, provided, however, that any spouse who has received a lump sum benefit shall not be entitled to a pension unless such lump sum is repaid on or before June 1, 1972.

During any month in which a survivor's pension is payable under section 6.1 or 6.4 the amount of the survivorship pension payable under this section shall be reduced by such amounts.

7.2. Other forms of payment.

The board may, in its sole discretion, at the request of a member or contingent pensioner, direct that any benefit provided by the system be paid in some form other than that expressly set forth in the system, provided that payments in such other form shall be the actuarial equivalent of the benefit otherwise payable. The board shall, if it deems it appropriate, require a member or contingent pensioner to submit evidence of good health as a condition to receipt of any such other form of payment particularly any lump sum payment.

Notwithstanding anything herein to the contrary, if the actuarial value of a member's benefit under any optional benefit is less than fifty (50) percent of the value of the benefit otherwise payable to the member, the optional benefit shall be adjusted so that the value of the member's benefit under the option will be equal to fifty (50) percent of the value of the benefit otherwise payable to the member.

SECTION VIII. ADMINISTRATION

8.1. Pension board.

The general administration and responsibility for the proper operation of the retirement system and for making effective the provisions of this ordinance are hereby vested in a pension board which shall be organized immediately after the first four (4) members provided by in this section have qualified and taken the oath of office.

Prior to confirmation, and during incumbency, an appointee must either possess "financial literacy" as the United States Securities and Exchange Commission defines as "the ability to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement," or must meet one of the following qualifications: (1) a minimum of five (5) years of recent work experience in the financial industry, or, a minimum of five (5) years of recent work experience in the finance division of an organization; or (2) an advanced degree applicable to the financial industry or be licensed as a certified public accountant, certified managerial accountant, certified financial planner, or certified financial advisor.

In addition, neither an appointee, nor any family member of the appointee, shall be a participant in, or beneficiary of the employees retirement system. An appointee shall not have relationships or ties to any provider of services to the employees retirement system or pension board. Examples of a provider of service shall include but not be limited to, investment consultants, investment managers, actuaries, or attorneys.

8.2. Membership.

Members shall not serve more than two (2) consecutive three-year terms. A member having served two (2) terms may be eligible for reelection or reappointment after not having been a member for at least three (3) years from the last date of service on the board. If reappointed or reelected, the members must adhere to the same term limitation of two (2) consecutive three-year terms.

None of the appointed members of the pension board, nor any family members of the appointed members of the pension board shall be participants in, or beneficiaries of the Milwaukee County Employee Retirement System. None of the appointed members of the pension board shall have relationships or ties to any provider of services to the Milwaukee County Retirement System, Milwaukee County Pension Board, or the Milwaukee County Pension Study Commission.

The membership of the board shall consist of the following:

(a) Three (3) members to be appointed by the county executive (subject to confirmation by two-thirds ($2/3$) or more of the members-elect of the county board), for a term of three (3) years.

Two (2) members appointed by the county board chairperson (subject to the confirmation of the county board and to county executive approval or veto, with proceedings on veto), for a term of three (3) years

(b) Four (4) elected members consisting of three (3) employee members and one (1) retired member who shall be members of the system and who shall be elected by members of the system except for the retiree member who shall be elected by retired members only for terms of three (3) years. The board may

adopt rules and regulations governing such election including a division of county employees into groups for the purpose of electing one (1) employee member of the board from among the employees of each group. Appointing authorities shall ensure that the employee members of the pension board are released from their work assignment to attend meetings of the pension board and any other meeting related to pension board business for which public notice is required which occurs during their regularly scheduled work shift.

8.3. Vacancy; how filed.

If a vacancy occurs in the office of a board member, the vacancy shall be filled for the unexpired term in the same manner as the office was previously filled.

8.4. Oath of office.

Each member of the board shall, within ten (10) days after his appointment or election, take an oath of office that, so far as it devolves upon him he will diligently and honestly administer the affairs of the board and that he will not knowingly violate or willingly permit to be violated any of the provisions of law applicable to the retirement system.

8.5. Decision vote.

Each member of the board shall be entitled to one (1) vote in the board. Five (5) votes shall be necessary for a decision by the members of board at any meeting of the board.

8.6. Rules and regulations.

Subject to the limitations of this ordinance, the board shall, from time to time, establish rules and regulations for the administration of the funds created by this ordinance and for the transaction of its business.

8.7. Service credited.

The board shall fix and determine by appropriate rules and regulations how much service in any year is equivalent to one (1) year of service, but in no case shall more than one (1) year of service be creditable for all service in one (1) calendar year, nor in any case shall the board allow credit as service for any period of more than one (1) month's duration during which the employe was absent without pay.

8.8. Officers and employes; expenses.

The board shall elect from its membership a chairperson and shall by a majority vote of all its members appoint a secretary, who may be, but need not be, one of its members. It shall engage such actuarial and other services as shall be required to transact the business of the retirement system. The compensation of all persons engaged by the board and all other expenses of the board necessary for the operation of the retirement system shall be paid at such rates and in such amounts as the board shall approve.

8.9. Data required.

The board shall keep in convenient form such data as shall be necessary to actuarial valuation of the various funds of the retirement system, and for checking the experience of the system.

8.10. Records; publication.

The board shall keep a record of all of its proceedings which shall be open to public inspection. It shall publish annually a report showing the fiscal transactions of the retirement system for the preceding year, the amount of the accumulated cash and securities of the system, and the last balance sheet showing the financial condition of the system as disclosed by an actuarial valuation of the assets and liabilities of the retirement system.

8.11. Legal advisor.

The county corporation counsel shall be the legal advisor of the board. Whenever the county corporation counsel deems it necessary to obtain the services of private legal counsel to advise the board, the county corporation counsel shall follow the provisions of section 56.30(5) of the General Ordinances of Milwaukee County.

8.12. Medical board.

The board shall designate a medical board to be composed of three (3) physicians not eligible to participate in the retirement system. If required, other physicians may be employed to report on special cases. The medical board shall arrange for and pass upon all medical examinations required by the retirement system, shall investigate all essential statements and certificates by or on behalf of a member in connection with an application for disability retirement and shall report in writing to the board its conclusions and recommendations upon all the matters referred to it.

8.13. Actuary.

The board shall designate an actuary who shall be the technical advisor of the board on matters regarding the operation of the funds created by the provisions of this ordinance, and shall perform such other duties as are required in connection therewith.

8.14. Tables and rates.

As of the date of the establishment of the retirement system the actuary shall make such investigation of the mortality, service and compensation experience of the members of the system as the board shall authorize, and on the basis of such investigation he shall recommend for adoption by the board such tables and such rates as are required in section 8.15. The board shall adopt tables and certify rates, and as soon as practicable thereafter, the actuary shall make a valuation based on such tables and rates, of the assets and liabilities of the funds created by this ordinance.

8.15. Periodic valuations, tables and rates thereon.

At least once in the three-year period after the establishment of the retirement system and at least once in each five-year period thereafter, the actuary shall make an actuarial investigation into the mortality, service and compensation experience of the members and beneficiaries of the retirement system, and shall make a valuation of the assets and liabilities of the funds of the system, and taking into account the results of such investigation and valuation, the board shall adopt for the retirement system such mortality, service and other tables as shall be deemed necessary.

8.16. Annual valuations by board.

On the basis of such tables as the board shall adopt, the actuary shall make an annual valuation of the assets and liabilities of the funds of the retirement system.

8.17. Other powers.

The board shall have the power to construe and interpret the system, decide all questions of eligibility and determine the amount, manner and time of payment of any benefits and reasonable administrative expenses hereunder. The board may, in its discretion, deny membership to any class of employees whose compensation is only partially paid by the county or who are serving on a temporary or other than per annum basis, and it may, in its discretion, make optional with persons in any class their individual entrance into membership.

The pension board shall be given no less than thirty (30) days to comment in writing to the county executive and the county board upon the fiscal impact of proposed benefit changes referred from the county board. The pension board may request of the county board an extension of time to comment. In making its referral, the county board shall make full disclosure to the pension board of all actuarial information utilized in the proposed benefit changes.

8.18. Accounting.

The county shall establish and maintain an adequate system of accounts and records for the system which shall be integrated with the accounts, records and procedures in effect to the end that the system shall operate most effectively and at minimum expense and duplication. Two (2) accounts shall be maintained to record member contributions as follows:

(1) A membership account shall be maintained for each member to which shall be credited his required contributions, creditable county contributions, as well as income pertaining thereto and to which related disbursements shall be charged.

(2) A savings account shall be maintained for each member to which shall be credited the balance of his voluntary contributions to the system (under section 201.08(1)(d) and (e)) as of December 24, 1967 as well as his voluntary contributions on and after such date, and the income and disbursements pertaining thereto.

Savings accounts of members of group A, under the system prior to December 24, 1967, shall be credited as of December 24, 1967, with an amount equal to the balance which would have accumulated to such date had they elected to join group B as of January 1, 1958, and had their required contribution after such date been reduced in accordance with section 201.08(1)(e).

8.19. Certification by county agency.

The head of each county agency shall certify to the board on each and every payroll or in such manner as the board may prescribe, the amounts of contributions to be made pursuant to section 3.3 which shall be paid into the appropriate employee membership accounts.

8.20. Amounts due the county.

Upon notice from the civil service commission that a member who has terminated his employment for reason other than death or retirement is indebted to the county because of an overpayment of wages or salary, the secretary shall withhold from the refund payable to the employe under the provisions of section 3.5 an amount sufficient to pay the indebtedness due the county.

8.21. Delegation of authority.

The secretary of the pension board is delegated the authority to implement all collective bargaining agreements which amend any provision with this ordinance governing the employes' retirement system or which create new benefits or result in different computations for entitlements as such relates to the members of specific collective bargaining unit. All provisions of such collective bargaining agreements as applicable to specific members and relating to the employes' retirement system are hereby incorporated by reference within this ordinance for the purpose of this delegation of authority.

8.22. Professional services other than legal services.

(1) The definitions contained in section 56.30(1) of the General Ordinances of Milwaukee County, as amended, are incorporated herein by reference and shall apply to this section.

(2) The provisions of section 56.30(5)(a), (b), and (c) of the General Ordinances of Milwaukee County, as amended, are incorporated herein by reference. The provisions of that section applicable to Milwaukee County department

administrators shall govern the actions of the ERS and the board when soliciting and entering into contracts to provide professional services other than legal services to the ERS or to the board.

(3) No contract for professional services subject to this section shall be for a period greater than five (5) years.

SECTION IX. MANAGEMENT OF FUNDS

The funds of the retirement system, which, when taken in the aggregate shall constitute a special trust fund to be held in reserve as provided in this ordinance for the payment of benefits and for defraying the reasonable expenses of administering the retirement system shall be managed as provided below.

9.1. Investment of funds; care required.

The board shall be the trustees of the several funds of the system and may invest the funds within the limits of the following standards:

(a) In acquiring, investing, reinvesting, exchanging, retaining, selling and managing said funds, the board shall exercise the judgment and care under the circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital. Within the limitations of the foregoing standard the board is authorized to acquire and retain every kind of property, real, personal or mixed, and every kind of investment, specifically including, but not by way of limitation, bonds, debentures and other corporate obligations, stocks, preferred or common, and shares of investment companies and investment trusts, which persons of prudence, discretion and intelligence acquire or retain for their own account.

(b) Notwithstanding the provisions of subsection (a), the board shall not purchase or otherwise invest in common stocks if the percentage of the several funds of the system invested in common stock immediately after such purchase or investment will exceed seventy-five (75) percent of the total market value of the funds of the system. This limitation shall not require, however, the sale or other liquidation of a portion of the retirement system's holdings of common stocks even though at any given time the market value of the common stock investments of the retirement system exceeds seventy-five (75) percent of the total market value of all the funds of the system, or to prevent the reinvestment of the proceeds of the sale or other disposition of common stocks in other common stocks even though at the time the market value of the common stock investments of the retirement system exceeds seventy-five (75) percent of the total market value of the funds of the system. The board may rely upon published market quotations as to those investments for which such quotations are available, and upon such valuation of other investments as are fair and reasonable according to available information.

9.2. Transfers of property; reinvestment of funds.

The board shall have full power to make all transfers and conveyances of any securities or property in which it may from time to time invest and reinvest the several funds of the system or any part thereof, and no purchaser(s) shall be responsible for the application of the purchase money or other avails received by or for said board.

9.3. Interest.

The board annually shall allow interest on employe membership and voluntary savings accounts for the preceding year except that interest allowed on employes' voluntary savings accounts shall be computed semiannually on the balance as of the beginning of the semiannual periods. The amounts so allowed shall be charged to earned income from investments of the retirement system. Any additional amount required to meet the minimum interest creditable shall be paid by the county. Interest shall mean such rate as determined by the board on the basis of the interest earnings of the system for the preceding year and of the probable earnings to be made, in the judgment of the board, during the immediate future, such rate to be limited to a minimum of three (3) per centum.

9.4. Custodian of funds; withdrawals.

The treasurer of the county shall be the custodian of the several funds of the retirement system, except that the board may provide for custody by an appropriate entity of any of its funds and securities in a manner which it deems prudent.

9.5. Interest in or use of fund.

Except as herein provided no member of the board and no employe of the board shall have any interest, direct or indirect, in the gains or profits of any investment made by the board, nor as a member of the board directly or indirectly receive any pay or emolument for his service. No member of the board or employe thereof shall directly or indirectly, for himself or as an agent, in any manner use the funds or deposits of the retirement system except to make such current and necessary payments for benefits and for defraying the reasonable expenses of administering the retirement system as are authorized by the board; nor shall any member or employe of the board become an endorser or surety or in any manner an obligor for monies loaned or borrowed from the board.

SECTION X. REEXAMINATION OF MEMBERS RETIRED FOR ORDINARY OR ACCIDENTAL DISABILITY

10.1. Periodic medical examination.

Once each year during the first five (5) years following retirement of any disability pensioner and once in every three-year period thereafter, the board may require such disability pensioner, if he has not attained the minimum age for normal retirement, to submit to a medical examination by a physician(s) of or appointed by the medical board. Should any such disability pensioner refuse in any such year or period to undergo at least one (1) such medical examination, his allowance may be discontinued until he consents to the examination; and should the refusal continue for one (1) year, all rights in and to the pension may be revoked by the board.

10.2. Adjustment of allowance.

Should the board upon recommendation of the medical board deem that any disability pensioner is engaged in or is able to engage in gainful occupation paying more than the difference between his final average salary at the time of retirement and his pension, then the pension should be reduced by the amount of such excess. Should his earning capacity be later changed, the amount of his pension may be further modified; provided that the new pension shall not exceed the amount of pension granted at the time of retirement, nor an amount which when added to the amount earnable by the retired member together with his pension equals the amount of his final average salary at retirement. In determining any adjustment of the pension as aforesaid, the term final average salary shall be defined in accordance with the provisions of section 2.8 of this ordinance or as the maximum salary or compensation which the disability pensioner currently would be receiving in the position from which he was last retired, whichever is greater, provided, however, that if the position from which he was so retired has been abolished, the board, upon the basis of salary or compensation currently paid by the county to persons in similar or comparable positions, shall determine for the purpose of this subsection the maximum amount of salary or compensation which such disability pensioner would be receiving in such position.

10.3. Who not to become members.

Should any disability pensioner be restored to active service at a salary less than his final average salary at the time of retirement he shall not become a member at that time. No disability pensioner restored to active service after attaining the minimum age for normal retirement shall become a member.

10.4. Membership restored.

Should any disability pensioner be restored to active service prior to attaining the minimum age for normal retirement and at a salary equal to or greater than his final average salary at the time of retirement, or should any disability pensioner be at any time in active service prior to attaining the minimum age for normal retirement at a salary equal to or greater than his final average salary at the time of retirement, his disability retirement pension shall cease, and he shall again become a member of the retirement system and shall contribute thereafter at the same rate at which he contributed prior to

his disability retirement. Upon his subsequent retirement he shall be credited with all his membership service on the basis of which his pension was computed at the time of his disability retirement, but should he be restored to active service within three (3) years of his minimum normal retirement age, his pension upon subsequent retirement shall not exceed the sum of the pension which he was receiving immediately prior to his last restoration to membership and the pension that he would have received on account of his service since such last restoration had he first become a member at that time.

SECTION XI. MISCELLANEOUS

11.1. Reemployment of former members.

Should any member who terminated and withdrew his membership account return to active service, his service credits which he had at the time of such separation shall be restored to him, provided he renders two (2) years of service subsequent to his restoration to membership and provided further that within the two-year period or on or before December 31, 1971, whichever date is later, he redeposits the amount of any accumulated contributions withdrawn from his membership account at the time of his separation from the service, with interest thereon to date of redeposit. If he does not elect to restore his prior service credit by redepositing his accumulated contribution during said period of employment, the prior service credits shall be cancelled and service credited only from the date his most recent reemployment period commenced. Any person who was an employe of the county on June 4, 1937, but did not elect to become a member until a later date, may receive credit for his service as a county employe prior to his membership by depositing in his membership account before January 1, 1970, the contributions which he would have made as a member during the period from June 3, 1937, to the date he become a member together with interest to date of deposit.

Should any member who is eligible to receive a deferred vested pension under section 4.5 return to active service, he shall again become an active member of the retirement system and shall resume contributions. Upon his subsequent retirement, he shall be credited with all the service giving rise to his deferred vested pension benefit as well as his service as a member subsequent to his reemployment for purposes of redetermining the amount of his pension.

Any member who terminated and withdrew his accumulated contributions because of membership in the sheriffs' annuity and benefit fund of the county shall have restored to him all service credits which he had at the time of such termination, provided that within one (1) year from July 9, 1969, he redeposits the amount of any accumulated contributions withdrawn at the time of his termination with interest thereon to the date of redeposit.

Notwithstanding the foregoing, members may not redeposit under this section 11.1 accumulated contributions previously refunded to the member under section 3.11.

11.2. Reemployment of retired members.

Should a member receiving a pension under the provisions of this system be restored to active service, his pension shall cease, he shall again become a member of

the retirement system, and resume contributions. Upon his subsequent retirement, he shall be credited with all the service giving rise to his pension payment as well as his service as a member subsequent to his reemployment for purposes of redetermining the amount of his pension. If the member received pension payments prior to his normal retirement date, the amount of his redetermined pension shall be reduced by the actuarial equivalent of these payments.

11.3. Benefits to previously retired members.

Effective on December 24, 1967, retirement allowances payable to or on behalf of beneficiaries who retired prior to such date shall be payable without the reductions under subsections 201.05(1)(g), (2)(ba)4, (2)(d)4 and (3)(c), of the Code.

11.4. County-city transfers.

(a) Any person who is a member of either the county or City of Milwaukee retirement system who within sixty (60) days after termination of employment transfers from employment in either the county or city, as the case may be, without receiving any withdrawal benefits from either the city or county retirement system, shall be entitled to receive a retirement allowance which shall be computed in the following manner, except as otherwise noted in section 11.4(b) hereof:

1. It is the intention of this section that any person transferring as stated in subsection (a) above shall not suffer any diminution of the normal retirement benefit he had accrued in the system from which he has transferred. The service credit to which he is entitled shall be as provided in subsection (c) below. The formula for the calculation of such benefit shall be as follows:

County portion: Amount as provided in section 5.1 hereof multiplied by the number of years, or fractions thereof, of service credit accrued in county service; plus,

City portion: Amount as provided in section 36.05(1) of the employes' retirement system of the City of Milwaukee at the time he left the city service multiplied by the number of years, or fractions thereof, of service credit accrued in city service.

For employes transferred to the county after January 1, 1982 the final average salary as used in the above city and county portion calculations shall be the average annual earnable compensation for the five (5) consecutive years of service during which the member's earnable compensation was the highest under either city or county systems or the combination of both systems.

2. The final average salary of such person in the retirement system to which he has transferred shall be the base to which is applied the formula;

3. The aggregate creditable service including all service credit shall be the number of years or fraction of years of such service allowable under the respective provisions of both the county or city retirement system, as

the case may be, together with the years of service or part thereof in the retirement system to which such person transferred.

4. The retirement system from which such person transferred shall contribute toward the retirement benefit computed as hereinbefore set forth as follows: Such contribution shall be prorated upon the basis of the total service earned by virtue of the service in the system from which the member transferred to the total service as provided for in paragraph 3 of this subsection.

5. In the event an entire department or a substantial number of employees in a department are transferred from city to county, or vice versa, then under such circumstances the method of contribution by the retirement system from which such employee transferred shall be handled at the time of transfer on a basis satisfactory to both systems and the method of contribution by the respective pension systems may be altered in that event, but this shall not affect the other provisions hereof.

(b) Any person who is transferred from the city system to the county system under this section and whose retirement occurs within five (5) years of the date of transfer shall receive an allowance on account of his service prior to the date of transfer which shall not be greater than the allowance he would have received on account of his service to the date of transfer if he had remained a member of the system from which he transferred. He shall also be entitled to and receive an allowance on account of his service subsequent to such transfer.

(c) The aggregate creditable service including all service credit shall be the number of years or fraction of years of such service allowable under the respective provisions of both the county or city retirement system and be used to determine qualification for all retirement benefits.

(d) Any person who is a member of the City of Milwaukee retirement system who after sixty (60) days of termination of employment with the city becomes employed by the county without receiving any withdrawal benefits from the city retirement system, shall be entitled to have his/her city pension service credit counted toward vesting in the county pension system and toward eligibility for receipt of a county pension based on the formula in effect as of the date he/she commenced employment with the county.

11.41. Calculation of county benefits under state law for certain former state or City of Milwaukee members.

Any member of the employees' retirement system who meets the requirements of s. 40.30, Wis. Stats. and has creditable pension service with the state or the City of Milwaukee pension systems may elect to have his/her pension benefit from the county employees' retirement system calculated in accordance with the provision of s. 40.30, Wis. Stats. Also, all pension service credit earned by an employee in the city or state pension systems prior to becoming a member of the county employees retirement system shall immediately be credited toward vesting in the county system. Upon retirement from the county pension system an employee eligible under this section shall have a benefit from the county based upon the formula then in effect for any individual who became a member of the system as of the date the employee eligible under this section became a member of the system.

11.5. Extension of benefits.

The provisions of section 3 of chapter 432, Laws of 1945, are extended so that the benefit contract of each member of a retirement system established under either chapter 201 or 396, Laws of 1937, shall be amended by this ordinance by making the provisions hereof which apply to the system of which he is a member a part of his contract on the effective date of this ordinance.

11.6. Guaranty and supervision.

The creation and maintenance of reserves as provided for, and interest creditable as provided for to the various funds, and the payment of all pensions, refunds and other benefits granted under the provisions of this ordinance, and all expenses in connection with the administration and operation of the retirement system are hereby made obligations of the retirement system. The retirement system shall be subject to periodic examinations by the insurance department of the state, for the purpose of insuring that the technical features of this ordinance are observed. The legal title to the funds of the retirement system shall be in the retirement system created by this ordinance and shall be held by it in trust for the purposes for which they were contributed under this ordinance, and no amendment to the ordinance shall reduce the benefits of any member below those which can be provided by the reserves of the system held in his account, nor shall the reserves held on account of any member be diluted by the addition of new members of annuitants receiving the benefits of any members.

11.7. Exemption of funds and benefits from taxation, execution and assignment.

All moneys and assets of the retirement system and all benefits and pensions and every portion thereof, both before and after payment to any member or beneficiary, granted under the retirement system shall be exempt from any state, county, or municipal tax, and from attachment or garnishment process, and shall not be seized, taken, detained or levied upon by virtue of any executions, or any process or proceeding whatsoever issued out of or by any court of this state, for the payment and ratification in whole and in part of any debt, claim, damage, demand or judgment against any member of or beneficiary under the retirement system, and no member of or beneficiary under the retirement system shall have any right to assign his benefit or allowance, or any part thereof, either by way of mortgage or otherwise, provided, however, that the pension board may at its option and under rules and regulations promulgated by it permit retired members to assign a portion of their pension for the regular monthly payment of medical, surgical and hospital care. The exemption from taxation contained herein shall not apply with respect to any tax on income.

11.8. Protection against fraud.

Any person who shall knowingly make any false statement or shall falsify or permit to be falsified any record(s) of this retirement system in any attempt to defraud such system as a result of such act shall be guilty of a misdemeanor, and shall be punishable therefor under the laws of the state. Should any change or error in the records result in any member or beneficiary receiving from the retirement system more or less than he would have been entitled to receive had the records been correct, the

board shall correct such error, and as far as practicable shall adjust the payments in such manner that the actuarial equivalent of the benefit to which such member or beneficiary was correctly entitled shall be paid.

11.9. Limitations on payment of benefit.

No other provision of law in any other statute which provides wholly or partly at the expense of the county for pensions or retirement benefits for employes of the county shall apply to members or beneficiaries of the retirement system governed by this ordinance. Any amounts which may be paid or payable under the provisions of any state workers' compensation or similar law to a member or to the dependents of a member on account of any disability or death shall be offset against and payable in lieu of any benefits payable out of funds provided by the county under the provisions of this ordinance on account of the same disability or death. Any disability or death benefits payable out of funds provided by the county under this ordinance to a member or beneficiaries of a member, shall be reduced by the amount paid such member or beneficiary under any law of the United States providing a pension or compensation for such disability or death, but the United States government insurance benefits for which the member has paid premiums shall not be considered to be a pension or compensation.

11.10. Sheriffs' annuity and benefit fund members on July 9, 1969.

All members of the sheriffs' annuity and benefit fund who became members of the retirement system of the county as of July 9, 1969, shall receive the same benefits and shall be subject to the same conditions as deputy sheriffs who were members of the retirement system prior to July 9, 1969, except that benefits payable to any member shall not be reduced by reason of the transfer. Credit for years of service as a deputy sheriff shall be allowed in the same amount as if the transferring member had continued his membership in the sheriffs' annuity and benefit fund.

The retirement system of the county assumes all obligations and liabilities of the sheriffs' annuity and benefit fund as of July 9, 1969, including the payment of benefits to beneficiaries in existence on that date. The board is authorized and directed to make the payments necessary to satisfy such liabilities.

SECTION XII. [ANNUAL BENEFITS]

12.1. Limitations on annual benefits.

(1) The sum of a members annual benefits from the system and any includable arrangement shall not exceed the defined benefit dollar limitation as defined in section 12.6 below and Internal Revenue Code section 415(b)(1)(A). If the benefit a member would otherwise accrue in a limitation year would produce an annual benefit in excess of the maximum permissible amount, the rate of accrual shall be reduced so that the annual benefit equals the maximum permissible amount.

(2) If a member is covered under an includable arrangement, other than one (1) or more qualified defined benefit plans maintained by the county, which provides an annual addition, as defined in section 12.2, the sum of the member's defined contribution fraction and defined benefit fraction shall not exceed 1.0 in any limitation year, and the annual benefit otherwise payable to the member under this system shall be limited, to the extent required, in accordance with section 12.3.

(3) If a member has never participated in an includable arrangement which provides an annual addition as defined in section 12.2 (other than one (1) or more qualified defined benefit plans), the limitation in subsection 12.2(a) above is deemed satisfied if the annual benefit payable to the member is not more than one thousand dollars (\$1,000.00), multiplied by the member's number of years of service or parts thereof (not to exceed ten (10)).

(4) "Includable arrangement" means any qualified plan, a welfare benefit fund as defined in Internal Revenue Code Section 419(e), or an individual medical account as defined in Internal Revenue Code Section 415(1)(2), which is maintained by the county.

(5) If a member was covered under one (1) or more defined benefit plans of the county as of the first day of the first limitation year beginning after December 31, 1986, the application of the limitations of this section XII shall not cause the maximum permissible amount for such individual under all defined benefit plans to be less than the individual's current accrued benefit. A member's current accrued benefit is his accrued benefit under the system, determined as if he had separated from service as of the close of the last limitation year beginning before January 1, 1987, when expressed as an annual benefit within the meaning of Internal Revenue Code Section 415(b)(2). In determining the amount of a member's current accrued benefit, the following shall be disregarded:

(a) Any change in the terms and conditions of the system after May 5, 1986; and

(b) Any cost of living adjustments occurring after May 5, 1986.

This subsection applies only if all such defined benefit plans met the requirements of Internal Revenue Code Section 415 for all limitation years before January 1, 1987.

12.2. Annual benefits and annual additions.

(1) "Annual benefits" means the retirement benefit under the system which is payable annually in the form of a straight life annuity. Except as provided in this section, a benefit payable in a form other than a straight life annuity must be adjusted to an actuarially equivalent straight life annuity before applying the limitations of this section XII. The interest rate assumption used to determine actuarial equivalence shall be the greater of the interest rate determined pursuant to paragraph (13) of section II or five (5) percent. The annual benefit does not include any benefits attributable to employee contributions or rollover contributions or the assets transferred or rolled over from a qualified plan that was not maintained by the county. No actuarial adjustment to the benefit is required for:

- (a) The value of a qualified joint and survivor annuity;
- (b) The value of benefits that are not directly related to retirement benefits; and
- (c) The value of post-retirement cost-of-living increases made in accordance with Internal Revenue Code Section 415(d) and applicable Treasury regulations.

(2) "Annual additions" means the sum of the following amounts credited to a member's account in a defined contribution plan for the limitation year:

- (a) Employer contributions;
- (b) Employee contributions;
- (c) Forfeitures; and
- (d) Amounts allocated to an individual medical account, as defined in Internal Revenue Code Section 415(1)(2), and amounts derived from contributions paid or accrued after December 31, 1985, in taxable years ending after such date, which are attributable to post-retirement medical benefits allocated to the separate account of a key employee as defined in Internal Revenue Code Section 419A(d)(3).

(3) Contributions considered picked-up under Internal Revenue Code section 414(h)(2) are not included as annual benefits or annual additions when measuring compliance with the Internal Revenue Code section 415 limits or any internal ERS limits.

12.3. Adjustments to the defined benefit dollar limitation.

(1) If the member has less than ten (10) years of participation under the system, the defined benefit dollar limitation is multiplied by a fraction, the numerator of which is the number of years of participation (or parts thereof) in the system, and the denominator of which is ten (10). To the extent provided in regulations or other guidance issued by the Internal Revenue Service, the preceding sentence shall be applied separately with respect to each change in the benefit structure of the system.

(2) If the annual benefit of the member commences on or after age sixty-two (62), the general limitations of subsection (1) above shall apply.

(3) Except as provided in this paragraph, if the annual benefit of the member commences prior to age sixty-two (62) the defined benefit dollar limitation shall be the actuarial equivalent of an annual benefit beginning at age sixty-two (62). To determine actuarial equivalence, the interest rate assumption is the greater of the rate specified in paragraph (13) of section II or five (5) percent. In the event the annual benefit of the member commences between age fifty-five (55) and sixty-two (62), the actuarial reduction of the defined benefit dollar limitation shall not result in a dollar limitation which is less than seventy-five thousand dollars (\$75,000.00). In the event the annual benefit of the member commences prior to age fifty-five (55), the defined benefit dollar limitations shall be the greater of (a) the amount which is the actuarial equivalent of a seventy-five thousand dollar annual benefit commencing at age fifty-five (55) or (b) the actuarial equivalent of the defined benefit dollar limitation beginning at age sixty-two (62), both calculated using the interest rate specified in the second sentence of this section 12.3(3). Notwithstanding the provisions of this section, the defined benefit dollar limitation of a "qualified member" shall not be actuarially adjusted. For purposes of this section, a "qualified member" is a member whose years of service taken into account in determining his benefit include at least fifteen (15) years of service as a full-time employe of any department of the county which provides police protection, firefighting services, or emergency medical services for any area within the jurisdiction of the county or as a member of the Armed Forces of the United States.

(4) If the annual benefit of a member commences after the member attains age sixty-five (65), the defined benefit dollar limitation, as reduced in subsection (2) above, if necessary, shall be adjusted so that it is the actuarial equivalent of an annual benefit of such dollar limitation beginning at the member's attainment of age sixty-five (65). To determine actuarial equivalence, the interest rate assumption used is the lesser of the rate specified in paragraph (13) of section II or five (5) percent.

12.4. Maximum permissible amount of annual additions.

This section 12.4 shall limit contributions and allocations to a member's savings account and membership account.

(1) The annual addition to a member's savings account and membership account for any limitation year shall not exceed the lesser of:

(a) The greater of thirty thousand dollars (\$30,000.00) or twenty-five (25) percent of the defined benefit dollar limitation recited in Internal Revenue Code Section 415(b)(1)(A) for such year; or

(b) Twenty-five (25) percent of the compensation paid or made available to the member for such year.

(2) Effective for limitation years beginning in 1987, the "annual addition" shall mean the sum allocated to a member's account for any year of contributions pursuant to the system and allocated to this benefit pursuant to all other defined contribution plans maintained by the county for the limitation year, including employe contributions. Contributions allocated to any individual accounts which are part of a pension or annuity plan under Internal Revenue Code Sections

415(1) and 419(A)(d)(2) shall be treated as annual additions to a defined contribution plan. However, subsection 12.4(1)(b) above shall not apply to any accounts treated as an annual addition under the preceding sentence.

The annual addition shall not include the allocation to a member's account of income.

(3) The pension board shall reallocate the excess of a member's annual addition over the limits stated above in accordance with the following subsections:

(a) The excess amount may be used to reduce the county contributions for the next (or succeeding, if necessary) limitation year for the member who incurred the excess amounts provided the member is covered by the system at the end of such limitation year. If the member is not longer covered by the system as of the end of the limitation year, the excess amounts shall be held unallocated in a suspense account and reallocated in the next limitation year to all remaining members in the system as a reduction of such members' county contributions.

(b) The excess amount may be held unallocated in a suspense account for the limitation year and used to reduce the county contributions for the next (or succeeding, if necessary) limitation year to all members in the system.

(c) Excess amounts attributable to employe contributions shall be refunded to the member.

12.5. Defined benefit and defined contribution fractions.

(1) The defined benefit fraction is a fraction, the numerator of which is the sum of member's projected annual benefits under all defined benefit plans (whether or not terminated) maintained by the county, and the denominator of which is the lesser of one hundred twenty-five (125) percent of the defined benefit dollar limitation or one hundred forty (140) percent of the member's average compensation for the three (3) consecutive years of service that produces the highest average, including adjustments under Internal Revenue Code Section 415(b). A member's projected annual benefit is the member's annual benefit assuming the member will continue employment until normal retirement age (or current age, if later), and the member's compensation for the current limitation year and all other relevant factors used to determine benefits under the system will remain constant for all future limitation years. Notwithstanding the above, if the member was a participant in one (1) or more defined benefit plans maintained by the county which were in existence on July 1, 1982, the denominator of the defined benefit fraction shall not be less than one hundred twenty-five (125) percent of the sum of the annual benefits under such plans which the member had accrued as of the later of September 30, 1983, or the end of the last limitation year beginning before January 1, 1983. The preceding sentence applies only if the defined benefit plans individually and in the aggregate satisfy the requirements of Internal Revenue Code Section 415 as in effect at the end of the 1982 limitation year.

(2) The defined contribution fraction is a fraction, the numerator of which is the sum of the annual additions to the member's account under all includable arrangements (other than defined benefit plans), and the denominator of which is the sum of the maximum aggregate amounts for the current and all prior

limitation years (regardless of whether a defined contribution plan was maintained by the county). The maximum aggregate amount in any limitation year is the lesser of one hundred twenty-five (125) percent of the defined benefit dollar limitation or thirty-five (35) percent of the member's compensation for such year. If the employee was a participant in one (1) or more defined contribution plans maintained by the county which were in existence on July 1, 1982, the numerator of the defined contribution fraction shall be adjusted if the sum of the fraction and the defined benefit fraction would otherwise exceed 1.0. Under the adjustment, an amount equal to the product of (1) the excess of the sum of the fractions over 1.0 times (2) the denominator of the fraction will be permanently subtracted from the numerator of the fraction. The adjustment is calculated using the fractions as they would be computed as of the later of September 30, 1983 or the end of the last limitation year beginning before January 1, 1983. The adjustment also will be made if, at the end of the last limitation year beginning before January 1, 1984, the sum of the fractions exceeds 1.0 because of accruals or additions that were made before the limitation of this system became effective to any plans of the county in existence on July 1, 1982 or because the denominator of the fraction must be reduced to comply with federal law.

12.6. Defined benefit dollar limitation.

The defined benefit dollar limitation is ninety thousand dollars (\$90,000.00). Effective January 1, 1988 and each January 1 thereafter, the ninety thousand dollar limitation shall be adjusted by multiplying such limit by the cost of living adjustment factor prescribed by the Secretary of the Treasury under Internal Revenue Code Section 415(d). The new dollar limitation shall apply to limitation years ending within the calendar year of the date of adjustment.

12.7. Limitation year.

The calendar year. All qualified plans maintained by the county must use the same limitation year. If the limitation year is changed to a different twelve (12) consecutive month period, the new limitation year must begin on a date within the limitation year in which the change is made.

12.8. Compensation.

Compensation, for the purposes of this section, means "participant's compensation," as defined in IRS Code Section 415(c)(3) and the regulations thereunder, including elective contributions made by the County on behalf of the member that are not includable in income under IRS Code Sections 125, 401(h)(2), 402(a)(8), 402(h) or 403(b).

12.9. Testing of additional benefits.

The benefits provided by sections 5.16(2)(a) and 5.17 shall be considered "annual benefits," and shall be included in the County's determination of a member's ability to satisfy the provisions of section 12.1 and Internal Revenue Code Section 415(b)(1)(A). The benefits received under Sections 5.16(2)(a) and 5.17 shall be

actuarially converted to an annual benefit in the form of a single life annuity, or, if other than a single life annuity, the form of benefit selected by the member.

SECTION XIII. [ROLLOVER DISTRIBUTION]

13.1. [Generally.]

Notwithstanding any provision of the ordinances to the contrary that would otherwise limit a distributee's election under this section, a distributee may elect, at any time and in the manner prescribed by the pension board, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover; provided, however, that if a distributee elects a direct rollover as to only a portion of his distributable benefit, the amount to be paid in a direct rollover must equal at least five hundred dollars (\$500.00).

13.2. Eligible rollover distribution.

An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one (1) of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten (10) years or more; any distribution to the extent such distribution is required under Internal Revenue Code Section 401(a)(9); and the portion of any distribution that is not includable in gross income.

13.3. Eligible retirement plan.

An eligible retirement plan is an individual retirement account described in Internal Revenue Code Section 408(a), an individual retirement annuity described in Internal Revenue Code Section 408(b), an individual retirement annuity described in Internal Revenue Code Section 403(a), or a qualified trust described in Internal Revenue Code Section 401(a), that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to a distributee's surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

13.4. Distributee.

A distributee includes a member or former member. In addition, the member's or former member's surviving spouse and the member's or former member's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Internal Revenue Code Section 414(p), are distributees with regard to the interest of the spouse or former spouse.

13.5. Direct rollover.

A direct rollover is a payment by the system to the eligible retirement plan specified by the distributee.

SECTION XIV. [CLAIMS AGAINST BOARD MEMBERS OR EMPLOYEE]

14.1. [Generally.]

In any proceeding commenced against or a claim made against a board member or an employe of the system alleging a civil wrong arising out of any act or omission occurring within the scope of his employment or duties under the ordinance, unless a court or a jury or an administrative agency finds that the conduct which gave rise to the claim was intentional, willful or grossly negligent, the system shall indemnify the board member or employe for any damages awarded and court costs and attorneys' fees assessed as part of any final judgment and any attorneys' fees, court costs and litigation expenses incurred by the board member or employe in defending the claim. In any such proceeding, if a majority of the board members who are not a party to the action determine that the conduct which gave rise to the claim was not intentional, willful or grossly negligent, the board members may agree to settlement of the proceeding or claim, and the system shall indemnify the board member or employe for any damages, court costs and attorneys' fees agreed to as part of the settlement and any attorneys' fees, court costs and litigation expenses incurred in defending the claim. The system shall advance reasonable defense costs in an amount determined by the board, subject to repayment if it is subsequently determined that indemnification is not due. This provision shall apply with respect to former board members or employes if the claim relates to acts of the former board member or employe occurring while previously serving the board or system.

14.2. [Written notice of claim.]

A board member or employe shall, within fifteen (15) days after receipt by the board member or employe of service of process or notice of a claim, give written notice of such proceeding or claim to the board and to the county corporation counsel.

14.3. [Insurance against loss or liability.]

The system may insure against loss or liability of board members or employes which may arise as a result of these claims. This insurance shall be carried by a company authorized to provide such coverage in the state.

14.4. [Construction.]

Nothing contained or implied in this provision shall operate, or be construed or applied, to deprive the county or the system, or any other board member or employe, of any immunity or any defense otherwise available.

14.5. [Applicability.]

This section shall apply regardless of whether the board member or employe is sued in his individual or official capacity.

14.6. [Payment of expenses.]

Any fees, costs or other expenses for which the system becomes liable or responsible under this section XIV shall be paid first by any insurance or bonds maintained with respect to the system. Subsequent to any payment by such insurance or bonds, any remaining fees, costs or other expenses for which the system becomes liable or responsible under this section XIV which are not otherwise covered by the insurance or the bonds shall be paid by the system, to the extent the system provides indemnification for such board member or employe for such claim.

14.7. [Indemnification.]

If the system is obligated to indemnify a board member or employe under this section XIV, but such board member or employe is deceased or incompetent, then the system agrees to indemnify the heirs, estate or legal representative of such board member or employe in accordance with the terms of this section XIV.

LEGISLATIVE HISTORY

All sections effective upon passage and publication unless otherwise indicated.

Ch. 201.24. Created - Sept. 12, 1967, J. Proc. p. 1203--28, published Sept. 28, 1967, effective Dec. 24, 1967.

Section II

201.24(2.7). Amended - Dec. 21, 1995, J. Proc. p. 2171--74, published Jan. 12, 1996, effective Jan. 1, 1996; Amended - September 28, 2001, J. Proc.

201.24(2.8). Repealed and recreated - Dec. 17, 1981, J. Proc. p. 2410--14, published Jan. 14, 1982, effective Jan. 1, 1982; Amended - Nov. 2, 2000, J. Proc. p. 1418-39, published Nov. 27, 2000, effective Jan. 1, 2001.

201.24(2.8(a)). Created - July 18, 1985, J. Proc. p. 1432--33, published Aug. 22, 1985, effective Sept. 1, 1985; Amended - July 24, 2009.

201.24(2.9). Amended - May 19, 1970, J. Proc. p. 553--57, published May 28, 1970; July 14, 1970, J. Proc. p. 885--86 [as printed June 16, 1970, J. Proc. p. 731], published July 30, 1970; May 11, 1971, J. Proc. p. 722, published May 27, 1971.

201.24(2.10). Amended - Dec. 15, 1988, J. Proc. p. 2189--91, 2199--200, published Jan. 26, 1989; Sept. 26, 1991, J. Proc. p. 1785--88, published Oct. 15, 1991, effective retroactive to July 1, 1985; Nov. 7, 1996, J. Proc. p. 1568--76, published Nov. 26, 1996; Nov. 12, 1996, J. Proc. p. 1569, 1705, published Nov. 26, 1996.

201.24(2.15). Amended - Feb. 21, 2002, J. Proc.

201.24(2.16). Amended - Feb. 21, 2002, J. Proc.

201.24(2.18). Amended - July 15, 2009, J. Proc.; corrected - Feb. 28, 2011.

201.24(2.19). Amended - Oct. 8, 1968, J. Proc. p. 1029--32, published Oct. 17, 1968.

201.24(2.20). Amended - Jan. 16, 1973, J. Proc. p. 10 [as printed Dec. 21, 1972, J. Proc. p. 2240--42], published Jan. 26, 1973; correction - published March 30, 1973, effective upon passage.

Section III

201.24(3.1). Repealed and recreated - May 18, 1989, J. Proc. p. 859--62, published June 22, 1989; Amended - Feb. 2, 2006, J. Proc.

201.24(3.1)[paragraph 2]. Amended - Nov. 4, 1993, J. Proc. p. 1886--89, published Dec. 17, 1993.

201.24(3.2). Repealed - Nov. 5, 1992, J. Proc. p. 1731--34, published Dec. 4, 1992.

201.24(3.3). Repealed and recreated - Feb. 8, 1972, J. Proc. p. 203--06, published Feb. 17, 1972; Amended - Feb. 17, 2011, J. Proc.

201.24(3.4). Amended - May 19, 1970, J. Proc. p. 553--57, published May 28, 1970, effective Jan. 1, 1971; Jan. 18, 1971, J. Proc. p. 21--25, published Feb. 3, 1972.

201.24(3.5). Amended - Oct. 8, 1968, J. Proc. p. 1094 [as printed March 19, 1968, J. Proc. p. 344--45], published Oct. 17, 1968; July 15, 1969, J. Proc. p. 887--92, published July 31, 1969; Jan. 18, 1972, J. Proc. p. 21--25, published Feb. 3, 1972; Feb. 27, 1973, J. Proc. p. 409--10, published March 30, 1973, effective upon passage; correction - published Oct. 26, 1973.

201.24(3.6). Amended - Dec. 12, 1967, J. Proc. p. 1700--02, published Dec. 28, 1967; May 19, 1970, J. Proc. p. 553--57, published May 28, 1970, effective Jan. 1, 1971.

201.24(3.7). Created - Nov. 7, 1996, J. Proc. p. 1568--76, published Nov. 26, 1996, effective Jan. 1, 1997.

201.24(3.11). Created - Feb. 17, 2011. J. Proc.

Section IV

201.24(4.1). Repealed and recreated - July 15, 1993, J. Proc. p. 1195--1205, published Aug. 13, 1993; Amended - Nov. 3, 2005, J. Proc. Amended - July 15, 2009, J. Proc

201.24(4.2). Amended - Oct. 8, 1968, J. Proc. p. 1029--32, published Oct. 17, 1968; correction - Nov. 4, 1968, J. Proc. p.1478.

201.24(4.25). Created - June 21, 1990, J. Proc. p. 1265--69, 1311--15, published July 20, 1990.

201.24(4.26). Created - April 13, 1995, J. Proc. p. 627--35, published April 27, 1995, effective upon county board and county executive approval of the sale or lease of Doyne Hospital to Froedtert Hospital and/or county board and county executive approval of the discontinuance of Doyne Hospital, whichever comes first. This ordinance shall not be effective if the county is prohibited from discontinuing operation of Doyne Hospital; Amended - Sept. 28, 1995, J. Proc. p. 1591--97, published Nov. 6, 1995; Nov. 2, 1995, J. Proc. p. 1861--66, 1871, published Nov. 10, 1995.

201.24(4.3). Amended - Oct. 8, 1968, J. Proc. p. 1029--32, published Oct. 17, 1968; Dec. 18, 1986, J. Proc. p. 2179--80, published Jan. 22, 1987, effective upon passage and publication but its application in respect to language changes shall not take effect as to any member either presently receiving an accidental disability pension or any member who has sustained an accident occurring prior to the language change whereby eligibility would exist under the former language in the ordinance before the date of publication and language change.

201.24(4.4). Amended - Oct. 8, 1968, J. Proc. p. 1029--32, published Oct. 17, 1968.

201.24(4.5). Repealed and recreated - Dec. 17, 1981, J. Proc. p. 2410--14, published Jan. 14, 1982, effective Jan. 1, 1982; Amended - Sept. 7, 1995, J. Proc. p. 1510--17, published Sept. 21, 1995, effective upon passage and publication and the ratification of the proposed collateral agreement with FNHP; March 21, 1996, J. Proc. p. 307--11, published April 23, 1996. Amended - July 15, 2009, J. Proc.

201.24(4.6). Repealed and recreated - July 19, 1984, J. Proc. p. 1073, published Aug. 2, 1984, effective Sept. 1, 1984; Unnumbered paragraph numbered (1) -

Feb. 17, 1994, J. Proc. p. 222--37, published April 11, 1994, effective retroactive to Jan. 1, 1987.

201.24(4.6)(1). Renumbered (4.6)(1) from (4.6) - Feb. 17, 1994, J. Proc. p. 222--37, published April 11, 1994, effective retroactive to Jan. 1, 1987.

201.24(4.6)(2). Created - Feb. 17, 1994, J. Proc. p. 222--37, published April 11, 1994, effective retroactive to Jan. 1, 1987.

201.24(4.6)(3). Created - Feb. 17, 1994, J. Proc. p. 222--37, published April 11, 1994, effective retroactive to Jan. 1, 1987.

201.24(4.7). Created - May 30, 1979, J. Proc. p. 1215--17, published June 21, 1979; Renumbered 201.24(4.9) and new (4.7) created - Feb. 17, 1994, J. Proc. p. 222--37, published April 11, 1994, effective retroactive to Jan. 1, 1987.

201.24(4.8). Created - Feb. 17, 1994, J. Proc. p. 222--37, published April 11, 1994, effective retroactive to Jan. 1, 1987.

201.24(4.9). Renumbered from 201.24(4.7) - Feb. 17, 1994, J. Proc. p. 222--37, published April 11, 1994, effective retroactive to Jan. 1, 1987.

Section V

201.24(5.1). Repealed and recreated - Dec. 17, 1981, J. Proc. p. 2410--14, published Jan. 14, 1982, effective Jan. 1, 1982; Amended - June 17, 1999, J. Proc. p. 784--89, published July 7, 1999. Amended - July 15, 2009, J. Proc.

201.24(5.15). Created - Nov. 2, 2000, J. Proc. p. 1418-39, published Nov. 27, 2000, effective Jan. 1, 2001. Amended - July 15, 2009, J. Proc.

201.24(5.16). Created - Nov. 2, 2000, J. Proc. p. 1418-39, published Nov. 27, 2000, effective Jan. 1, 2001.

201.24(5.17). Created - Sept. 28, 2001, J. Proc.

201.24(5.31). Created - Feb. 19, 1987, J. Proc. p. 186--87, published March 19, 1987, effective upon passage and publication and on the date that any salary adjustment for 1987 for nonrepresented employees is to take effect, but its future application involving nonrepresented officers and employees shall not take effect as to any member either presently receiving an accidental disability pension under section 201.24(5.3) nor as to any member who has sustained an accident occurring prior to the language change accomplished within section 201.24(4.3) by adoption of an ordinance on December 18, 1986, whereby eligibility would have existed under the former language in such ordinance, before the date of publication and language change.

201.24(5.7). Amended - July 15, 1969, J. Proc. p. 887--92, published July 31, 1969; May 19, 1970, J. Proc. p. 553--57, published May 28, 1970, effective Jan. 1, 1971; July 14, 1970, J. Proc. p. 885--86, published July 30, 1970; Feb. 8, 1972, J. Proc. p. 203, published Feb. 17, 1972.

201.24(5.8). Created - May 19, 1970, J. Proc. p. 553--57, published May 28, 1970, effective as indicated.

201.24(5.9). Created - July 14, 1970, J. Proc. p. 885 [as printed June 16, 1970, J. Proc. p. 731--32], published July 30, 1970, republished Aug. 13, 1970.

201.24(5.10). Created - March 21, 1996, J. Proc. p. 292--98, published April 23, 1996.

Section VI

201.24(6.1). Created - July 15, 1969, J. Proc. p. 887--92, published July 31, 1969; Amended - Feb. 27, 1973, J. Proc. p. 409--10, published March 30, 1973, effective upon passage; correction - published Oct. 26, 1973.

201.24(6.2). Created - Sept. 12, 1967, J. Proc. p. 1203--28, published Sept. 28, 1967, effective Dec. 24, 1967; Renumbered 201.24(6.3) and new (6.2) created - July 15, 1969, J. Proc. p. 887--92, published July 31, 1969; Amended - Dec. 18, 1997, J. Proc. p. 1904--12, published Jan. 20, 1998.

201.24(6.3). Renumbered from 201.24(6.2) and amended - July 15, 1969, J. Proc. p. 887--92, published July 31, 1969.

201.24(6.4). Created - July 15, 1969, J. Proc. p. 887--92, published July 31, 1969; Amended - May 11, 1971, J. Proc. p. 722--24, published May 27, 1971; Feb. 8, 1972, J. Proc. p. 202--03, published Feb. 17, 1972; Jan. 16, 1973, J. Proc. p. 10 [as printed Dec. 21, 1972, J. Proc. p. 2239], published Jan. 26, 1973, effective upon passage; Feb. 27, 1973, J. Proc. p. 409--10, published March 30, 1973, effective upon passage; correction - published Oct. 26, 1973; Dec. 18, 1997, J. Proc. p. 1904--12, published Jan. 20, 1998; June 17, 1999, J. Proc. p. 784--89, published July 7, 1999.

201.24(6.5). Created - May 19, 1970, J. Proc. p. 553--57, published May 28, 1970; Amended - Jan. 16, 1973, J. Proc. p. 10 [as printed Dec. 21, 1972, J. Proc. p. 2240--42], published Jan. 26, 1973, effective upon passage; Feb. 27, 1973, J. Proc. p. 409--10, published March 30, 1973, effective upon passage; correction - published Oct. 26, 1973.

Section VII

201.24(7.1). Amended - Oct. 8, 1968, J. Proc. p. 1094 [as printed March 19, 1968, J. Proc. p. 344--45], published Oct. 17, 1968; July 15, 1969, J. Proc. p. 887--92, published July 31, 1969; May 19, 1970, J. Proc. p. 553--57, published May 28, 1970; May 11, 1971, J. Proc. p. 722--24, published May 27, 1971; Feb. 8, 1972, J. Proc. p. 201--02, published Feb. 17, 1972; Jan. 16, 1973, J. Proc. p. 10 [as printed Dec. 21, 1972, J. Proc. p. 2240--42], published Oct. 26, 1973, effective upon passage; Nov. 9, 1978, J. Proc. p. 2440--41, published Dec. 7, 1978; Nov. 7, 1996, J. Proc. p. 1566--68, published Nov. 26, 1996, effective Jan. 1, 1997; Dec. 18, 1997, J. Proc. p. 1904--12, published Jan. 20, 1998; Amended - Nov. 3, 2005, J. Proc.

201.24(7.2). Amended - Oct. 8, 1968, J. Proc. p. 1094 [as printed March 19, 1968, J. Proc. p. 344--45], published Oct. 17, 1968.

Section VIII

201.24(8.1). Amended - Feb. 23, 2004, J. Proc.

201.24(8.2). Amended - Feb. 23, 2004, J. Proc.

201.24(8.2(a)). Amended - Feb. 16, 1984, J. Proc. p. 168--69, published March 1, 1984.

201.24(8.2(b)). Amended - Dec. 11, 1973, J. Proc. p. 2284--85[as printed April 12, 1973, J. Proc. p. 609--10], published Jan. 18, 1974; March 6, 1979, J. Proc. p. 474 [as printed Feb. 13, 1979, J. Proc. p. 247], published March 29, 1979; Feb. 16, 1984, J. Proc. p. 168--69, published March 1, 1984.

201.24(8.2(c)). Amended - April 15, 1974, J. Proc. p. 780--81, published May 1, 1985; Feb. 16, 1984, J. Proc. p. 168--69, published March 1, 1984.

201.24(8.5). Amended - Feb. 23, 2004, J. Proc.

201.24(8.8). Amended - Feb. 23, 2004, J. Proc.

201.24(8.11). Amended - July 28, 2005, J. Proc.

201.24(8.17). Amended - May 11, 1971, J. Proc. p. 722--24, published May 27, 1971; Nov. 5, 1992, J. Proc. p. 1731--34, published Dec. 4, 1992. Feb. 23, 2004, J. Proc.

201.24(8.18). Amended - Dec. 12, 1967, J. Proc. p. 1700--02, published Dec. 28, 1967; Jan. 16, 1973, J. Proc. p. 10 [as printed Dec. 21, 1972, J. Proc. p. 2240--42], published Oct. 26, 1973, effective upon passage.

201.24(8.19). Amended - Jan. 16, 1973, J. Proc. p. 10 [as printed Dec. 21, 1972, J. Proc. p. 2240--42], published Oct. 26, 1973, effective upon passage.

201.24(8.20). Created - Jan. 16, 1973, J. Proc. p. 9 [as printed Dec. 21, 1972, J. Proc. p. 2237--38], published Jan. 26, 1973, effective upon passage.

201.24(8.21). Created - March 19, 1987, J. Proc. p. 330--31, published April 23, 1987, effective upon passage and publication and shall be retroactive to the applicable dates of respective collective bargaining agreements.

201.24(8.22). Created - July 28, 2005, J. Proc.

Section IX

201.24(9). [Introductory Paragraph].Amended - Nov. 5, 1992, J. Proc. p. 1731--34, published Dec. 4, 1992.

201.24(9.1). Repealed and recreated - March 19, 1968, J. Proc. p. 402--04, published March 28, 1968; Amended - May 11, 1971, J. Proc. p. 725--26, published May 27, 1971; Feb. 27, 1973, J. Proc. p. 409--10, published Oct. 26, 1973, effective upon passage.

201.24(9.3). Amended - Oct. 8, 1968, J. Proc. p. 1095--97, published Oct. 17, 1968; Jan. 16, 1973, J. Proc. p. 10 [as printed Dec. 21, 1972, J. Proc. p. 2240--42], published Oct. 26, 1973, effective upon passage.

201.24(9.4). Amended - April 15, 1975, J. Proc. p. 779--81, published May 1, 1975.

201.24(9.5).Amended - Nov. 5, 1992, J. Proc. p. 1731--34, published Dec. 4, 1992.

Section XI

201.24(11.1). Amended - July 15, 1969, J. Proc. p. 887--92, published July 31, 1969; May 11, 1971, J. Proc. p. 720--21, published May 27, 1971; Jan. 16, 1973, J. Proc. p. 10 [as printed Dec. 21, 1972, J. Proc. p. 2240--42], published Oct. 26, 1973, effective upon passage; Amended - Feb. 17, 2011. J. Proc.

201.24(11.2). Amended - May 11, 1971, J. Proc. p. 722--24, published May 27, 1971.

201.24(11.4). Repealed and recreated - Jan. 16, 1973, J. Proc. p. 9 [as printed Dec. 21, 1972, J. Proc. p. 2235--37], published Jan. 26, 1973, effective retroactive to such date as may be agreed upon by the county pension board and the City of Milwaukee pension board.

201.24(11.4). [Introduction]. Amended - May 7, 1974, J. Proc. p. 846--48, published May 23, 1974, effective upon passage.

201.24(11.4(a)). Amended - Feb. 17, 1983, J. Proc. p. 337--39, published March 3, 1983, effective retroactive to Jan. 1, 1982.

201.24(11.4(a)1). Amended - Feb. 17, 1983, J. Proc. p. 337--39, published March 3, 1983, effective retroactive to Jan. 1, 1982.

201.24(11.4(a)4). Repealed and recreated - May 7, 1974, J. Proc. p. 846--48, published May 23, 1974, effective upon passage.

201.24(11.4(a)5). Repealed and recreated and new 11.4(a)5 renumbered from 11.4(a)6 - May 7, 1974, J. Proc. p. 846--48, published May 23, 1974, effective upon passage.

201.24(11.4(a)6). Renumbered 11.4(a)5 - May 7, 1974, J. Proc. p. 846--48, published May 23, 1974, effective upon passage.

201.24(11.4(a)7). Renumbered 11.4(b) - May 7, 1984, J. Proc. p. 846--48, published May 23, 1974, effective upon passage.

201.24(11.4(b)). Renumbered from 11.4(a)7 - May 7, 1974, J. Proc. p. 846--48, published May 23, 1974, effective upon passage.

201.24(11.4(c)). Created - Feb. 17, 1983, J. Proc. p. 337--39, published March 3, 1983, effective retroactive to Jan. 1, 1972.

201.24(11.4(d)). Created - March 21, 1996, J. Proc. p. 292--98, published April 23, 1996.

201.24(11.41). Created - Nov. 7, 1991, J. Proc. p. 1987--89, published Nov. 21, 1991; Amended - March 21, 1996, J. Proc. p. 292--98, published April 23, 1996.

201.24(11.6). Amended - Nov. 5, 1992, J. Proc. p. 1731--34, published Dec. 4, 1992.

201.24(11.9). Amended - May 11, 1971, J. Proc. p. 722--24, published May 27, 1971.

201.24(11.10). Created - July 15, 1969, J. Proc. p. 887--92, published July 31, 1969.

Section XII

Section XII [annual benefits] 201(12.1) through (12.8). Created - Feb. 17, 1994, J. Proc. p. 222--37, published April 11, 1994, effective retroactive to Jan. 1, 1987.

201.24(12.1)(1). Amended - Nov. 2, 2000, J. Proc. p. 1418-39, published Nov. 27, 2000, effective Jan. 1, 2001.

201.24(12.2). Amended - Feb. 17, 2011, J. Proc.

201.24(12.3). Amended - Sept. 28, 2001, J. Proc.

201.24(12.3)(1). Amended - Nov. 2, 2000, J. Proc. p. 1418-39, published Nov. 27, 2000, effective Jan. 1, 2001

201.24(12.4). Amended - Sept. 28, 2001, J. Proc.

201.24(12.8). Amended - Sept. 28, 2001, J. Proc.

201.24(12.9). Amended - Nov. 2, 2000, J. Proc. p. 1418-39, published Nov. 27, 2000, effective Jan. 1, 2001; Repealed and recreated - Sept. 28, 2001, J. Proc.

Section XIII

Section XIII [rollover distribution] 201(13.1) through (13.5). Created - Feb. 17, 1994, J. Proc. p. 222--37, published April 11, 1994, effective retroactive to Jan. 1, 1993.

Section XIV

Section XIV [claims against board members or employe] 201(14.1) through (14.7). Created - Feb. 17, 1994, J. Proc. p. 222--37, published April 11, 1994.

APPENDIX B

RULES OF THE EMPLOYEES' RETIREMENT SYSTEM*

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* Editor's note-Printed herein are the rules and regulations of the employe's retirement system of the county, as adopted by the pension board. Amendments to the rules and regulations are indicated in the Legislative History following this appendix. The absence of a history indicates that the provision remains unchanged from the original. Obvious misspelling errors have been corrected without notation. For stylistic purposes, a uniform system of headings, catchlines, capitalization, citation to state statutes, and expression of numbers in text has been used to conform to the Code of Ordinances. Additions made for clarity are indicated by brackets. The employes' retirement system adopted by the county board is printed in chapter 201, section 201.24, of the Code.

- 304. Employees receiving worker's compensation.
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- 705. Pension benefit calculations after January 1, 2001-Non-deputy sheriff employes whose initial membership began prior to January 1, 1982.
- 706. Pension benefit calculations after January 1, 2001-Nonrepresented deputy sheriff employes whose initial membership began prior to July 1, 1995.
- 707. Pension benefit calculations after January 1, 2001-Non-deputy sheriff employes whose initial membership began on or after January 1, 1982.
- 708. Pension benefit calculations after January 1, 2002-Nonrepresented deputy sheriffs whose initial membership began on or after July 1, 1995.
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- 710. Dual eligibility for benefit enhancements.
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- 803. Withdrawal of employe contributions permitted.
- 805. Resignation is not "fault or delinquency" on member's part.
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- 901. Contribution based on gross salary.
- 902. Reasonable estimate of compensation where biweekly amounts are not uniform.
- 903. Contribution amount not final until confirmed.
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- 1001. Action of board final after one year.
- 1002. Receipt for filing may be demanded.
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- 1004. Member leaving service may request statement of annuity savings and service credits.
- 1005. Location of office.
- 1006. Time for election to board and effective date.
- 1007. Hospital and surgical-medical insurance deductions.
- 1008. Increase in members' contributions.
- 1009. Social security estimate for survivor's benefit offset.
- 1010. Reports by accidental disability pensioners.
- 1011. Eligibility investigations.
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- 1012(a). Accidental and ordinary disability/worker's compensation (W/C) offset.
- 1013. Optional forms of payment.
- 1014. Actuarial equivalent.
- 1015. Forfeiture rule.
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- 1017. Domestic relations orders.
- 1018. Offset for worker's compensation benefits.
- 1019. Determination of earnable compensation and service.
- 1020. Election of employe members of board.
- 1021. Lump sum distribution denied.

1023. Determination of final average salary in reciprocity cases.
1024. County-City transfers.
1025. Accidental disability retirement pensioner reexamination.
1026. Appeal procedures related to disability retirement determinations.
1027. Disability pension start date.
1028. Ordinary disability retirement pensioner reexamination.
1030. Termination benefit funding.
1031. Sick pay benefit-Single payment
1032. Effective dates-Sick pay benefits.
1033. Waiver of benefits.
1034. Election of retiree member of board
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1036. Buy back applications.
1037. Default procedure for eligible rollover distributions.
1038. Manner of benefits payments.
1039. Information furnished by member.
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1041. Election of chairperson and vice chairperson
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APPENDIX B -RULES OF THE EMPLOYES' RETIREMENT SYSTEM

PENSION BOARD EMPLOYES' RETIREMENT SYSTEM
OF THE COUNTY OF MILWAUKEE

RULES AND REGULATIONS ADOPTED PURSUANT TO SECTION 7(6) OF
THE
RETIREMENT ACT AS SUBSEQUENTLY AMENDED BY SECTION 201.24,
SUBSECTION 8.6, OF THE GENERAL ORDINANCES OF MILWAUKEE
COUNTY

DEFINITIONS

101. Full-time employe.

A full-time employe is one whose salary is wholly or partly paid by the county, whose name appears on the county payroll, and who is employed on a basis of at least twenty (20) pay periods per annum and in such pay periods is employable on every working day if on a monthly basis, or for two thousand (2,000) or more hours per annum if on an hourly basis, or for two hundred fifty (250) or more days per annum if on a daily basis, provided, however, that all elected officials shall be considered full-time employes.

102. Part-time employe.

A part-time employe is one who is employed on a basis of regular stated periods of less than full normal working hours.

103. Seasonal employe.

A seasonal employe is one who is employed on a basis of seasonal periods of less than ten (10) months per annum or during less than twenty (20) pay periods per annum regardless of the number of actual hours or days of employment.

104. Intermittent employe.

An intermittent employe is one who is employed for irregular periods of less than thirty (30) days' duration.

105. Emergency appointment employe.

An emergency appointment employe is one who is appointed to a position in the classified service and who under the rules of the civil service commission has no eligibility for regular appointment to the position which he occupies.

106. Deferred retirement allowance.

A deferred retirement allowance is one which commences at the attainment

of age sixty (60), and is payable under the provisions of section 4.5 of the amended Retirement Act.

107. Retirement Act.

Retirement Act shall mean chapter 201, Laws of 1937 as amended.

108. Use of the word "system."

The use of the word "system" in the rules hereinafter stated shall refer to the employes' retirement system of the County of Milwaukee unless qualified by the word "other" which shall refer to all other systems to which the State of Wisconsin or any municipal subdivision thereof contributes public funds.

109. Use of the masculine pronoun.

The use of the masculine pronoun hereinafter shall include the feminine.

110. Earned income.

Earned income is any and all compensation for personal services, including but not limited to commissions, salaries, wages, bonuses, tips, vacation allowances, premiums and other cash benefits or payments in property, reserved earnings, assigned earnings or earnings to which the retired member is entitled but has not yet received.

111. Dependent father or mother.

Section 6.1 of the Retirement Act provides a survivor pension to the "dependent father or mother" of an eligible deputy sheriff. For purposes of section 6.1 of the Retirement Act, the father or mother of a deputy sheriff shall be treated as a dependent if (1) the deputy sheriff claims the parent as a dependent on his or her IRS Form 1040, or (2) the parent resides in the deputy sheriff's household.

112. Final average salary.

(a) Any nonrepresented employe, or any employe represented by a collective bargaining unit which has agreed to the provisions of section 2.8(c), shall have his final average salary calculated in the following manner:

- (1) If a member is hired before January 1, 1982, final average salary shall equal the average of the member's compensation for the three (3) consecutive years of service during which compensation was highest, including all earnable compensation.
- (2) If a member is represented by a collective bargaining unit and was hired after January 1, 1982, or if a member is a nonrepresented employe who was hired after January 1, 1982 but before September 1, 1985, final average salary prior to January 1, 2003

shall equal the average of the member's compensation for the five (5) consecutive years of service during which compensation was highest, including all earnable compensation.

- (3) If a member is a nonrepresented employe who was hired after September 1, 1985, final average salary prior to January 1, 2003 shall equal the average of the member's compensation, including only straight time hours paid and excluding overtime hours paid, for the five (5) consecutive years of service during which compensation was the highest.
- (4) After January 1, 2003, final average salary shall equal the average of the member's compensation for the three (3) consecutive years during which compensation was the highest.

[A] For the purposes of this rule 112(a)(4), "compensation" includes all earnable compensation, if the employe is represented by a collective bargaining unit, or if the member is a nonrepresented employe who was hired before September 1, 1985.

[B] For the purposes of this rule 112(a)(4), "compensation" includes only compensation for straight time hours, excluding any overtime hours, if the member is a nonrepresented employe who was hired on or after September 1, 1985.

(b) For qualifying members, final average salary shall include the "bonus" described in section 5.15(2).

MEMBERSHIP

201. Effect of rules and regulations on employes who were on the county payroll on April 29, 1948.

The membership of any employe who became a member of the system under the standing resolutions in effect at the time he became a member shall not be affected by any change in the rules affecting his eligibility to membership. Similarly any employe who had previously been denied membership under the standing resolutions in effect through April 29, 1948 shall have the option to become a member rather than be required to do so.

202. Optional membership.

- (a) Employes whose salaries are paid in part by the State of Wisconsin.
- (b) All interns, students and trainees employed on non-civil service positions.

- (c) All resident physicians employed on non-civil service positions.
- (d) Seasonal employes.
- (e) Part-time employes whose part-time monthly salary is at least equal to fifty (50) percent of the full-time monthly rate, with the exception of part-time "regular appointees" hired at least on a half time basis who shall become mandatory members.

(f) Persons who previously have exercised their option not to become members and who pursuant to section 3(3) of the Retirement Act request to become members, and pass any medical examination required thereunder.

(g) Persons holding emergency appointments, except retired members of the county retirement system, upon their return to county employment.

The option to become a member may be exercised at any time but may not be thereafter revoked except by withdrawal from service and the retirement system. The employe shall be considered a member from the first of the month next following his date of application for membership. An employe who purchases prior service credit pursuant to Rule 207 shall be considered a member as specified in Rule 207.

203. Denial of membership.

The following classes of employes shall not be eligible for membership in the retirement system:

(b) Members of boards and commissions, except members of the county board of supervisors.

(c) Physicians paid on the payroll on a per call or fee basis unless said persons previously held a position which permitted membership in the retirement system. In the event such a position was held by said persons, they shall be given service credit as follows:

1. On a per call basis, each call shall be considered one-half hour and the total number of annual calls divided by two (2) will give the total number of hours on which the service credit will be figured as "X" hours over two thousand eighty (2,080) hours.
2. On a clinical hour basis, the number of clinical hours over two thousand eighty (2,080) hours shall determine the annual service credit.

(d) Part-time employes whose part-time monthly salary is less than fifty (50) percent of the full-time rate.

(e) Noncivil service persons on county relief or work program.

(f) Any employe in a teaching position eligible to membership in the state retirement system established by ss. 42.20-42.54, Wis. Stats., unless he became a member of the employes' retirement system of the County of Milwaukee prior to August 1, 1951.

204. Mandatory membership.

All employes not specifically covered by rules 201, 202, 203 shall become members of the system as a condition of their employment.

205. Withdrawal of fifty (50) percent of annuity savings terminates membership.

In case an employe upon termination of active service shall withdraw more than fifty (50) percent of his annuity savings fund, he shall cease to be a member of the system and shall be asked to withdraw his entire balance. No interest shall be credited to his account on any such balance left on deposit.

206. Employes becoming eligible for membership under the provisions of chapter 575, Laws of 1949.

Any employe who was denied membership by reason of the fact that he had been contributory to, a participant in or a beneficiary of a pension fund in operation in the state or any municipal subdivision thereof and who by reason of the enactment of chapter 575, Laws of 1949 is now eligible to become a member, shall have the option to become such member. Such membership shall commence after application therefor by the employe and annuity deductions from his pay.

207. Buy in for optional employes.

Effective for buy in applications filed on or after October 1, 1998 and before January 1, 2007, any current employe of the county (as defined in section 2.4 of the Retirement Act) who was eligible to elect to participate in the system for a prior period of employment with the county in a capacity for which participation in the system was optional (as defined in Rule 202), but who failed to elect to participate in the system for such prior period of employment, may elect to participate in the system for such period of employment pursuant to the following rules:

- (a) *Can only buy credit for periods prior to enrollment form.*
Employes can only buy credit for periods prior to completing a system enrollment form. If an employe has multiple periods of employment with the county or opts in and out of the system, then he or she can only buy credit under Rule 207 for periods of employment prior to completing his or her first enrollment form.

- (b) *Buy in amount.* Employees can elect one (1) of the following options:
- (i) *Purchase only pre-1992 credit.* Under this option, the employe can purchase credit under the system for periods of optional employment prior to 1992 (or the date the employe completed an enrollment form, if earlier). The employe must pay to the system an amount equal to: (1) six (6) percent of his wages earned with the county during his entire period of optional employment prior to 1992 (or the date the employe completed an enrollment form, if earlier), plus (2) interest, calculated through the date of the election, that would have been earned on this amount if the employe had contributed to the system six (6) percent of his wages earned with the county at the time he was employed in such optional capacity. The employe shall continue to participate in the OBRA 1990 Retirement System of the County of Milwaukee (the "OBRA System") for post-1991 employment, to the extent eligible.
 - (ii) *Purchase all optional credit.* Under this option, the employe can purchase credit under the system for all periods of optional employment (prior to the date the employe completed an enrollment form). The employe must pay to the system an amount equal to: (1) six (6) percent of his wages earned with the county during this entire period of optional employment prior to completing an enrollment form, plus (2) interest, calculated through the date of the election, that would have been earned on this amount if the employe had contributed to the system six (6) percent of his wages earned with the county at the time he was employed in such optional capacity, minus (3) the present value of the employe's pension benefit under the OBRA System as of the date of the buy in election (based on the actuarial factors used to calculate lump sum payments under the OBRA System). In order to elect this option, the employe must affirmatively elect to waive all rights to his or her pension benefits in the OBRA System earned through the date of the election. The OBRA System will transfer to the system the present value of the employe's pension benefit under the OBRA System. This option shall be effective as of October 1, 1998 or the date the Internal Revenue Service approves this provision, whichever is later.

Interest for purposes of this subsection (b) shall equal the aggregate rate of return earned by the system's assets during each applicable year, as

determined by the board.

(c) *Form of payment allowed.* If an employe elects to participate in the system pursuant to this Rule 207, the employe shall contribute the required amount (as described in subsection (b)) to the system in one (1) of the following forms:

(i) *Lump sum.* A single lump sum within ninety (90) days.

(ii) *Equal installments.* Alternatively, an employe may elect to pay the buy in amount to the system in up to four (4) equal, annual installments if the total buy in amount equals or exceeds two thousand five hundred dollars (\$2,500.00). The following rules and conditions shall apply to installment payments:

- No interest on installment schedule. Additional interest shall not be charged on the installment schedule.
- Payments credited to suspense account. An employe's installment payments will be credited to a suspense account in the system until all scheduled payments are made.
- Contingent service credit. Credit purchased through an installment schedule is contingent on the employe making all scheduled installment payments, and no credit is awarded until an employe makes all required payments. If an employe does not make all required installment payments to the system by the date his or her pension is to commence, then the board will refund the employe's prior buy in contributions to the employe (and to the OBRA System to the extent it transferred assets pursuant to subsection (b)(ii)), and the employe will not receive any service credit under the system pursuant to the buy in arrangement. Notwithstanding the foregoing, if an employe ceases making scheduled installment payments due to his or her death or total disability (pursuant to the ordinary disability standard applicable to the employe under section 4.4), then the employe shall receive partial service credit under the system to the extent of the amount he or she (and the OBRA System) has paid to the system (with credit based on earliest service first). If an employe waives his or her OBRA System credit under subsection (b)(ii) above, and then fails to make all scheduled installment payments by the time his or her pension commences, the waived credit under the OBRA System shall be reinstated to the extent that the buy in contribution is refunded to the OBRA System under this subsection (c)(ii).
- Options if payments outstanding as of pension commencement date. If an employe desires to begin receiving his or her pension at a time when he or she still owes payments under an installment schedule (and the employe is not totally disabled), then the employe must either (1) pay the outstanding installments in a single lump sum (and begin receiving the pension with full buy in credit), (2) not pay the outstanding installment payments and begin receiving his or her

pension (without any buy in credit, but with a refund of prior buy in contributions), or (3) defer his or her pension until all installment payments are made.

- (d) *Compliance with section 415.* An employee's benefit purchased pursuant to this Rule 207 cannot, together with any other pension benefit to which the employee is entitled under the system, exceed the limit described in section 415(b) of the Internal Revenue Code (as described in section XII of the Retirement Act).
- (e) *No partial purchases.* If an employee elects to participate in the system for prior periods of employment pursuant to this Rule 207, then the employee must contribute for either (i) all optional employment (prior to the enrollment form) or (ii) all pre-1992 optional employment (prior to the enrollment form), but only to the extent the contribution does not cause the employee to exceed the Code section 415(b) limit.
- (f) *Cannot buy forfeited credit under Rule 207.* Employees cannot utilize the buy in arrangement under Rule 207 to buy credit that has been forfeited under section 2.11.
- (g) *Active employe status.* In order to be eligible to commence a buy in, a person must be actively employed with the county. However, if an active employe begins buying in under an installment schedule and then terminates employment, the former employe can continue making installment payments.
- (h) *Applicable benefit rate.* The benefit rate under the system is based on the date "continuous membership" began in the system. For those employees who buy in under Rule 207, continuous membership will be deemed to begin as of the first date of optional employment for which an employe buys credit under Rule 207 (the "retroactive buy in date"). However, if an employe was initially nonoptional and participating in the system prior to transferring to optional employment, then continuous membership will be deemed to commence as of the date he or she commenced nonoptional employment. Notwithstanding the foregoing, collectively bargained employees who buy in under Rule 207 shall receive the greater of: (i) the benefit rate specified in the Retirement Act for employees hired on the retroactive buy in date in the same category of employment, or (ii) the rate specified in the collective bargaining agreement for employees hired on the retroactive buy in date in the same category of employment.
- (i) *No buy in permitted after January 1, 2007.* 2007. Effective January 1, 2007, no employe shall be permitted to file an

application to participate in the system pursuant to this Rule 207. However, an employe who has filed a buy in application prior to January 1, 2007 shall be permitted to complete his or her buy in pursuant to the requirements of this Rule 207. 207.

SERVICE CREDITS

301. Full-time employe.

(a) Full-time employe creditable service shall be expressed in years and such fractions thereof as the board determines. Service for a member who is an employe on a full-time twelve-month basis shall be credited on the basis of a twelve-month year, and all credits for partial months shall be based on a thirty-day month. Such credits shall be stated in terms of whole or decimal parts of a year so that each year shall equal 1.00000 years, each month shall equal .08333 years and each day shall equal .00277 years.

(b) Absences resulting from separations, terminations, layoffs, resignations or retirements shall not be allowed as creditable service. Absences due to other causes totaling thirty (30) days or less within any calendar year can be allowed as creditable service. The employe shall receive no credit for absences in a calendar year in which he receives no compensation.

302. Part-time employe.

(a) Service for a member who works less than a full year or who is less than full-time shall be credited on a prorated basis to full-time in accordance with rule 301.

(b) If an employe became a member under the standing resolutions which were in effect prior to April 29, 1948, but would not be eligible for membership under the rules and regulations in effect on April 29, 1948, then his service credit shall be calculated in accordance with standing rules and regulations.

(c) If employe became a member under the standing resolutions and is eligible for membership under the rules and regulations in effect on April 29, 1948, then his membership service credits shall be adjusted so that his entire membership service credit will conform to what he would have received had the rules and regulations been in effect for his entire period of employment.

(d) In the event special situations arise which cannot be definitely determined in accordance with paragraphs (b) and (c) above, such cases shall be brought to the attention of the pension board and by such board determined on the basis of the merits of the particular cases.

303. Teacher, ten-month basis.

(a) Services for a teacher employed on a ten-month basis shall be credited on the basis of a ten-month year. In no event shall more than one (1) year's credit be allowed for all service performed in one (1) calendar year.

(b) Absences, resulting from separations, terminations, layoffs, resignations or retirements shall not be allowed as creditable service. Absences due to other causes shall be allowed up to thirty (30) days for any one (1) year.

304. Employes receiving worker's compensation.

Employes receiving worker's compensation for injuries received while in county service shall receive service credit for the period of time not otherwise credited upon proper application therefor to the secretary. The amount of service credit awarded pursuant to this rule 304 shall be based on hours reported to the board by the county. Service credit shall not be awarded pursuant to this rule 304 for periods after a member (1) terminates employment with the county, or (2) begins receiving a pension under the system.

305. Service not credited.

Service shall not be creditable under the following conditions:

(a) During periods in which the employe is paid only on a fee or commission basis or other than a regular hourly, daily or monthly basis.

(b) For more than one (1) position if the employe is receiving credit for service in one (1) position in which his normal hours of employment are forty (40) hours per week or more.

(c) During periods in which the employe has elected not to be a member.

306. Relief work program employment.

The board may allow as creditable service the time during which an employe was or is assigned to any emergency employment project or work of a similar nature in the service of the United States of America if he can produce an affidavit from his department head to the effect that he was so assigned and was an employe immediately prior to such assignment and was duly excused or granted leave of absence from his regular employment for such service, provided that the time allowed subsequent to January 1, 1938 shall not exceed a total of three (3) years without return to employment.

307. CETA and EEA employment.

(a) Creditable pension service shall include service performed by a

member while the member was employed by the county under the federally-funded Comprehensive Employment and Training Act ("CETA") or Emergency Employment Act ("EEA") programs in which the county participated.

(b) Subsection (a) shall only apply to an individual who became a member of ERS after such individual had worked for the county through the CETA or EEA programs.

(c) Creditable pension service granted under subsection (a) shall only retroactively count as creditable pension service, retroactive to a retired member's retirement date, for the sole purpose of a retired member receiving retroactive retirement benefits. Creditable pension service granted under this rule shall not retroactively count as creditable pension service for the purpose of a member's qualifying to retroactively receive the paid health insurance provided under Chapter 17 of the Milwaukee County Code of General Ordinances. A member granted creditable pension service under subsection (a) who receives a retroactive retirement benefit under this subsection (c) shall not receive interest on any retroactive pension benefit payment awarded.

INTEREST CREDITED TO ANNUITY SAVINGS ACCOUNT

401. Interest credited prior to complete withdrawal or pension commencement.

(a) *Membership account.* Except as provided in rule 402(a), interest on an employe's membership account shall be credited as of the December 31 of each year on the balance on deposit from January 1 to December 31, inclusive, of such year at the interest rate established by the board.

(b) *Savings account.* Except as provided in rule 402(b), interest on an employe's savings account shall be credited as of the December 31 of each year and shall be compounded semi-annually based on the account balances as of the January 1 and July 1 of such year and by using the interest rate established by the board.

402. Interest credited in year of complete withdrawal or pension commencement.

(a) *Membership account.* If an employe (or his beneficiary) withdraws the remaining balance of his membership account or begins receiving a monthly pension from the system before the December 31 of a year, then interest on the membership account shall be credited for such year through the date of the complete withdrawal or pension commencement at the interest rate established by the board, and shall be calculated based on the balance of the membership account as of the day immediately preceding the date of the complete withdrawal or pension commencement, whichever is applicable. No additional interest will be credited to the membership account after the date of the complete withdrawal or pension commencement.

(b) *Savings account.* If an employe (or his beneficiary) withdraws the remaining balance of his savings account or begins receiving periodic payments from the system based on his savings account before the December 31 of a year, then interest for such year shall be credited at the rate established by the board for such year and shall be compounded semi-annually based on the balance of the savings account as of the January 1 and July 1 (if applicable) of such year, less withdrawals prior to the complete withdrawal or commencement of periodic payments, through the date of the withdrawal or commencement of periodic payments. No additional interest will be credited to the savings account after the date of the complete withdrawal or commencement of periodic payments.

403. Interest rate established by the board.

Section 9.3 of the Retirement Act requires the board to credit earnings to the membership account and the savings account at an interest rate established by the board. Unless and until the board acts otherwise, the applicable interest rate established by the board pursuant to section 9.3 of the Retirement Act for purposes of rules 401 and 402 shall be five (5) percent.

404. Interest rate on employe buy backs.

(a) If a member elects to participate in the buy back program to restore prior service credit, as described in subsection 201.24(11.1), the member must redeposit the previously withdrawn membership account amounts with interest thereon to the date of redeposit.

(b) Interest shall equal the amount that the withdrawn amount would have earned had the withdrawn amount remained in the membership account throughout the "withdrawal period" beginning on the date of withdrawal and ending on the date of full repayment.

(c) The retirement office will calculate interest by using the aggregate ERS annual rate of return for each calendar year included in the withdrawal period. As described in subsection (d) below in greater detail, all rates of return used in the interest calculation shall be determined and frozen as of the date of the retirement office's interest calculation.

(1) In years ERS experienced negative returns, the retirement office will apply a negative return in this interest calculation.

(2) In partial years, including the years during which the member repays the buy back amount, the retirement office will apply the annual rate for the given year on a per diem basis to calculate the full amount of interest owed.

(d) The interest rate used to assess interest during the "buy back repayment period" will depend upon whether the member asks to buy back service in the member's first year of reemployment or the member's second year of

reemployment.

(1) If the member asks to buy back service in the member's first year of reemployment, the retirement office will calculate interest through the second anniversary of the member's return to county employment (the deadline for repayment of the buy back amount), using the same interest rate for the year of the member's return and throughout the buy back period. The interest rate will equal the ERS annual rate of return for the full calendar year prior to the member's return to employment.

(2) If the member asks to buy back service in the member's second year of reemployment, the retirement office will calculate interest through the second anniversary of the member's return to county employment (the deadline for repayment of the buy back amount). The retirement office will assess interest for the year of the member's return using the actual ERS rate of return for that year. The retirement office will use the actual ERS rate of return for any other calendar year during the buy back period that is fully completed before the member asks to buy back prior service. The retirement office will assess interest for any partial year during the buy back period (with such interest assessed on a per diem basis), using the ERS annual rate of return for the last fully completed calendar year during the buy back period as the interest rate.

(e) If a member repays the total withdrawal amount with interest prior to the end of the two-year buy back period, the retirement office will provide the member with an interest rebate for the member's overpayment of interest at a per diem rate.

(f) If the member fails to repay the total withdrawal amount with interest prior to the end of the two-year buy back period, the retirement office will permanently cancel the service which the member seeks to buy back, and the retirement office will refund to the member the entire amount paid by the member to the retirement office to attempt to buy back service.

ACTIVE SERVICE

501. Eligibility for retirement or death benefits.

In determining eligibility for retirement or for death benefits, a member is required to be in active service and shall be so considered under one (1) of the following conditions at the time of filing his application for retirement or at the time of death:

- (a) If he is an employe currently receiving compensation.
- (b) If he is a member who has been granted a leave of absence by the civil service commission and his name continues to appear on the departmental payroll evidencing that such leave is in full force and effect. Such leave of absence, however, may not exceed five (5)

years within a period of ten (10) consecutive years as provided in the retirement act.

- (c) If he is an employe whose civil service leave of absence has been terminated and whose individual case merits consideration for an extension of active service rights by the annuity and pension board. Such an extension may at the option of the annuity and pension board be granted for a period of not more than one (1) year from the date of expiration of the leave of absence granted by the civil service commission. A request for such extension shall be made on a form provided for by the retirement system. Such extension of active service, however, together with the leave of absence granted by the civil service commission may not exceed five (5) years within the last ten (10) years of service as provided in the retirement act.
- (d) If he is a seasonal employe but his absence is due to the fact that no seasonal work of the type usually performed by the employe is available either by reason of insufficiency of work or seniority rules, but is eligible for reinstatement when such work is available.

503. Voidance of active service.

If an employe qualifies for active service under paragraph 501(b) or (c) and the reasons for the granting of the civil service leave of absence or the extension of active service rights no longer exist, such employe shall not be considered to be in active service.

FINAL AVERAGE SALARY

601. Methods for determining final average salary.

Four (4) methods shall be used for determining the final average salary depending upon the status of the employe and the nature of the benefits payable, to-wit:

Method A. The final average salary of an employe who is a member of the retirement system prior to April 29, 1948 and who is not eligible to become a member under the rules and regulations in effect commencing with April 29, 1948 shall be calculated in accordance with the standing resolutions in effect prior to April 29, 1948.

Method B. The final average salary for the purpose of determining both the retirement allowance as well as the death benefit of a full-time or part-time employe determined by taking the total the employe would have earned if he were paid the full annual salary for his position during the last three (3) creditable years of service and by dividing that figure by three (3). However, if there should be less

than three (3) creditable years, then the total earnable compensation shall be divided by the actual number of creditable years. Full salary shall mean the actual salary paid plus salary loss due to allowable absences.

Method C. The final average salary for the purpose of determining the retirement allowance of a season or intermittent employe shall be determined as follows:

- (1) Recapitulate the actual earnings and service credit as shown in the service history record and in the employe ledger for the period required to accumulate not more than three (3) creditable years of service.
- (2) Divide the accumulated earnings by the number of creditable years shown in step (1) above.

Method D. The final average salary for the purpose of determining the death benefit of a seasonal or intermittent employe shall be determined as follows:

- (1) Recapitulate the actual earnings and service credit as shown in the service history record and in the employe ledger for the period required to accumulate not more than three (3) creditable years of service.
- (2) Take the number of calendar years required to accumulate the service credits shown in step (1) above and deduct from the figure one-half year. Divide the accumulated earnings by the amount obtained in the preceding sentence.

602. Application of methods.

<i>Type of Benefit and Type of Employment</i>	<i>Method to be Used</i>			
	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>
<i>Retirement - (except minimum ordinary disability)</i>				
Employee who would not be eligible under rules and regulations in effect commencing April 29, 1948	x			
Full-time or part-time employe		x		
Seasonal or intermittent employe			x	
<i>Death benefit and minimum ordinary disability</i>				
Employee who would not be eligible under rules and regulations in effect commencing April 29, 1948	x			
Full-time or part-time employe		x		
Seasonal or intermittent employe				x

603. Determination of employment status for death benefit.

The status of a member for the purpose of calculating death benefits under rule 601 shall be considered to be that during his last year of creditable service immediately preceding the time of death. Should a member not have completed a year of creditable service under the last type of employment at time of death, his status shall be considered to be that of the type of employment in which he last completed a year of creditable service.

RETIREMENT AND DEATH BENEFIT ELIGIBILITY**701. Members retiring after attaining retirement age.**

Members who retire after having attained retirement age shall be eligible for service retirement only.

702. Fifteen (15) years of creditable service required for ordinary disability retirement.

Members shall be entitled to ordinary disability retirement allowances only if they have completed at least fifteen (15) years of creditable service, provided, however, that seasonal employes shall be entitled to ordinary disability retirement allowances if they have worked fifteen (15) calendar years during which services were credited. Part-time employes who are eligible for membership solely by virtue of the standing resolutions in effect prior to April 29, 1948 shall be entitled to ordinary disability retirement allowances if their creditable periods of service would have been equivalent to fifteen (15) years service had they been employed on a full-time basis. If an employe has served in several types of employment, he shall be eligible for an ordinary disability retirement allowance if his combination of creditable services would be equivalent to fifteen (15) unit years under the provisions of this rule.

703. Involuntary termination of employment-Fifteen (15) years required.

Members shall be entitled to immediate retirement allowances under the provisions of section (5), subsection (6), paragraph (a)2, of the retirement act if they have completed at least fifteen (15) years of creditable service, which fifteen (15) years of creditable service shall be determinable as set forth in section 702 above. Application for such immediate retirement allowance shall be made on a form provided for this purpose within sixty (60) days after termination of service, otherwise the member shall be considered as entitled to a deferred retirement allowance, and be subject to rules 801-804.

704. One (1) year of service credit required for death benefit.

Members shall be entitled to death benefits in excess of the return of contributions and interest if they have completed at least one (1) year of creditable service, provided, however, that seasonal employes shall be entitled to such death benefits after one (1) year from the date their acceptable application for membership is filed.

Part-time employes who are eligible for membership solely by virtue of the standing resolutions in effect prior to April 29, 1948 shall be entitled to such death benefits if their creditable periods of service would have been equivalent to a year's service had they been employed on a full-time basis. If any employe has served in several types of employment, he shall be eligible for such death benefits if his combination of creditable service is equivalent to one (1) creditable year, and such death benefit shall be calculated in the manner prescribed for the type of employment in which he was last employed.

705. Pension benefit calculations after January 1, 2001-Non-deputy sheriff employes whose initial membership began prior to January 1, 1982.

(a) *Applicability of rule.* This rule 705 shall apply to any non-deputy

sheriff employe of the county whose initial membership in the Employees' Retirement System began before January 1, 1982 and who accrues pension service credit on or after January 1, 2001, if the member: is not represented by a collective bargaining unit; or, is represented by a collective bargaining unit which has agreed to the provisions of section 5.15. This rule shall not apply to a member whose service on or after January 1, 2001 is solely in a position for which membership in the Employees' Retirement System is optional.

(b) *"Bonus"*. When calculating the normal pension benefit of a member, for each year of service earned after January 1, 2001, the member's final average salary shall be artificially increased by a "bonus" equal to seven and a half (7½) percent of the member's pre-"bonus" final average salary. The "bonus" serves as an artificial increase to the member's final average salary solely for the purpose of calculating the amount of the member's pension benefit.

(c) *Maximum "bonus"*. The total artificial increase to a member's final average salary as a result of this "bonus" shall not exceed twenty-five (25) percent of the member's pre "bonus" final average salary.

(d) *Proportionate "bonus"*. For partial years of pension service credit earned on or after January 1, 2001, the member will receive a proportionate final average salary increase.

706. Pension benefit calculations after January 1, 2001-Nonrepresented deputy sheriff employes whose initial membership Began Prior to July 1, 1995.

(a) *Applicability of rule*. This rule 706 shall apply to any nonrepresented deputy sheriff employe of the county whose initial membership in the Employees' Retirement System began prior to July 1, 1995 and who accrues pension service credit on or after January 1, 2001.

(b) *"Bonus"*. When calculating the normal pension benefit of a member, for each year of service earned after January 1, 2001, the member's final average salary shall be artificially increased by a "bonus" equal to seven and a half (7½) percent of the member's pre-"bonus" final average salary. The "bonus" serves as an artificial increase to the member's final average salary solely for the purpose of calculating the amount of the member's pension benefit.

(c) *Maximum "bonus"*. The total artificial increase to a member's final average salary as a result of this "bonus" shall not exceed twenty-five (25) percent of the member's pre-"bonus" final average salary.

(d) *Proportionate "bonus"*. For partial years of pension service credit earned on or after January 1, 2001, the member will receive a proportionate final average salary increase.

707. Pension benefit calculations after January 1, 2001-Non-deputy sheriff employes whose initial membership began on or after January 1, 1982.

(a) *Applicability of rule.* This rule 707 shall apply to any non-deputy sheriff employe whose initial membership in the Employes' Retirement System began on or after January 1, 1982 and who accrues pension service credit on or after January 1, 2001, if the member: is not represented by a collective bargaining unit; or, is represented by a collective bargaining unit which has agreed to the provisions of section 5.15. This rule shall also apply to any non-deputy sheriff employe whose membership in the Employes' Retirement System initially began prior to January 1, 1982, but whose pre-1982 service credit was terminated pursuant to section 2.11. This rule shall not apply to a member whose service on or after January 1, 2001 is solely in a position for which membership in the Employes' Retirement System is optional.

(b) *General rule.* A member's annual normal pension benefit shall equal:

(1) All years of pension service credit earned on or after January 1, 2001, other than as an elected official, multiplied by two (2) percent of the member's final average salary; plus

(2) All years of pension service credit earned prior to January 1, 2001, other than as an elected official, multiplied by one and a half (1½) percent of the member's final average salary; except that

(3) For each year of pension service credit earned after January 1, 2001, the multiplier applied to eight (8) years of pension service credit earned prior to January 1, 2001, other than as an elected official, shall be increased from one and a half percent to two (2) percent.

(4) For a member with partial years of pension service credit on or after January 1, 2001, the member shall have the multiplier applied to a proportionate number of pre-2001 years of pension service credit increased from one and a half (1½) percent to two (2) percent.

(c) *Service as an elected official.* A member who is an elected official shall receive an annual normal pension benefit equal to:

(1) All years of pension service credit earned on or after January 1, 2001 as an elected official multiplied by two and a half (2½) percent of the member's final average salary; plus

(2) All years of pension service credit earned prior to January 1, 2001 as an elected official multiplied by two (2) percent of the member's final average salary; except that

(3) For each year of pension service credit earned on or after

January 1, 2001, the multiplier applied to eight (8) years of pension service credit earned prior to January 1, 2001 as an elected official shall be increased from two (2) percent to two and half (2½) percent.

(4) For a member with partial years of pension service credit on or after January 1, 2001, the member shall have the multiplier applied to a proportionate number of pre-2001 years of pension service credit increased from two (2) percent to two and half (2½) percent.

(d) *Multiple job capacities.* If a member has service in a job capacity described in rule 707(b) and in a job capacity described in rule 707(c) above, his annual pension benefit shall be the sum of the amounts of the member's annual pension benefit calculated under both rule 707(b) and rule 707(c).

708. Pension benefit calculations after January 1, 2001-Nonrepresented deputy sheriffs whose initial membership began on or after July 1, 1995.

(a) *Applicability of rule.* This rule 708 shall apply to any nonrepresented deputy sheriff employe whose initial continuous membership in the Employees' Retirement System began on or after July 1, 1995, and who accrues pension service credit on or after January 1, 2001. This rule shall also apply to any nonrepresented deputy sheriff employe whose membership in the Employees' Retirement System initially began prior to July 1, 1995, but whose pre-July 1, 1995 service credit was terminated pursuant to section 2.11.

(b) *General rule.* A member's annual normal pension benefit shall equal:

- (1) All years of pension service credit earned on or after January 1, 2001 as a nonrepresented deputy sheriff multiplied by two and half (2½) percent of the member's final average salary; plus
- (2) All years of pension service credit earned prior to January 1, 2001 as a nonrepresented deputy sheriff multiplied by two (2) percent of the member's final average salary; except that
- (3) For each year of pension service credit earned on or after January 1, 2001, the multiplier applied to eight (8) years of pension service credit earned prior to January 1, 2001 as a nonrepresented deputy sheriff shall be increased from two (2) percent to two and a half (2½) percent, and for each partial year of pension service credit earned on or after January 1, 2001, the multiplier for pre-2001 years of pension service credit shall be increased from two (2) percent to two and a half (2½) percent on a proportionate basis.

(c) *Multiple job capacities.* If a member has earned service credit in a job capacity other than that described in this rule 708, the member's annual pension

benefit shall be the sum of the amounts of the member's annual pension benefit calculated under both this rule 708 and the pension benefit calculated for the other job capacity.

709. Pension benefit calculations after January 1, 2001-Optional members.

(a) *General rule.* The normal retirement benefit under section 5.1 for service earned as an "optional member," which is service earned in a position for which membership in the Employees' Retirement System is optional and for which the member elects to become a member, either at the member's commencement of employment in such position or through the "buy in" procedure described in rule 207, shall equal:

- (1) Service credit on or after January 1, 2001. All years of pension service credit earned on or after January 1, 2001 as an optional member, multiplied by an amount equal to two (2) percent of the member's final average salary; plus
- (2) Service credit before January 1, 2001 and on or after January 1, 1982. All years of pension service credit earned prior to January 1, 2001, but on or after January 1, 1982 as an optional member, multiplied by an amount equal to one and a half (1½) percent of the member's final average salary; plus
- (3) Service credit before January 1, 1982. All years of pension service credit earned prior to January 1, 1982 as an optional member, multiplied by an amount equal to two (2) percent of the member's final average salary.

(b) *Ineligibility for benefit enhancements.* Service on or after January 1, 2001 in a position for which membership is optional shall not count as service that qualifies the member for the benefit enhancements described in rules 705 and 707.

(c) *Service credit other than as an optional member.* If a member earns pension service credit in a position other than a position for which membership is optional, the member's normal pension benefit shall be calculated by adding the benefit earned in an optional position to the benefit that the member earned in a non-optional position.

710. Dual eligibility for benefit enhancements.

If a member qualifies for the application of both the "bonus" described in rule 705 or rule 706 and the retroactive increased benefit multiplier described in rule 707(b)(3) and (4), rule 707(c)(3) and (4) or rule 708(b)(3), the member's benefit shall include the application of both benefit enhancements.

711. Back DROP pension benefit.

(a) *Eligibility.* Any member whose application to retire is filed and effective on or after January 1, 2001, and who elects a normal pension pursuant to section 4.1 or an early pension pursuant to section 4.2 shall be eligible to elect to receive the retroactive deferred retirement option program, or "back DROP," pension benefit described in section 5.16.

(b) *Form of benefit.* A member who elects to receive a back DROP pension benefit shall, upon completing an application for a retirement benefit:

- (1) Receive a lump sum DROP benefit, which, at the member's election, shall be paid to the member in a single lump sum, or, if permitted by the Internal Revenue Code and corresponding regulations, shall be "rolled over" to an individual retirement account ("IRA"), or, when allowable, to another tax qualified retirement plan; and
- (2) Receive the member's early or normal monthly pension (referred to in section 5.16(3)(b) as the "monthly DROP benefit"). The member's monthly pension benefit shall be calculated in accordance with sections 5.1, 5.2 and 5.15, except that years of pension service credit and earnable compensation after the "back DROP date" will not be taken into account. The monthly pension benefit received by the member will reflect the annual increases required by section 5.7, with such increases beginning on the one-year anniversary of the member's back DROP date and continuing on each subsequent anniversary.

(c) *Lump sum DROP benefit.* The "lump sum DROP benefit," or "total DROP benefit" as it is described in section 5.16, equals the sum of the monthly pension payments (calculated pursuant to section (b)(2) above) that the member would have received had the member's pension commenced on the "back DROP date" and been paid through the date the member is removed from the county payroll due to actual retirement (after exhausting all accrued time balances as documented by an ETCR form), including annual increases in accordance with section 5.7. The "lump sum DROP benefit" shall also include interest, compounded monthly at a rate equal to the actuarial funding rate of the Employees' Retirement System of the County of Milwaukee, that would have accrued to an account had the member's monthly pension commenced on his back DROP date and been allocated to that account.

(d) *Back DROP date.* The "back DROP date" is a date selected by the member that is not earlier than the earliest date that the member was eligible to retire and receive a benefit pursuant to section 4.1 or section 4.2 and that is not later than one (1) year prior to the date the member elects to leave active county service. For purposes of this rule and section 5.16, the requirement that the back

drop date be at least one (1) year prior to the date the member leaves active county service shall be interpreted as one (1) calendar year. The back DROP date shall be the date immediately following the date selected by the member as the last date to be included in the calculation of the member's final average salary and pension service credit.

(e) *Application of benefit enhancement provisions.* When calculating a member's normal or early monthly pension payment, the provisions of section 5.15 shall apply even if a member elects to receive a back DROP benefit with a "back DROP date" prior to January 1, 2001.

712. Benefit limitation.

Pursuant to section 5.1, the annual pension payable to a member shall not exceed eighty (80) percent of his final average salary. For the purposes of calculating this benefit limitation, a member's final average salary shall be determined in accordance with section 2.8 and rule 112. In addition, for the purposes of applying this benefit limitation, neither the benefit increases that a member may receive as a result of the operation of sections 5.7 and 5.17, nor the "lump sum DROP benefit," or "total DROP benefit," as it is described in section 5.16, shall be considered part of the "pension payable" to the member.

713. Lump sum back DROP interest rate.

(a) Pursuant to section 201.24(5.16) and Rule 711(c), the lump sum back DROP interest rate shall equal the rate used by the ERS actuary as the assumed rate of return for funding purposes.

DEFERRED RETIREMENT

803. Withdrawal of employe contributions permitted.

The member who applied for a deferred retirement allowance may withdraw any part of the accumulated annuity savings to his credit, but such withdrawal shall automatically terminate any right to a deferred retirement allowance.

805. Resignation is not "fault or delinquency" on member's part.

An accepted resignation from his position by a member shall not be considered "fault or delinquency on his part" within the meaning of section 5(6)(a)2 of the retirement act.

807. Fault and Delinquency.

(a) *General Rule.* Pursuant to section 201.24(4.5) of the General Ordinances of Milwaukee County, a member forfeits his right to a deferred vested pension benefit if his employment with the county is terminated due to fault or

delinquency on his part.

(b) *Fault or Delinquency Standard.* Until section 201.24(4.5) is amended to provide otherwise or the pension board adopts other rules, for purposes of section 201.24(4.5), a member's employment is considered to be terminated for fault or delinquency on his part if it is terminated due to conduct resulting in a felony offense charge if the circumstances of the charge substantially relate to the circumstances of the member's particular job and the member is ultimately convicted of such felony offense.

(c) *Determination.* Upon application for a deferred vested pension benefit by a member who has been, or who the pension board reasonably believes may be, convicted of a felony offense described in Rule 807(b), the pension board shall review the member's application and determine at a meeting whether the member's employment was terminated due to fault or delinquency pursuant to Rule 807(b). The applicant may appear at the meeting and may be represented at the meeting by counsel. The pension board may delay a decision on any application until pending felony charges are resolved.

(d) *Suspension of Benefits.* In the event a member is convicted of a felony offense described in paragraph 807(b) after benefit payments have commenced, the pension board shall review the member's retirement and suspend further payment of benefits if it determines that the member's employment was terminated due to fault or delinquency on his part pursuant to Rule 807(b). In its discretion, the pension board may seek repayment of benefits already distributed to the member.

(e) *Hearing Examiner.* The pension board may refer the determination under Rule 807(c) to a hearing examiner in the same manner as set forth in section 201.24(4.9)(11) of the General Ordinances of Milwaukee County.

EMPLOYEES' CONTRIBUTIONS

901. Contribution based on gross salary.

The employe contribution described in this rule 901 shall apply solely for periods prior to December 24, 1967.

The biweekly employe contribution shall represent the percentage of his gross biweekly earnable compensation shown in the following table opposite his age at his nearest birthday at the time of his entrance into the system. The deduction shall be made from each biweekly compensation provided such compensation exceeds the withholding tax, Blue Cross deduction, and full employe annuity contribution.

EMPLOYEE CONTRIBUTION TABLE (1)

Age*	<i>For Enrollments Prior to 12/31/58</i>				<i>For Enrollments Subsequent to 12/31/58</i>			
	<i>Other Than Deputy Sheriffs</i>		<i>Deputy Sheriffs</i>		<i>Other Than Deputy Sheriffs</i>		<i>Deputy Sheriffs</i>	
	Men	Women	Men	Women	Men	Women	Men	Women
20	5.0%	5.7%	6.9%	7.8%	5.6%	6.2%	6.9%	8.4%
21	5.0	5.7	6.9	7.8	5.6	6.2	6.9	8.5
22	5.0	5.7	7.0	7.8	5.6	6.2	7.0	8.6
23	5.0	5.7	7.0	7.9	5.6	6.3	7.0	8.6
24	5.1	5.7	7.1	7.9	5.7	6.3	7.1	8.7
25	5.1	5.7	7.1	8.1	5.7	6.3	7.1	8.8
26	5.1	5.7	7.3	8.1	5.7	6.4	7.3	8.9
27	5.1	5.9	7.3	8.3	5.8	6.4	7.3	8.9
28	5.2	5.9	7.4	8.3	5.8	6.4	7.4	9.0
29	5.2	5.9	7.4	8.3	5.9	6.5	7.4	9.1
30	5.2	6.0	7.6	8.5	5.9	6.6	7.6	9.2
31	5.2	6.0	7.6	8.5	6.0	6.6	7.6	9.3
32	5.4	6.1	7.7	8.7	6.0	6.7	7.7	9.4
33	5.4	6.1	7.7	8.7	6.1	6.8	7.7	9.6
34	5.6	6.3	7.9	8.9	6.2	6.9	7.9	9.7
35	5.6	6.3	7.9	9.0	6.3	6.9	7.9	9.8
36	5.6	6.3	8.2	9.2	6.3	7.0	8.2	10.0
37	5.9	6.5	8.2	9.2	6.4	7.1	8.2	10.1
38	5.9	6.5	8.4	9.4	6.5	7.3	8.4	10.2
39	5.9	6.7	8.4	9.5	6.6	7.4	8.4	10.4
40	6.1	6.7	8.6	9.7	6.7	7.5	8.6	10.5
41	6.2	7.0	8.6	9.7	6.9	7.6	8.6	10.7
42	6.2	7.0	8.9	10.0	7.0	7.7	8.9	10.8
43	6.4	7.3	8.9	10.0	7.1	7.9	8.9	11.0
44	6.4	7.3	9.1	10.3	7.2	8.0	9.1	11.1
45	6.6	7.5	9.1	10.3	7.3	8.1	9.1	11.3
46	6.6	7.5	9.4	10.6	7.4	8.3	9.4	11.5
47	6.8	7.7	9.4	10.6	7.6	8.4	9.4	11.6
48	6.8	7.7	9.7	10.9	7.7	8.6	9.7	11.8
49	7.2	7.9	9.7	10.9	7.8	8.7	9.7	12.0
50	7.2	8.1	9.9	11.2	8.0	8.9	9.9	12.1
51	7.4	8.1	10.1	11.3	8.1	9.0	10.1	12.3
52	7.4	8.4	10.1	11.5	8.3	9.2	10.1	12.5
53	7.6	8.5	10.4	11.7	8.4	9.4	10.4	12.7
54	7.6	8.7	10.4	11.8	8.6	9.5	10.4	12.9
55	7.9	8.8	10.6	12.0	8.7	9.7	10.6	13.1
56	7.9	9.1	10.8	12.2	8.9	9.9	10.8	13.2
57	8.1	9.1			9.0	10.0		
58	8.4	9.3			9.2	10.3		
59 & over	8.4	9.5			9.4	10.4		

*Age to nearest birthday on date of enrollment.

(1) If employe is under group B (social security) the above rates are two (2) percent less on salary subject to social security tax, unless employe signs a waiver of this two-percent decrease.

902. Reasonable estimate of compensation where biweekly amounts are not uniform.

In those cases where an employe's compensation is not anticipated to be uniform for each biweekly period, a reasonable estimate of his biweekly compensation is to be used for application of the biweekly percentage of contribution. Such estimate should be reasonably in line with the actual compensation paid and should be adjusted if and when it gets out of line. If the employe is engaged in work similar in nature and compensation as he was in the preceding year, his actual average biweekly compensation of the preceding year, adjusted in respect of any known increase or decrease for the current year, may be deemed to be a reasonable estimate for the current year.

903. Contribution amount not final until confirmed.

Contributions and changes in contributions shall not be made unless certified by the director of audits.

904. Compensation to include amount for maintenance.

Compensation for the purpose of determining contribution shall include maintenance furnished the employe at such values as same is shown on the payroll but shall not include an allowance for use of the employe's personal auto.

905. No contribution on certain compensation and optional on some.

No contributions shall be made on compensation earned under the conditions stated in rule 308(a) but will be permitted under the conditions stated in rule 308(b) at the option of the employe provided that the employe notifies the secretary in writing of his election of this option.

GENERAL REGULATIONS

1001. Action of board final after one year.

All actions of the board affecting the status of rights of any individual employe or his beneficiaries shall be considered to be final after expiration of one (1) year from the date such action was taken.

1002. Receipt for filing may be demanded.

Any person filing any document or paper with the secretary of the annuity and pension board may demand and receive a receipt showing the date and time of

filing, but in the absence of such receipt, the date and time stamped on the document by the secretary shall be considered as conclusive.

1003. Equal month retirement allowance.

Retirement allowances shall be payable in equal calendar monthly installments or in ratably smaller amounts for original and final payments if such payments are for a shorter period than the calendar month.

1004. Member leaving service may request statement of annuity savings and service credits.

The secretary shall upon request issue a statement showing annuity savings and creditable service to any member who separates from county service.

1005. Location of office.

The general offices of the annuity and pension board shall be located in the office of the director of audits and no papers shall be considered to be legally filed until received at this office.

1006. Time for election to board and effective date.

The election for employe-members to the annuity and pension board shall be held in the month of February of each year, and the employe-member elected shall commence his term on March 1 next following his election.

1007. Hospital and surgical-medical insurance deductions.

Retirement members may assign a portion of their retirement allowance for the regular monthly payment of the prevailing subscription fees for the Comprehensive Group Contract of associated Hospital Service, Inc., of Wisconsin and the surgical-medical service contract of Surgical Care, an agency of the Medical Society of Milwaukee County, Wisconsin, with the understanding that the same be remitted on behalf of such members to Associated Hospital Service, Inc., at its office in Milwaukee, Wisconsin.

1008. Increase in members' contributions.

A member may make additional contributions in an amount sufficient to provide an additional annuity which together with his prospective retirement allowance shall not exceed one-half of his final average salary, provided that the amount of such additional contributions shall not exceed his regular contributions in any calendar year. Additional contributions when made on a payroll deduction basis shall be stated in terms of an increased percentage deduction and processed in the same manner as regular annuity savings payroll deductions are processed. Such additional contributions cannot be increased within less than one (1) year from the effective date of the original application or from the effective date of any

subsequent revision thereof. Such additional contributions can be decreased only upon giving at least ninety (90) days' notice prior to the effective date of such decrease.

1009. Social security estimate for survivor's benefit offset.

To compute survivors' pensions payable under s. 6.4 of the Pension Law, the secretary may estimate the social security benefits using the best information available. The survivors of a deceased member will be requested to submit the determination of actual benefits by the Social Security Administration to the employe retirement manager. If such information is not furnished within six (6) months of the date survivors' benefits commence, the director may suspend benefits until the information is furnished. If the actual benefits determined by the Social Security Administration differ from the estimate, a retroactive adjustment will be made.

1010. Reports by accidental disability pensioners.

(a) Members receiving an ordinary disability pension are not required to file an annual statement of earned income.

(b) Each member receiving an accidental disability pension shall, on or before June 1 of each year, file with the secretary a statement of earned income and shall provide to ERS a signed authorization allowing ERS to obtain copies of state and federal tax returns from the respective governments. The secretary may also request that the member provide complete copies of the member's his/her federal and state income tax returns for the same year. The secretary, for reasonable cause shown, may extend the filing date.

(c) In the event a member fails to provide the requested statement or authorization as required, the secretary shall forward the member's name and the facts of the member's noncompliance to the Pension Board. Upon referral, the Board may, in its discretion, suspend the member's pension or take whatever other action it deems appropriate in order to obtain the documentation. Upon receipt of the required documents, the Secretary shall pay to the member, without interest, all prior suspended pension payments, subject to the adjustment, if any, required by Ordinance section 201.24(10.2).

(d) Members receiving an accidental disability pension are not required to file an annual statement of earned income for years after the year in which the member reaches age seventy (70).

1011. Eligibility investigations.

The secretary of the pension board is authorized to have investigations conducted as to the eligibility or continued eligibility of any applicant or recipient of any benefits available under the retirement system. The secretary may enlist the assistance of the corporation counsel, the sheriff's department or other

resources as required.

1012. Accidental disability eligibility reapplications.

An applicant for an accidental disability retirement or an ordinary disability retirement whose application shall be rejected by denial thereof shall not be eligible to reapply again for the same type of disability benefit for at least twelve (12) full months from the date of denial or any subsequent determination by the pension board following a hearing as prescribed under section 201.24(4.7) of the General Ordinances. The pension board may waive this rule upon a showing of good cause in individual cases and permit an application to be processed.

1012(a). Accidental and ordinary disability/worker's compensation (W/C) offset.

In applying the W/C offset provision as provided by section 201.24(11.9), County General Ordinances, it shall be the policy of the employe's retirement system to offset certain awards, whether or not the accidental beneficiary receives payments, under the following conditions:

- If the department of industry, labor and human relations (DILHR) issues a partial or permanent total award at the request of the disability beneficiary.
- If the department of industry, labor and human relations (DILHR) issues a partial or permanent total award at the request of the county corporation counsel as the administrator of the county's W/C program.

1013. Optional forms of payment.

(1) *Available forms.* In addition to the forms of payment provided by section 201.24(7.1) of the Ordinances, the following forms of payment shall be permitted pursuant to section 201.24(7.2) of the Milwaukee County Code of General Ordinances. Payment shall be made on the last business day of the month:

(a) *Option 4. Twenty-five (25) percent co-pensioner option.* This form of benefit provides a reduced monthly benefit payable to the member for his or her lifetime with monthly payments continuing upon the death of the member for the life of a designated beneficiary in an amount equal to twenty-five (25) percent of the amount that had been paid to the member during his or her lifetime. Benefit payments shall be made as follows:

[1] During the month of the member's death, the beneficiary and the member's estate will each receive a pro rata portion of the member's lifetime benefit payment payable for the month of the member's death.

[2] Benefit payments will commence to the beneficiary as of the first day of the month following the month in which the member dies.

The amount of the benefit shall be computed pursuant to tables supplied by the actuary to the board. This form of benefit is available without approval of the board.

(b) *Option 5. Seventy-five (75) percent co-pensioner option.* This form of benefit provides a reduced monthly benefit payable to the member for his or her lifetime with monthly payments continuing upon the death of the member for the life of a designated beneficiary in an amount equal to seventy-five (75) percent of the amount that had been paid to the member during his or her lifetime. Benefit payments shall be made as follows:

[1] During the month of the member's death, the beneficiary and the member's estate will each receive a pro rata portion of the member's lifetime benefit payment payable for the month of the member's death.

[2] Benefit payments will commence to the beneficiary as of the first day of the month following the month in which the member dies. Benefit payments to the beneficiary shall continue until the beneficiary dies.

The amount of the benefit shall be computed pursuant to tables supplied by the actuary to the board. This form of benefit is available without approval of the board.

(c) *Option 6. Ten-year certain annuity.* This form of benefit provides a reduced monthly benefit payable to the member for his or her lifetime. If a member who is receiving this form of benefit dies before receiving one hundred twenty (120) monthly payments, then monthly payments in the amount payable at the time of the member's death shall continue to the member's designated beneficiary until a total of one hundred twenty (120) payments have been made in the aggregate to the member and his or her designated beneficiary (or, if the member's designated beneficiary has predeceased the member or dies before a total of one hundred twenty (120) payments have been made, then to the member's spouse, or, if none, then to the member's estate). The amount of the benefit shall be computed pursuant to tables supplied by the actuary to the board. This form of benefit is available without approval of the board.

(d) *Option 7. Any other form.* A member may apply to the board to receive his or her benefits in any other form permitted by section 201.24(7.2) of the Milwaukee County Code of General Ordinances. The board will generally deny any such request on the grounds that the standard six (6) optional forms of benefit set forth in section 201.24(7.1) and in Rule 1013(a)(1), (2) and (3) provide sufficient options to members and that any other form of benefit subjects the system to unnecessary administrative expense and burden. Further, pursuant to Rule 1021, the board will not grant any request for a lump sum benefit. However, the board, in its sole discretion, reserves the right to

determine whether to approve a member's application for a benefit under this rule 1013(a)(4). The board shall review such requests pursuant to Rule 1035. The board or, where board responsibility has been delegated to others, such delegates shall have complete authority to determine the standard of proof required in any case and to apply and interpret this rule 1013(a)(4). The decision of the board or its delegates shall be binding upon all persons dealing with the system or claiming any benefit hereunder, except to the extent that such decision may be determined to be arbitrary or capricious by a court having jurisdiction over such matter. A member shall be required to pay all costs incurred by the system to evaluate each form of benefit requested by the member.

(2) *Beneficiary designation.* If a member elects a form of benefit under which benefits may continue to a beneficiary after the member's death, then the member shall be required to designate a beneficiary in writing on forms approved by the board and submitted to the board at the time the member elects such a form of benefit.

(a) A member being paid a benefit pursuant to Option 1 listed in section 201.24(7.1) or Option 6 listed in this rule 1013(1)(c) may change the designation of the named beneficiary at any time.

(3) *Actuarial equivalent.* The forms of benefit under section 201.24(7.2) of the Milwaukee County Code of General Ordinances and Rule 1013 shall be the actuarial equivalent of a member's pension as calculated pursuant to Rule 1014.

(4) *Lump sum distribution request.* Pursuant to Rule 1021, a request for any form of benefit that constitutes a lump sum benefit will not be granted.

1014. Actuarial equivalent.

"Actuarial Equivalent," as used in section 201.24(2.13) of the Milwaukee County Code of General Ordinances shall have the following meaning:

(a) *Lump Sum Payment Under Rule 1013(a)(4).* For purposes of calculating a single lump sum distribution under Rule 1013(a)(4), the term "actuarial equivalent" shall mean an alternative form or time of payment having the same actuarial present value when computed on the basis of:

- (1) *Mortality Table.* The 1983 Group Annuity Mortality Table (Male/Female 50/50), and
- (2) *Interest Rate.* An interest rate that is the greater of [a] 8-1/2 (8.5) percent or [b] the interest rate calculated by assuming the System's overall rate of return in the ten (10) calendar years preceding the calendar year in which a lump sum distribution is calculated and dividing by ten (10).

(b) *Converting Maximum Annual Benefit Limitation - PreAge 62.* For purposes of calculating the reduced dollar limit on annual benefits payable for a member who begins benefits prior to age sixty-two (62), as required by section 201.24(12.3), the term "actuarial equivalent" shall mean an amount having the same actuarial present value when computed on the basis of:

- (1) *Mortality Table.* The mortality table specified by the Internal Revenue Service in Revenue Ruling 200 1-62, or any successor revenue ruling thereto. Effective as of December 31, 2002, the mortality table is the 1994 Group Annuity Reserving Table (Male/Female 50/50); and
- (ii) *Interest Rate.* An interest rate of five (5) percent compounded annually.

(c) *All Other Purposes.* For all purposes under section 20 1.24(2.13) of the Milwaukee County Code of General Ordinances other than those specifically noted elsewhere in this Rule 1014, the term "actuarial equivalent" shall mean an alternative form or time of payment having the same actuarial present value when computed on the basis of:

- (1) *Mortality Table.* The 1983 Group Annuity Mortality Table (Male/Female 50/50), and
- (2) *Interest Rate.* An interest rate of eight (8) percent compounded annually.

1015. Forfeiture rule.

Section 201.24(2.11) of the Milwaukee County Code of General Ordinances provides that a member's service credit under the system shall be forfeited if he is absent from service more than five (5) years (except for military service or authorized leave of absence) in a period of ten (10) consecutive years after last becoming a member. The forfeiture rule of section 201.24(2.11) shall apply only to those members who, at the time they terminate county employment, are not vested in or eligible to receive a pension under section 201.24(4.1), 201.24(4.2), 201.24(4.3), 201.24(4.4) or 201.24(4.5). A member will not forfeit service credit pursuant to section 201.24(2.11) if, at the time he terminates county employment, he is vested in or eligible to receive a pension under section 201.24(4.1), 201.24(4.2), 201.24(4.3), 201.24(4.4) or 201.24(4.5).

1016. Claims appeal procedure.

(a) *Process for members to request review of claim denial.* If the retirement system manager or staff denies a member's application for a pension benefit, either in whole or in part, the member may appeal the retirement system manager's or staff's decision by submitting a written request for review of the decision to the board's administrative office no later than one hundred twenty

(120) days after the date the denial notice is received by the member. The retirement system manager or staff shall provide the member with a copy of this rule with the denial notice. The written request for review must include the member's reason for disputing or disagreeing with the initial decision. If a member files a timely written request for review, he may:

- (i) Submit additional materials for consideration by the board, including a written request for review. The board's decision may be delayed pending receipt of such requested information or may be issued in the absence of such requested information if the member does not respond to the request for additional information. The board's written decision will explain the reasons for the decision and will refer to provisions of the Milwaukee County Code of Ordinances and rules on which it is based; explanation of the issues and comments on the issues for consideration by the board in its review of the initial decision;
- (ii) Review, upon request, documents under the control of the board which are relevant to the member's claim; and
- (iii) Attend the board meeting at which the claim appeal will be reviewed.

(b) *Decision on review.* The board will review a member's timely written request for review and shall issue a written decision following the board's review of the denied claim within one hundred twenty (120) days of the date the board receives the member's written request for review or, if special circumstances require a delay in the decision, the member will receive a notice of the reasons for the delay within the same period. The board shall be entitled to request additional information from the member to the extent necessary and appropriate to respond to the member's request for review. The board's decision may be delayed pending receipt of such requested information or may be issued in the absence of such requested information if the member does not respond to the request for additional information. The board's written decision will explain the reasons for the decision and will refer to the provisions of the Milwaukee County Code of General Ordinances and rules on which it is based.

(c) *Decision on appeal shall be final.* All questions or controversies, of whatsoever character, arising in any manner or between any parties or persons in connection with the system, whether as to any claim for benefits, or as to the construction of language or meaning of the Milwaukee County Code of General Ordinances or rules, or as to any writing, decision, instrument or account in connection with the operation of the system or otherwise, shall be submitted to the board or, where board responsibility has been delegated to others, to such delegates for decision. The board's decision on any such matters, including with respect to a member's request for a review, shall be final and binding upon all persons dealing with the board or the system or claiming any benefit thereunder,

except to the extent that such decision may be determined to be arbitrary or capricious by a court having jurisdiction over such matter.

1017. Domestic relations orders.

Pursuant to section 201.24(11.7) of the Milwaukee County Code of General Ordinances, a member's pension benefit cannot be assigned, alienated, levied upon or subject to other legal process. However, the board will comply with a domestic relations order ("DRO") that directs the board to pay all or a portion of a member's pension benefit to a former spouse or child ("alternate payee"), provided the DRO satisfies the requirements outlined in subsection (a) below.

(a) *Requirements for a valid DRO.* The DRO must satisfy the following requirements:

- (i) *DRO must specify certain facts.* The DRO must clearly specify certain facts:
 - [a] the name, address and social security number of the member and the alternate payee;
 - [b] the amount or percentage of the member's benefits to be paid by the system to the alternate payee;
 - [c] the number of payments or period to which such DRO applies;
 - [d] the name of the system to which the DRO applies; and
 - [e] the date as of which such DRO is effective.
- (ii) *No payment until member in pay status.* The DRO must be an income assignment order that directs the board to pay to the alternate payee a portion of a member's monthly pension benefit that is in pay status. The DRO may not require the board or the system to make payment to an alternate payee on behalf of a member prior to the date that the member is actually receiving pension benefits from the system.
- (iii) *Purpose of payments.* Payment under the DRO shall be made solely for the purpose of providing alimony, maintenance or child support to a former spouse and/or child. The DRO cannot require payment to persons other than a member's former spouse or child and cannot be made for the purpose of a property division pursuant to a divorce.

(b) *Procedures upon receipt of a DRO.*

- (i) Upon receipt of a DRO, the board shall notify each person named in the DRO (at the address specified in the DRO) that a DRO has been received. The board may provide a copy of Rule 1017 to each party.
- (ii) If the board determines that the DRO complies with the applicable requirements of this Rule 1017, the board shall notify the persons named in the DRO and/or any representatives designated in writing by such persons.
- (iii) If the board determines that a DRO does not comply with the applicable requirements under Rule 1017, the board shall notify all parties that a determination has been made that the board cannot comply with the DRO. The notice shall describe the board's basis for determining that the DRO does not comply with Rule 1017.

(c) *Payment procedure.* If a DRO satisfies the requirements of subsection (a) above, the board will make the payment to an alternate payee pursuant to the DRO by submitting a check to the clerk of court having jurisdiction over the DRO.

1018. Offset for worker's compensation benefits.

Section 11.9 of the Retirement Act requires the board to offset a member's disability pension by amounts paid or payable to the member under the provisions of any state worker's compensation or similar law on account of the same disability for which the disability pension is granted. The board hereby affirms the intent and operation of section 11.9. The board shall offset a member's disability pension by any amounts that accrue to the member on and after the effective date of the pension under the provisions of any state worker's compensation or similar law on account of the same disability, regardless of when such amounts are actually paid. The offset will apply with respect to amounts paid or payable as salary continuation or injury pay in lieu of benefits under a state worker's compensation or similar law. A member's pension shall not be offset by amounts paid by worker's compensation (or similar law) in the form of health care or transportation expenses.

1019. Determination of earnable compensation and service.

A member's eligibility for a pension is based on his service with the county. The amount of a member's pension benefit is based on his earnable compensation and service with the county. For purposes of determining a member's eligibility for a pension and calculating the amount of a member's pension benefit, the board will rely on the compensation and service information provided by the county, and shall not independently verify a member's earnable

compensation or service for any periods of county employment.

1020. Election of employe members of board.

The following procedures shall apply when conducting the election of the employe members of the Pension Board. The Pension Board shall have the discretion to interpret and amend these procedures in any manner that is consistent with Ordinance section 201.24(8.2).

(1) *Candidate qualification.* To be a candidate for the employe member of the Pension Board, an individual must be an employe of the County of Milwaukee who is currently a member of ERS.

(2) *Election processTimeline.* The regular term for an elected employe member shall begin as of March 1 of an applicable year and last for three (3) years. Special election timelines and different term effective dates shall apply in the event of a vacancy in this position as provided in subsection (9) of this rule. In years during which an election of an employe member occurs, the following timeline shall apply, provided that, if the date of any deadline falls on a weekend or holiday, the deadline shall be extended until 4:30 p.m. of the next business day.

(a) *Notice of election and ability to seek nomination.* The retirement office shall send, by mail or electronic communication, a notice of election and ability to seek nomination to employes in the first week of December for a regular election or in the first week of a month when it is first feasible to do so for a special election. In the event a regular election and special election are being held concurrently, the notice described in this section shall make clear that an employe member nominee may only declare candidacy for one (1) of the elections.

(b) *Nomination deadline.* Complete nomination papers must be received in the retirement office by 4:30 p.m. on January 2 or, for a special election, the first day of the month following the month when the notice in subsection 2(a) was distributed.

(c) *Notice of candidates for primary election and date of primary election.* The combined 300-word resumes and statements of candidates shall be communicated to employes by January 31 or by the last day of the month established by subsection (2)(b) for a special election.

(d) *Primary election date.* A primary election shall be held by February 15 for a regular election or the fifteenth day of the month following the month established by subsection 2(c) for a special election. If only two (2) candidates file valid nomination papers, this primary election shall be the final election.

(e) *Notice of candidates for final election and date of final election.* The retirement office shall inform the candidates of the results of the primary election and post the results of the primary election, if any, as soon as practicable following tabulation of the votes.

(f) *Final election.* If necessary, the final election shall be held before the last business day of February for a regular election or the last day of the month established by subsection 2(d) for a special election. Notice of the results of the final election will be given to the candidates and posted in various departments as soon as practicable following tabulation of the votes.

(g) *Commencement of service.* Service begins as of March 1 for a member elected pursuant to a regular election. Service begins as of the first day of the month following the final election for a member elected pursuant to a special election, with the expectation that the member would be available to attend the regularly scheduled Pension Board meeting for that month.

(3) *Nomination of candidates.* To begin the nomination process, an eligible individual must register as a candidate, prove eligibility for candidacy to the Retirement Office and request nomination papers from the retirement office.

(a) *Nomination requirements.* To earn a nomination as a candidate for an employe member position on the pension board and be placed on the ballot for the election, an eligible individual must obtain one hundred (100) signatures from persons eligible to be candidates for employe member of the pension board. An eligible individual's representative(s) may circulate the nomination papers and collect signatures on behalf of the eligible individual. The potential candidate or candidate's representative(s) must obtain the requisite number of signatures from other employes eligible to run for employe pension board membership. Upon receiving the required number of signatures for nomination, the candidate or representative(s) shall sign and date the nomination papers, have them notarized and return the nomination papers to the retirement office. The individual may also present, along with the nomination papers, a resume and statement, limited to three hundred (300) words, detailing the candidate's qualifications for the position at that time.

(b) *Nomination papers.* The pension board shall approve the form of the nomination papers and any changes to the nomination papers. These papers shall require the signatory to include, at a minimum, his or her employment location and years of county service to date. In the event that a regular election and a special election are taking place concurrently, the candidate must fill out specific nomination papers for either the regular election or the special election but not both. If a candidate is nominated for both the regular election and the special election, the candidate will become ineligible for both elections.

(4) *Campaigning.* In the time period between the nomination deadline and either of the applicable election dates, a candidate may campaign for the

position of pension board member. Mailing labels will not be available for candidates to send mailings to eligible voters. The communication of candidates' resumes and statements to eligible voters shall be made according to the timeline described in subsection 2(c), as applicable. Candidates must comply with any applicable campaign laws. Candidates should seek counsel regarding these requirements prior to beginning their campaigns.

(5) *Election format.* If only one (1) candidate files approved nomination papers, no election will be held and that candidate shall be certified as the winner of the trustee position. If only two (2) candidates file approved nomination papers for an election, no primary election will be held. Instead, a final election will be held according to the timeline described in subsection 2(d) above and will determine the employee member representative on the pension board. If more than two (2) candidates file approved nomination papers for an election, a primary election will be held according to the timeline described in subsections 2(d) and (f) above. Following the primary election, the two (2) candidates receiving the highest number of votes in the primary election shall have their names placed on the ballot for the final election. However, if one (1) candidate receives more than fifty-five (55) percent of the votes cast in the primary election, there will be no final election. If necessary, the final election shall be held according to the timeline described in subsections 2(e) and (f) above. If a paper ballot is used, positions on the ballot for the primary election and the final election will be determined by random drawing. The drawing will take place in the Retirement Office before one (1) or more witnesses. Attendance of the candidates at the ballot position drawing is optional. If an electronic or telephonic ballot is used, positions on the ballot for any election shall be randomly alternated by the software program.

(6) *Voting.*

(a) *Eligibility to vote.* ERS and OBRA members who are on the Milwaukee County payroll as of the second pay period prior to the election are eligible to vote.

(b) *Voting procedure.* All elections shall be conducted by use of a computer-based internet system and a telephonic system, unless the pension board specifically decides to use a paper ballot process for a designated election. Voters shall be given the option to vote by either one of these methods, but the system shall be designed to limit an eligible voter to one (1) vote per election. If a paper ballot is used, voting shall take place in person at times and places and over such number of days as are established by the retirement office. The pension board reserves the right to grant special accommodations for those with extenuating circumstances. If a telephonic or a computer-based internet ballot system is used, the retirement office shall send notice, by mail or electronic communication, of the primary or final election to all eligible voters, with instructions for the methods of voting, with voter identification and password,

according to the timeline set forth in subsection (2) above. If a ballot system other than paper is used, write-in votes are not allowed and will not be accepted.

(c) *Validity of votes.* An eligible individual may only cast one (1) vote per election. If an individual attempts to cast more than one (1) vote, all of the individual's votes will be declared invalid.

(7) *Election results.*

(a) *Determination of outcome.* In the case of a primary election, the two (2) candidates receiving the highest number of votes will progress to the final election. However, if one (1) of the candidates receives more than fifty-five (55) percent of the votes cast in a primary election, that candidate shall be declared one (1) of the employe members of the pension board. If no candidate receives more than fifty-five (55) percent of the votes cast in the primary election, the candidate receiving the highest number of votes in the final election shall be the winner of that election. In the result of a tie in either the primary or general election, the retirement office shall break the tie in accordance with s. 5.01(4), Wis. Stats.

(b) *Certification and announcement of results.* As soon as possible after completion of both the primary election and the final election, the retirement office shall certify the election results to the pension board chairperson. The retirement office will then announce to the public the election results, including the number of votes received by each candidate. If no election is held because only one (1) candidate filed approved nomination papers, the retirement office shall certify that fact to the pension board chairperson and announce to the public that such candidate will be the new trustee.

(8) *Administration of election.* The retirement office shall oversee and administer the election process. As a result, the retirement office shall take the following actions:

(a) Compliance with the applicable election laws as determined by corporation counsel.

(b) Compliance with applicable election policies of the pension board.

(c) Acceptance and confirmation of validity of nomination papers.

(d) Tabulation of votes. In the result of a tie, the retirement office shall break the tie in accordance with s. 5.01(4), Wis. Stats.

(e) Announcement of election results.

(f) Handling complaints or disputes with the election process.

The retirement office shall take all other actions necessary and within its power to administer this election. The retirement office may assign responsibility for various actions to various other parties.

(9) *Special election.* In the event a vacancy exists in an employee member position, the pension board shall determine the need for and timing of a special election. A special election may be necessary to elect an employee member in the event of the resignation, removal or death of a sitting employee member. If an employee member terminates employment with Milwaukee County, that member shall not remain an employee member of the pension board. If a special election becomes necessary, the retirement office shall follow similar election procedures to conduct the special election as are used to elect the employee member during the regular election. The pension board shall establish alternative timelines appropriate for conducting the special election in a timely manner. These timelines shall be based upon the timeline used for a regular election. If the date of any deadline falls on a weekend or holiday, the deadline shall be extended until 4:30 p.m. of the next business day.

1021. Lump sum benefits denied.

(a) *Lump sum distribution defined.* For purposes of this rule, "lump sum distribution" refers to a distribution in any form that is not a monthly payment for either the member's or beneficiary's life or for ten (10) years certain or that is not a back DROP benefit, as determined in the sole discretion of the board.

(b) The pension board, in the exercise of its sole discretion as set forth in section 201.24(7.2), will not grant any request for a lump sum benefit, on the grounds that the forms of benefit set forth in section 201.24(7.1) and in Rule 1013(a)(1), (2), (3) and (4) provide sufficient options to members, that any other form of benefit subjects the system to unnecessary administrative expense and burden and that, in any given case, a request for a lump sum benefit is either not in the interest of the member or of the system.

1023. Determination of final average salary in reciprocity cases.

If a member's pension is calculated pursuant to the reciprocity rule described in section 201.24(11.41), then the member's final average salary for purposes of calculating his pension shall be determined in accordance with Wis. Stats. § 40.30(4)(b). Specifically, the final average salary as defined in section 201.24(2.8), increased by the percentage increase in the "national average wage index" between the date the member terminates employment covered by the system and the date the member terminates all employment covered by any of the governmental retirement systems in Wisconsin. The "national average wage index" for this purpose means, for any particular calendar year, the average of the total wages for such particular calendar year, as computed by the commissioner of social security.

1024. County-City transfers.

In those cases where a member is entitled to receive a pension from both the system and the Employee's Retirement System of the City of Milwaukee ("city system") under section 201.24(11.4), the pension board shall not determine the portion of the system's contribution towards the member's pension pursuant to section 201.24(11.4(a)(4)). Instead, the pension board shall determine the portion of the system's contribution towards the member's pension in the circumstance as follows: such contribution shall be prorated upon the basis of the dollar amount of the benefit the member earned under the system (as determined in section 201.24(11.4(a)(1)(County portion)) to the total dollar amount of the benefit the member is entitled to under both the system and the city system.

1025. Accidental disability retirement pensioner reexamination.

Sections 201.24(10.1), (10.2), (10.3) and (10.4) of the Milwaukee County Code of General Ordinances authorize the board to periodically audit and reexamine members who are receiving accidental disability retirement ("ADR") pensions. The board shall use the following procedures when conducting reexaminations of ADR pensioners.

- (a) *Exclusion of certain pensioners from reexamination.* The board will not review an ADR pensioner if: (i) the pensioner is eligible for a normal pension that equals or exceeds the ADR pension; (ii) the pensioner has converted from an ADR pension to a normal pension; (iii) the pensioner has attained normal retirement age; or (iv) the board has previously reviewed the pensioner and determined that the pensioner did not have the possibility of future recovery. If an ADR pensioner does not qualify for one (1) or more of these exclusions, the pensioner is eligible for periodic review.
- (b) *Evaluation of eligible ADR pensioners.* The board may review any eligible ADR pensioner to determine whether the pensioner remains disabled. Pursuant to section 201.24(10.1) of the Milwaukee County Code of General Ordinances, the board will not order a review of a pensioner more often than annually for the first five (5) years of the pensioner's disability, or more often than once in every three-year period thereafter. When evaluating a pensioner's disability, the board may conduct a medical examination, a vocational examination, or both. The board will evaluate the continuing condition of the member's disability according to the standard for disability applied to the pensioner when the pensioner was initially declared disabled.
- (c) *Notice of examination.* The board will notify eligible ADR pensioners when they will be subject to medical review. In this

notice, the board will describe the reexamination process for the pensioner and inform the pensioner of the pending medical and/or vocational evaluations. The board's notice will also include the deadline for completing the review, noted in section (d) below, and procedures following the completion of the board's evaluation.

- (d) *Deadline for completing examination.* The pensioner must complete the reexamination process within ninety (90) days of the date of the notice of examination. If a pensioner fails to complete the reexamination, the board will discontinue and then terminate the pension pursuant to section 201.24(10.1) of the Milwaukee County Code of General Ordinances.
- (e) *Reviewing parties.* The board will choose an appropriate entity to conduct each part of the ADR pensioner's review. If the ADR pensioner's home address is not located in the State of Wisconsin, the board will provide for the pensioner to be reviewed by the medical expert for the governmental retirement system in the pensioner's current community, county or state. In all cases, the board is responsible for the expense of examination.
- (f) *Determination of recovery.* The examiners will review each ADR pensioner according to the disability standard under which the pensioner was originally deemed disabled. The board shall then, based on the evaluations, determine if the pensioner continues to qualify for receipt of a disability pension. If the board determines that an ADR pensioner has not recovered from his or her disability, the ADR pension will continue uninterrupted. If the board determines that an ADR pensioner has recovered from his or her disability, the pensioner will be entered into the county's layoff-recall system to attempt to assist the pensioner in returning to work.
- (g) *Procedure for terminating ADR pension upon recovery from disability.* If the board determines that an ADR pensioner has recovered from his or her disability:
 - (i) The board will notify the pensioner that: a) the pensioner will be placed on the county's layoff-recall list in an effort to return the pensioner to county employment; b) the pensioner has the right to appeal the board's determination that the pensioner is no longer disabled; and c) the pensioner may seek employment outside the county;
 - (ii) The board will enter the pensioner into the county's layoff-recall system;
 - (iii) The pensioner will continue to receive an ADR pension while in the layoff-recall system;

- (iv) Upon the county finding an appropriate job for the pensioner, the board will notify the pensioner of the open position and offer the job to the pensioner;
- (v) The pensioner will have 30 days to accept the county's offer of employment; and
- (vi) If the pensioner does not accept the offer of county employment:
 - a. The pensioner's ADR pension will be terminated pursuant to Milwaukee County Code of General Ordinances section 201.24(10.2); and
 - b. The pensioner may appeal the board's determination that the offered employment is appropriate for the pensioner.

1026. Appeal procedures related to disability retirement determinations.

Sections 201.24(4.3) and 201.24 (4.4) of the General Ordinances authorize the board to grant disability retirement pensions to eligible members. Rule 1025 provides the board with a procedure for conducting reexaminations of members receiving accidental disability retirement pensions, as authorized by section 201.24(10.1) of the General Ordinances. In the event the board either denies a disability pension application or, upon reexamination of a pensioner conducted pursuant to rule 1025, decides that the pensioner no longer qualifies as disabled, the board shall allow the affected member to file a petition for an appeal of the board's decision. The board shall use the following procedures in the appeals process.

- (a) *Appealable pension board determinations.* A member may appeal a board determination that:
 - (i) A member does not qualify for a disability benefit under sections 201.24(4.3) and (4.4) of the General Ordinances; or
 - (ii) Upon reexamination pursuant to rule 1025, an ADR pensioner is no longer disabled according to the applicable disability standards.
- (b) *Filing of appeal.* The board shall provide the member with a written notice of the board's determination. The member must file a written appeal with the board within thirty (30) days of the date of this notice.
- (c) *Role of examiner.* Pursuant to section 201.24(4.9)(11) of the General Ordinances, the board may authorize an examiner to hold

hearings, make rulings, consider evidence, swear witnesses and make findings of fact, conclusions of law and issue orders related to a member's appeal of the board's denial of benefits. The board may also use an examiner to conduct any appeal resulting from a board determination related to a disability pensioner's reexamination. The board may use an "appeals officer" selected by corporation counsel and approved by the board as the examiner on each appeal. For the purposes of this rule, the term "appeals officer" means: any current or former Milwaukee County Circuit Court Judge; an arbitrator; a former officer or executive of the county; or any other similar person deemed unbiased and qualified by corporation counsel and the board.

- (d) **Hearing.** The board, with the assistance of corporation counsel, shall coordinate a hearing date with the pensioner and the examiner. The member filing the petition shall appear in person and may be represented at the hearing by counsel. If the member elects counsel to appear at the hearing, the member shall identify his counsel in writing prior to the hearing. Corporation counsel will represent the board and present its position at the hearing.

In presiding over the hearing, the appeals officer shall consider all relevant evidence, which may include, but is not limited to, testimony of witnesses, oral arguments or written briefs. In considering evidence, the appeals officer may be guided by, but is not bound by, formal rules of evidence. The appeals officer may, in his sole discretion, elect to admit hearsay evidence, provided such testimony has probative value. After considering all evidence, the appeals officer shall issue a written order, including findings of fact and conclusions of law, that affirms or reverses the board's original decision.

- (e) *Petition from order.* Any party dissatisfied with the findings, conclusions or order of the appeals officer may file a written petition with the board as a body. The aggrieved party must file this written petition within twenty (20) days of the date the appeals officer's written order was mailed to the member or his attorney.
- (f) *Board review of petition.* Upon receiving a written petition for review, the board shall review the findings, conclusions and order of the appeals officer and shall affirm, set aside or modify the decision of the appeals officer, or remand the petition with directions to the appeals officer to take additional testimony, within forty-five (45) days after the filing of the petition.
- (g) *Appeal to circuit court.* If the board affirms the decision of the appeals officer, the board must provide written notice to the

member of the decision and inform the member of his right to contest the board's decision by filing a lawsuit in Milwaukee County Circuit Court. The member must file any such lawsuit within thirty (30) days of the date of the board's determination.

1027. Disability pension start date.

A member who is eligible for a disability pension pursuant to section 201.24(4.3) or section 201.24(4.4) of the General Ordinances of Milwaukee County shall be entitled to begin receiving his disability pension on the first day of the month after the month in which the disability is determined to exist. If disability ceases prior to normal retirement date, the last disability pension payment shall be made on the first day of the month in which disability ceases. The first disability pension benefit payment shall include disability pension benefits retroactive to the date of the member's application for disability pension benefits.

1028. Ordinary disability retirement pensioner reexamination.

Sections 201.24(10.1), (10.2), (10.3) and (10.4) of the Milwaukee County Code of General Ordinances authorize the board to periodically audit and reexamine members who are receiving ordinary disability retirement ("ODR") pensions. The board shall use the following procedures when conducting reexaminations of ODR pensioners.

- (a) *Exclusion of certain pensioners from reexamination.* The board will not review an ODR pensioner if: (i) The pensioner has attained normal retirement age; or (ii) the board has previously reviewed the pensioner and determined that the pensioner did not have the possibility of future recovery. If an ODR pensioner does not qualify for one (1) or more of these exclusions, the pensioner is eligible for periodic review.
- (b) *Evaluation of eligible ODR pensioners.* The board may review any eligible ODR pensioner to determine whether the pensioner remains disabled. Pursuant to section 201.24(10.1) of the Milwaukee County Code of General Ordinances, the board will not order a review of a pensioner more often than annually for the first five (5) years of the pensioner's disability, or more often than once in every three-year period thereafter. When evaluating a pensioner's disability, the board may conduct a medical examination, a vocational examination, or both. The board will evaluate the continuing condition of the member's disability according to the standard for disability applied to the pensioner when the pensioner was initially declared disabled.
- (c) *Notice of examination.* The board will notify eligible ODR pensioners when they will be subject to medical review. In this

notice, the board will describe the reexamination process for the pensioner and inform the pensioner of the pending medical and/or vocational evaluations. The board's notice will also include the deadline for completing the review, noted in section (d) below, and procedures following the completion of the board's evaluation.

- (d) *Deadline for completing examination.* The pensioner must complete the reexamination process within ninety (90) days of the date of the notice of examination. If a pensioner fails to complete the reexamination, the board will discontinue and then terminate the pension pursuant to section 201.24(10.1) of the Milwaukee County Code of General Ordinances.
- (e) *Reviewing parties.* The board will choose an appropriate entity to conduct each part of the ODR pensioner's review. If the ODR pensioner's home address is not located in the State of Wisconsin, the board will provide for the pensioner to be reviewed by the medical expert for the governmental retirement system in the pensioner's current community, county or state. In all cases, the board is responsible for the expense of examination.
- (f) *Determination of recovery.* The examiners will review each ODR pensioner according to the disability standard described in section 201.24(4.4) of the Milwaukee County Code of General Ordinances. The board shall then, based on the evaluations, determine if the pensioner continues to qualify for receipt of a disability pension.

If the board determines that an ODR pensioner has not recovered from his or her disability, the ODR pension will continue uninterrupted. If the board determines that an ODR pensioner has recovered from his or her disability, the pensioner will be entered into the county's layoff-recall system to attempt to assist the pensioner in returning to work.

- (g) *Procedure for terminating ODR pension upon recovery from disability.* If the board determines that an ODR pensioner has recovered from his or her disability:
 - (i) The board will notify the pensioner that: a) The pensioner will be placed on the county's layoff-recall list in an effort to return the pensioner to county employment; b) the pensioner has the right to appeal the board's determination that the pensioner is no longer disabled, pursuant to the procedure described in rule 1026; and c) the pensioner may seek employment outside the county;
 - (ii) The board will enter the pensioner into the county's layoff-recall system;

- (iii) The pensioner will continue to receive an ODR pension while in the layoff-recall system;
- (iv) Upon the county finding an appropriate job for the pensioner, the board will notify the pensioner of the open position and offer the job to the pensioner;
- (v) The pensioner will have thirty (30) days to accept the county's offer of employment;
- (vi) If the pensioner does not accept the offer of county employment:
 - a. The pensioner's ODR pension will be terminated pursuant to Milwaukee County Code of General Ordinances section 201.24(10.2); and
 - b. The pensioner may appeal the board's determination that the offered employment is appropriate for the pensioner, pursuant to the procedure described in rule 1026.

1030. Termination benefit funding.

(a) To fund the benefit described in section 5.17, the county shall, in conjunction with its actuary, estimate the annual cost of the lump sum benefit described in section 5.17 based on data as of the beginning of each fiscal year. The county shall estimate the amount necessary to fund this benefit through use of the benefit formula described in section 5.17. The county shall fund the entire estimated cost of this benefit on April 1 each year (or the first of such month after which the information is known).

(b) The cost of this benefit shall be determined regardless of and separate from any surplus funding in the Retirement System. No amounts used to fund pension benefits from the retirement system shall be used to fund this benefit.

(c) Any deficit with respect to the payment of the benefit described in section 5.17 that arises from the prior year's estimate shall be added to the required funding contribution for the current year. Likewise, any surplus funding of the section 5.17 benefit that exists as a result of the prior year's estimated funding of that benefit shall be subtracted from the amount necessary to fund the current year's section 5.17 benefit. Separate accounting shall be done for this benefit.

1031. Sick pay benefit-Single payment.

(a) No member shall receive a benefit payment from the retirement system that is attributable to accrued sick allowance if the payment causes the member to have received total benefit payments attributable to accrued sick allowance, whether received from the county directly, from the retirement system directly, or

from the retirement system as an eligible rollover distribution, in excess of the value of the member's accrued sick allowance from the county on retirement.

(b) The value of the member's accrued sick allowance on retirement shall be calculated by multiplying the total number of accrued and unused sick hours on retirement by the stated value of one hour of accrued sick allowance as in effect on the date of the member's retirement from the county.

1032. Effective dates—Sick pay benefits.

Notwithstanding anything within section 201.24 of the General Ordinances of Milwaukee County or these rules to the contrary, all provisions of the retirement system related to the payment of a member's accrued sick allowance through the retirement system, including, but not limited to, Ordinance section 201.24(5.17) and rule 1030, and except for rule 1031, shall be effective as of the first date on which each of the following events has occurred:

- (a) Section 201.24(5.17) has been adopted by the county board;
- (b) Section 17.184 has been amended by the county board to be coordinated with section 201.24(5.17); and
- (c) The Internal Revenue Service has issued a favorable private letter ruling which concludes, to the satisfaction of the pension board, that:
 - (1) Benefit payments made pursuant to section 201.24(5.17) are eligible rollover distributions under section 402(c) of the Internal Revenue Code;
 - (2) Benefit payments made pursuant to section 201.24(5.17) are not considered deferred compensation pursuant to section 457 of the Internal Revenue Code; and
 - (3) Benefit payments made pursuant to section 201.24(5.17) shall be considered "annual benefits" for the purposes of section 415 of the Internal Revenue Code rather than "annual additions" for the purposes of section 415 of the Internal Revenue Code.

1033. Waiver of Benefits

(a) *Waiver.* Notwithstanding anything to the contrary within section 201.24 of the Milwaukee County Code of General Ordinances, a member may, in accordance with this Rule 1033, waive the member's right to all or part of the benefit otherwise payable to the member. The member may also waive the member's right to elect to receive the benefit payable to the member in a certain form of benefit described in section 201.24 of the Milwaukee County Code of General Ordinances or these rules. The acceptance of an executed waiver provides the retirement system with additional assets and allows the Pension

Board to better project the estimated actuarial cost of providing benefits to members. Any executed waiver which is accepted by the Pension Board irrevocably relinquishes the member's property and contract rights to benefits or to a form of benefit, as described in the applicable executed waiver.

(b) *Conditions of Waiver.* For a waiver to be accepted by the Pension Board as a valid and binding waiver, all of the conditions listed below must be satisfied. The failure to satisfy one of the conditions shall invalidate the waiver ab initio.

- (1) The member shall represent that he or she has executed the waiver knowingly and willingly. The member shall also represent that he or she has had ample opportunity to review and understand the provisions of the waiver and the effect of the waiver on the member's benefits. The member shall further represent that he or she has had an opportunity to review and discuss the waiver with legal counsel or other financial or personal advisors, if the member so desires.
- (2) The waiver shall be executed in a form and manner approved by the Pension Board when the waiver is accepted, using only the waiver documents approved by the Pension Board which may be amended from time to time.
- (3) The waiver shall state that it is irrevocable.

(c) *Effect of Waiver.* Any opinions to the Pension Board regarding the tax, legal and other effects of a waiver may not be relied upon by the member in connection with determining the impact of a member's execution of a benefit waiver on that member's financial, tax or other similar circumstances.

(d) *Acceptance of Waiver.* Waivers must be accepted by the Pension Board at a public meeting of that body before such waiver may take effect. Upon the Pension Board's acceptance of a waiver, the waiver shall be considered effective, retroactive to the date the member executed the waiver. The Pension Board shall accept waivers at the Pension Board's periodic meetings in the same manner as the Pension Board approves retirements granted to members.

1034. Election of retiree member of board

The following procedures shall apply when conducting the election of the retiree member of the pension board. The pension board shall have the discretion to interpret and amend these procedures in any manner that is consistent with ordinance section 201.24(8.2).

(1) *Candidate qualification.* To be a candidate for the retiree member of the Pension Board, an individual must be a retiree of ERS. A "retiree" is a person who:

- (a) Previously worked as a Milwaukee County employe;
- (b) Earned retirement benefits as an active member in ERS;
- (c) Retired directly from county employment or as a deferred vested retiree;
- (d) As of the date of the nomination deadline, has begun to receive pension benefits; and
- (e) Is currently receiving an ongoing monthly benefit from ERS. For these purposes, a "retiree" does not include a beneficiary of a former county employe who receives a survivor annuity benefit after the former county employe's death.

(2) *Election process timeline.* The initial term for the elected retiree member shall begin as of November 1, 2004. Subsequent regular terms shall begin as of November 1 of an applicable year. Special election timelines and different term effective dates shall apply in the event of a vacancy in this position as provided in subsection (9) of this rule. In years during which a regular election of the retiree member would occur, the following timeline shall apply, provided that, if the date of any deadline falls on a weekend or holiday, the deadline shall be extended until 4:30 p.m. of the next business day.

(a) *Notice of election and ability to seek nomination.* The retirement office shall send this notice to retirees with monthly checks or automatic deposit notices by May 31 for a renewal term or the end of the month it is first feasible to do so for a special election.

(b) *Nomination deadline.* Complete nomination papers must be received in the retirement office by 4:30 p.m. on the last business day of June or the last business day of the month following the month established by subsection (2)(a) for a special election.

(c) *Notice of candidates for primary election and date of primary election.* The 300-word combined resumes and statements of the candidates shall be communicated to retirees by the retirement office with the retirees' monthly checks or automatic deposit notices by the last business day of July or by the last business day of the month following the month established by subsection (2)(b) for a special election. At the same time, the retirement office shall send the paper ballot, if one is to be used, or, if a telephonic and/or a computer-based internet ballot system is to be used, shall send instructions for the methods of voting, with voter identification and password. If only two (2) candidates file valid nomination papers, this primary election shall be the final election.

(d) *Primary election date.* If necessary, a primary election shall be held. Paper ballots must be received in the retirement office, and electronic or telephonic ballots must be completed, by 4:30 p.m. on the last business day of August or by the last business day of the month following the month established by subsection (2)(c) for a special election. If only two (2) candidates file valid nomination papers, this shall be the deadline for receipt or completion of ballots for the final election.

(e) *Notice of candidates for final election and date of final election.* The retirement office shall send results of the primary election, resumes and statements of candidates for the final election, if necessary, and the paper ballot or instructions for computer or telephonic voting for the final election to retirees with monthly checks or automatic deposit notices by the last business day of September or the last business day of the month following the month established by subsection (2)(d) for a special election.

(f) *Final election.* If necessary, the final election shall be held. Paper ballots must be received in the retirement office, and electronic or telephonic ballots must be completed, by 4:30 p.m. on the last business day of October or the last business day of the month following the month established by subsection (2)(e) for a special election.

(g) *Commencement of service.* Service begins on November 1 or on the first day of the month following the month established by subsection (2)(f) for a special election, with the expectation that the retiree member would be available to attend the regularly scheduled pension board meeting for that month.

(3) *Nomination of candidates.* To begin the nomination process, an eligible individual must register as a candidate, prove eligibility for candidacy to the retirement office and request nomination papers from the retirement office.

(a) *Nomination requirements.* To earn a nomination and be placed on the ballot for the retiree member election, an eligible individual must obtain fifteen (15) signatures. An eligible individual's representative may circulate the nomination papers and collect signatures on behalf of the eligible individual. The potential candidate or representative must obtain the requisite number of signatures from other retirees eligible to run for pension board membership. Upon receiving the required number of signatures for nomination, the candidate or representative shall sign and date the nomination papers, have them notarized and return the nomination papers to the retirement office. The individual shall also present, along with the nomination papers, a resume and statement, limited to three hundred (300) words, detailing the candidate's qualifications for the position at that time.

(b) *Nomination papers.* The pension board shall approve the form of the nomination papers and any changes to the nomination papers. These

papers shall require the signatory to include, at a minimum, his or her retirement location and years of county service.

(4) *Campaigning.* In the time period between the nomination deadline and either of the applicable election dates, a candidate may campaign for the position of retiree pension board member. Mailing labels will not be available for candidates to send mailings to eligible voters. Mailing of candidates' resumes and statements will be made by the retirement office as part of the mailing of monthly benefit checks or monthly automatic deposit notices according to the timeline described in subsections (2)(c) and (e) above, as applicable. Candidates must comply with any applicable campaign laws. Candidates should seek counsel regarding these requirements prior to beginning their campaigns.

(5) *Election format.* If only one (1) candidate files approved nomination papers, no election will be held and that candidate shall be certified as the winner of the trustee position. If only two (2) candidates file approved nomination papers, no primary election will be held. Instead, a final election will be held according to the timeline described in subsections (2)(c) and (d) above and will determine the retiree member representative on the pension board. If more than two (2) candidates file approved nomination papers, a primary election will be held according to the timeline described in subsections (2)(c) and (d) above. Following the primary election, the two (2) candidates receiving the highest number of votes in the primary election shall have their names placed on the ballot for the final election. However, if one (1) candidate receives more than fifty-five (55) percent of the votes cast in the primary election, there will be no final election. If necessary, the final election shall be held according to the timeline described in subsections (2)(e) and (f) above. If a paper ballot is used, positions on the ballot for the primary election and the final election will be determined by random drawing. The drawing will be conducted by the Secretary of the pension board and will take place in the retirement office before one (1) or more witnesses. Attendance of the candidates at the ballot position drawing is optional with the candidates. If an electronic or telephonic ballot is used, positions on the ballot for any election shall be randomly alternated by the software program.

(6) *Voting.*

(a) *Eligibility to vote.* To be eligible to vote, an individual must be eligible to be a candidate under subsection (1).

(b) *Voting procedure.* All primary and final elections shall be conducted by computer-based internet and/or telephone voting, unless the pension board specifically decides to use a paper ballot process for a designated election. Voters shall be given the option to vote by either one of these methods, but the system shall be designed to limit an eligible voter to one (1) vote per election. The retirement office shall send notice of the primary election, if any, and, as applicable, a paper ballot or a secure passcode and instructions for voting for that

election to all eligible voters according to the timeline described in subsection (2)(c) above. If necessary, the retirement office shall send notice of the final election and, as applicable, a paper ballot or a secure passcode and instructions for voting for that election to all eligible voters according to the timeline described in subsection (2)(e) above. If a ballot system other than paper is used, write-in votes are not allowed and will not be accepted.

(7) *Election Results.*

(a) *Determination of outcome.* In the case of a primary election, the two (2) candidates receiving the highest number of votes will progress to the final election. However, if one (1) of the candidates receives more than fifty-five (55) percent of the votes cast in the primary election, that candidate shall be declared the retiree member of the pension board. In the event that no candidate receives more than fifty-five (55) percent of the votes cast in the primary election, the candidate receiving the highest number of votes in the final election shall be the winner of that election. In the result of a tie in either the primary or general election, the retirement office shall break the tie in accordance with s. 5.01(4), Wis. Stats.

(b) *Certification and announcement of results.* As soon as possible after completion of both the primary election and the final election, the retirement office shall certify the election results to the pension board chairperson. The retirement office will then announce to the public the election results, including the number of votes received by each candidate. If no election is held because only one (1) candidate filed approved nomination papers, the retirement office shall certify that fact to the pension board chairperson and announce to the public that such candidate will be the new retiree trustee.

(8) *Administration of election.* The retirement office shall oversee and administer the election process. As a result, the retirement office shall take the following actions:

(a) Compliance with the applicable election laws as determined by corporation counsel.

(b) Compliance with applicable election policies of the pension board.

(c) Acceptance and confirmation of validity of nomination papers.

(d) Tabulation of votes. In the result of a tie, the retirement office shall break the tie in accordance with s. 5.01(4), Wis. Stats.

(e) Announcement of election results.

- (f) Handling complaints or disputes with the election process.

The retirement office shall take all other actions necessary and within its power to administer this election. The retirement office may assign responsibility for various actions to various other parties.

(9) *Special election.* In the event a vacancy exists in the retiree member position, the retirement office shall conduct a special election. A special election may be necessary to elect the retiree member in the event of the resignation, removal or death of a sitting retiree member. If a special election becomes necessary, the retirement office shall follow the same election procedures to conduct the special election as are used to elect the retiree member during the regular election. To maintain the same three-year term length and two (2) consecutive term limit, the pension board may need to modify the retiree member's date of termination and the successor member's beginning date. The pension board shall establish alternative timelines appropriate for conducting the special election in a timely manner. These timelines shall be based upon the timeline used for a regular election. For a special election, the deadline for each step of the process shall be the end of the month following the month in which the prior step is completed. If the date of any deadline falls on a weekend or holiday, the deadline shall be extended until 4:30 p.m. of the next business day.

1035. Option 7 benefit requests.

The following procedures shall govern the pension board's review of applications for Option 7 benefits:

(a) *Option 7 benefit defined.* For purposes of this Rule 1035, "Option 7 benefit" refers to a retirement benefit that is in a form permitted by section 201.24(7.2) and Rule 1013(a)(4), that is the actuarial equivalent of the benefit otherwise payable, that is not provided for by section 201.24(7.1) or Rule 1013(a)(1), (2) or (3) and that is not a lump sum distribution as that term is defined in Rule 1021.

(b) *Eligibility to apply for an Option 7 benefit.* A member shall be eligible to apply for an Option 7 benefit pursuant to section 201.24(7.2) and Rule 1013(a)(4) if the member is eligible for a normal pension, an early pension, or a deferred vested pension pursuant to sections 201.24(5.1), (5.2) and (5.5), respectively. An Option 7 benefit shall not be an available option for the distribution of any disability pension offered through ERS.

(c) *Member application.* An eligible member shall apply for an Option 7 benefit by making an application on the form approved by the pension board. As required by Rule 1013(a)(4), the member shall be required to pay the system fifty dollars (\$50.00) for the calculation of an Option 7 benefit.

(d) *Member signature.* The application shall be personally signed by the member. Applications signed by a guardian, conservator or other

representative of an incapacitated member shall not be valid.

(e) *Spousal consent.* If the member is married at the time the application is made, the member's spouse must sign the application, giving the spouse's written consent to the receipt of an Option 7 benefit. This requirement shall be waived if the member documents the inability to obtain the spouse's signature for one(1) of the following reasons only:

(1) The spouse is incompetent and a copy of the court order appointing the spouse's guardian is submitted with the application. The guardian's signature shall be required on the application in lieu of the spouse's signature.

(2) The member certifies, on a form provided by the pension board, that the member does not now know and has not known the whereabouts of the spouse for at least the one hundred eighty (180) days immediately prior to the date the application is signed.

(f) *Pension board discretion.* The determination of whether to approve an application for an Option 7 benefit is solely within the discretion of the pension board as set forth in section 201.24(7.2) and Rule 1013(a)(4). Consistent with Rule 1013, the decision of the pension board regarding any application shall be final and binding, unless it is found to be arbitrary and capricious by a court. In making this determination, the pension board will weigh three (3) competing interests:

(1) The individual applicant's interests in receiving a distribution in the form of the applicant's choice;(2) The individual applicant's interests in receiving a distribution in a form that the individual has the capacity and fiscal responsibility to manage, even if that is not the form of the applicant's choice; and(3) The interests of the system members as a group in not having plan assets depleted by adverse selection.

If it chooses, the pension board may delegate any or all of its responsibilities in making the Option 7 benefit determination to a committee. Each decision of this committee shall be effective on the date specified by the committee once ratified by the pension board.

(g) *Minimum percentage of Option 7 benefits.* The pension board will generally deny Option 7 benefit requests that provide for a survivorship benefit of less than twenty-five (25) percent. However, the pension board reserves the right to exercise its discretion in approving any Option 7 benefit.

(h) *Submission of evidence.* In order to have sufficient information to make its determination, the pension board shall require that the applicant submit evidence of the following: (i) a bona fide retirement purpose for the application and benefit form requested; and (ii) the applicant's good health. In addition, the pension board may require that the applicant submit evidence of any or all of the following: (i) the applicant's fiscal responsibility; and/or (ii) the absence of undue

influence in the applicant's decision to elect an Option 7 benefit.

(1) *Bona fide retirement purpose.* Any member applying for an Option 7 benefit must submit evidence of a bona fide retirement purpose for the application and the particular benefit form requested. On its own, eligibility of a beneficiary for retiree health benefits shall not be considered a valid reason to approve an Option 7 benefit request. The member shall also explain why an Option 7 benefit is necessary and none of the other optional forms of benefit provided by ERS is sufficient to meet his or her retirement needs.

(2) *Good health.* Any member applying for an Option 7 benefit must submit evidence that he or she is in good health. "Good health," as used in section 201.24(7.2), is defined as a state of physical and mental well-being. Good health includes the capacity to make rational decisions. Good health also includes the absence of diseases or conditions that, from a medical standpoint, may result in a significant shortening of life expectancy. In submitting evidence of good health, the following procedures shall be followed:

(A) *Medical history and evaluation.* The member shall be required to undergo an examination by a physician. This physician could be either the member's regular attending physician, if the member has one, or a medical board physician. As part of the exam, the member and the physician shall complete a medical history and evaluation of the patient, including the physician's opinion of whether the applicant is in "good health" as defined above. The attending physician's opinion of whether the applicant is in "good health" is merely a factor to be considered by the pension board, and is not determinative of the pension board's ultimate decision of whether to grant the Option 7 benefit request. The cost of this initial examination and completion of the medical history and evaluation shall be borne by the member.

(B) *Review by medical board.* The medical history and evaluation, if required, shall be returned to the attention of the secretary of the pension board. The secretary of the pension board shall, in turn, forward the medical history and evaluation to the medical board pursuant to section 201.24(8.12) for review. If, after review, the medical board believes that the medical history and evaluation is complete and sufficient on its face, it shall return the document with this opinion to the secretary of the pension board.

If, however, after review of the medical history and evaluation submitted by the member, the medical board believes that confirming or additional information is necessary, then the member shall be required to undergo a subsequent medical examination conducted by the medical board. The costs of such examination shall be borne by the system.

(C) *Authorization to disclose.* In advance of the subsequent medical examination, the applicant shall be required to execute an authorization to disclose any and all information and records which relate to the

applicant's medical condition to the medical board and the pension board. This authorization shall apply to medical information and records for the five (5) years preceding the date of the application and any records accumulated during the application period and as a result of the application itself.

(D) *Copies of medical records.* Upon receipt of the authorization to disclose records, the medical board may request copies of the member's medical records. The cost of obtaining such medical records shall be borne by the system.

(E) *Subsequent medical examination.* The medical board shall conduct the subsequent medical examination of the applicant. If the applicant fails to attend an appointment for the subsequent medical examination without canceling the appointment in time to avoid any cancellation fee, the applicant shall be responsible to pay such fee. If an applicant cancels more than one (1) appointment for an independent medical examination, the pension board may, within its discretion, determine that the member is not acting in good faith, and may cancel the member's application for an Option 7 benefit.

(F) *Medical board's opinion and evaluation.* Following the subsequent medical examination, the medical board shall provide a medical opinion and evaluation in a format determined by the medical board and the pension board. The medical opinion and evaluation shall include the medical board's opinion of whether the applicant is in "good health" and the reasons underlying the opinion. The medical board's opinion of whether the applicant is in "good health" is merely a factor to be considered by the pension board, and is not determinative of the pension board's ultimate decision of whether to grant the Option 7 benefit request.

(G) *Specialists and second opinions.* Within its discretion, the medical board may determine that it is appropriate for the applicant to undergo further medical examination by a specialist and/or for an additional opinion. The costs of any such examination(s) shall be borne by the system. The physician or specialist conducting such examination shall also prepare a medical opinion and evaluation as discussed in subparagraph (F) above.

(H) *Confidentiality of medical records and reports.* Any medical records or information obtained in the application process shall be released only to members of the medical board and the pension board for the purpose of evaluating the member's request for an Option 7 benefit. Such records shall be handled, accessed and stored in accordance with applicable medical confidentiality standards. Such records shall not be considered "open records" available to the general public.

(I) *Actuarial estimates.* Upon receipt of the member's application for an Option 7 benefit, the Secretary of the pension board shall contact the actuary and request a copy of a report showing the value of the

applicant's requested benefit in comparison to a ten-year certain annuity. The pension board shall review this information and take it into consideration in evaluating the possible shortening of an applicant's life expectancy if an applicant cannot demonstrate "good health."

(J) *Other evidence.* If, in the pension board's discretion, more information is necessary to determine the health status of the applicant, then the pension board may require the submission of additional medical information as it may specify for the pension board's review.

(3) *Fiscal responsibility.* Depending on the benefit form requested, the applicant may be required to prove to the satisfaction of the pension board that he or she is fiscally responsible enough to manage the Option 7 benefit to cover the member's financial needs throughout the period of retirement. If the pension board determines that such evidence is necessary, the following procedures shall be followed:

(A) *Declaration of financial responsibility.* The applicant shall execute a declaration of financial solvency stating:

(i) Whether he or she has ever filed for personal bankruptcy or financial reorganization under either state or federal law, and if so, when;

(ii) That he or she is currently financially solvent (i.e., that personal assets at least equal personal liabilities);

(iii) That he or she has no plans to file for personal bankruptcy or financial reorganization under either state or federal law in the foreseeable future;

(iv) That he or she has an investment plan ready to be implemented upon receipt of the Option 7 benefit; and

(v) That he or she understands the consequences of electing to receive benefits in the form requested.

(B) *Credit report.* The applicant shall execute an authorization on a form provided by the pension board to allow the pension board to obtain a report on the member's credit history. The system shall bear the cost of obtaining such credit report, if the pension board deems it necessary to do so.

(C) *Other evidence.* If, in the pension board's discretion, more information is necessary to determine the fiscal responsibility of the applicant, then the pension board may require the submission of additional financial information as it may specify for the pension board's review.

(4) *Absence of undue influence.* Depending on the form of

benefit requested, the applicant may be required to prove to the satisfaction of the pension board that the applicant is not under undue influence in making the application to receive an Option 7 benefit. The pension board may require that the applicant submit to a personal interview with the board or its designees. The pension board may also require the applicant to provide such other information as it deems necessary for the pension board's review as to the issue of undue influence.

(i) *Pension board determination.*

(1) *Scheduling the review.* The member's request for an Option 7 benefit shall be placed on the agenda for a regular business meeting of the pension board scheduled following the date upon which the pension board has received all of the following necessary items for review which are complete in all respects:

- (A) The application for Option 7 benefit;
- (B) Evidence of a bona fide retirement purpose and good health;
- (C) Any evidence of fiscal responsibility or absence of undue influence as determined to be necessary by the pension board; and
- (D) Any additional information the pension board has requested in connection with the application.

(2) *Member attendance.* The member shall be invited to attend the meeting at which the member's request for an Option 7 benefit is to be reviewed. The member should be prepared to respond to questions placed by the pension board about the evidence required for the Option 7 benefit application.

(3) *Standards of proof.* The pension board's determination is made on a case-by-case basis in weighing the evidence presented as it affects the competing interests which must be considered by the pension board as outlined in subparagraph (f) of these procedures. No one (1) piece of evidence is likely to determine whether an Option 7 benefit request will be granted or denied. In any individual case, some evidence may weigh in favor of granting the request, whereas others may weigh against it. In reviewing the application and supporting materials presented by a member, the pension board need only find that a preponderance of the evidence supports each requirement in order to justify granting an Option 7 benefit request or fails to support any requirement in order to justify denying an Option 7 benefit request. The determination of the pension board in granting or denying an Option 7 benefit request shall be final and binding, unless it is found to be arbitrary and capricious by a court.

(4) *Decision and record.* The pension board shall take the information presented at the business meeting under advisement. If the pension

board does not render a written decision granting the Option 7 benefit within sixty (60) days following the meeting, it shall be deemed denied. The pension board shall keep a written record of its evaluation along with the application record.

(j) *Invalidation of application.*

(1) *Incomplete application void.* If any of the documents necessary to the Option 7 benefit application procedure as described in this rule are not received by the pension board within one hundred eighty (180) days following the date the application for an Option 7 benefit is received by the pension board, the application shall be canceled and void. If the member still wishes to request an Option 7 benefit, a new application must be filed and the process begun anew.

(2) *Material omissions or misrepresentations.* If it comes to the attention of the pension board that the member may have made omissions or misrepresentations in the application process which are material to the decision on granting an Option 7 benefit request, the pension board has the discretion to cancel the member's application. The pension board also has the discretion to refuse a new application from such member.

(3) *Death prior to pension board approval.* If the member's death occurs prior to the time the Option 7 benefit request has been approved by the board, the Option 7 benefit application shall be canceled and void. No benefits shall be payable on account of the member's death, except such death and/or survivor benefits as may be available based on the member's status, pursuant to one (1) or more parts of section 201.24.

(4) *Withdrawal of application.* A member may cancel his or her Option 7 benefit request by submitting such cancellation in writing to the pension board. The member may begin a new application process subsequent to withdrawal of an application.

1036. Buy back applications.

(a) A member who terminates and withdraws his membership account and who then later returns to active county employment may restore the ERS service credits previously earned by buying back those credits through the buy back program.

(b) A member may buy back prior service credit and have that service credit restored if:

(1) The member renders two (2) years of service with the county subsequent to resuming active county employment; and

(2) Within the two-year period after the member returns to active county employment, the member redeposits the amount withdrawn from the

membership account with interest thereon to date of redeposit.

(c) Interest on the buy back repayment shall be calculated in accordance with Rule 404.

(d) A member may submit an application to participate in the buy back program at any time during the two (2) years following the member's resumption of active county employment. However, full repayment of the withdrawn amount, along with the calculated interest amount, must occur within two (2) years of the member's resumption of employment, regardless of when the member applies for participation in the buy back program.

(e) If the member does not elect to restore prior service credit by participating in the buy back program within the two-year period following resumption of employment, the member's prior service credits shall be permanently canceled.

(f) The pension board, in its own sole discretion, may expand the repayment period solely for the purpose of compliance with applicable federal, state or municipal laws.

1037. Default procedure for eligible rollover distributions.

(a) *Default procedure.* If a distributee fails to elect a direct rollover of an eligible rollover distribution prior to the date that the payment of the eligible rollover distribution would otherwise be scheduled to commence, the eligible rollover distribution shall be paid directly to the distributee in a lump sum. The pension board, through the retirement office, shall withhold the amount required by the Internal Revenue Code, as amended, from the eligible rollover distribution paid directly to a distributee for purposes of federal income tax withholding.

(b) *Notification.* ERS, through the retirement office, shall provide a distributee who is eligible for an eligible rollover distribution with a notice that complies with Internal Revenue Code section 402(f) and includes a description of the default procedures described in (a). The retirement office shall provide this notice no earlier than ninety (90) days and no later than thirty (30) days before the distributee's distribution date.

1038. Manner of benefits payments.

The employees' retirement system of the County of Milwaukee shall, to the extent feasible, make payments of any retirement benefits due to members who retire effective on or after July 1, 2007; or to the beneficiaries of those members, by means of direct deposit to an account with a financial institution that is a participant of the automated clearing house designated by the member or beneficiary.

1039. Information furnished by member.

The pension board shall have the right to require, as a condition precedent to the payment of any benefit, an individual applying for a benefit under the system to provide all information which the pension board or retirement office reasonably deems necessary to authenticate the identity, status or eligibility of the individual, including:

(a) As proof of identity: a U.S. Passport; an original or certified copy of a birth certificate issued by a state, county, municipal authority or outlying possession of the United States bearing an official seal; a certification of birth abroad issued by the Department of State (Form FS-545 or Form DS-1350); a U.S. social security card issued by the Social Security Administration; a driver's license or ID card issued by a state or outlying possession of the United States, provided it contains a photograph or information such as name, date of birth, gender, height, eye color and address;

(b) As proof of marriage: an original marriage certificate; a copy of a public record of marriage certified by the custodian of record; a copy of the member's tax returns for the three (3) preceding years that indicate the member filed the return as married;

(c) Or such other documents determined to be acceptable by the pension board.

No benefit for which the pension board or retirement office requires any such information shall be payable until the retirement office receives such information.

1040. Approval of retirements.

The pension board hereby delegates to the manager of the employees' retirement system the authority to approve the retirement pensions of members in accordance with the applicable laws, ordinances and collective bargaining agreements incorporated therein. At the pension board's regularly scheduled meetings and at such other times as the pension board or its chairman requests, the manager shall provide a tabular report to the pension board of the retirements granted since the manager's prior report. The report shall include details concerning the member's retirement date, type of retirement, monthly annuity, back DROP (if any), option selected, employment position, years of service and date of birth. In the event the manager has any question, or is aware of any dispute, concerning a member's retirement pension, the manager shall request pension board action prior to payment of that member's retirement pension. Notwithstanding the preceding, the pension board may, at its discretion, review, amend or overturn approvals of retirements, either on a retroactive or prospective basis.

1041. Election of chairperson and vice chairperson

(1) (a) In the event the chairperson resigns the position of chair, or in the event the chairperson's membership on the Board is terminated for any reason, the vice chairperson shall serve as the acting chairperson until a chairperson is elected. The board shall hold an election to select the chairperson at the next meeting.

(b) In the event the chairperson of the board serves until the end of his or her term, whether a full or partial term, and then is re-elected or re-appointed for a new term, the pension board shall hold an election for chairperson from among its members at the next board meeting following the chairperson's re-election or confirmation of appointment as a member.

(c) A member of the board may at any time make a motion to hold an election for the chairperson or vice chairperson. If the motion passes, an election shall be held at the next board meeting.

(2) (a) The pension board hereby establishes the position of vice chairperson of the board. The vice chairperson shall perform the duties of the chairperson whenever the chairperson is unable to do so.

(b) Whenever an election of chairperson is called for by subsection (1), then, at that same meeting and subsequent to electing a chairperson, the board shall elect a vice chairperson.

(c) In the event the vice chairperson resigns the position of vice chair, or in the event the vice chairperson's membership on the board is terminated for any reason, the board shall elect a vice chairperson at its next meeting.

(3) Any election of chairperson or vice chairperson provided for in subsections (1) or (2) shall be governed by the following provisions:

(a) A member may nominate himself or herself for the position of chairperson or vice chairperson.

(b) Nominations for either position shall not require a second.

(c) The election for either position shall be conducted by roll call vote in alphabetical order by last name, except that the acting chairperson shall vote last.

(d) Any vote for election is governed by section 201.24(8.5) of the ordinances.

(4) A member may serve as chair or vice chair for any length of time, subject only to the limitations on membership set forth in section 201.24(8.2) of the ordinances.

1042. Board Membership – Disqualification.

(1) If a board member ceases to meet any of the qualifications required when the member was elected or appointed, the individual's membership on the Board is immediately terminated. When a board member knows, or has reason to believe, that he or she no longer meets the qualifications for his or her board membership, a member shall immediately notify the secretary of the board. Upon learning that a member no longer meets the qualifications for his or her board membership, the board shall schedule an election to replace an elected member or shall notify the authority that appointed that member.

1043. Contact with Investment Managers.

(1) In the event any person or entity contacts a member of the pension board, an employe of the retirement system or counsel to the retirement system to discuss the provisions of any investment services to the retirement system or pension board by that person or entity, the individual contacted shall inform the person or entity that the individual is not authorized to receive such a contact. The individual contacted shall direct the person or entity to contact the investment consultant for the pension board and may provide contact information for the investment consultant.

(2) Unless directed otherwise by the pension board, the investment consultant for the pension board is authorized, as the consultant deems appropriate, to communicate with, and evaluate information received from, any such person or entity.

(3) This rule does not apply to contacts with persons or entities under contract with the pension board or retirement system at the time of the contact, with respect to the services under contract.

1044. Signature authority of chairperson and vice chairperson.

The chairperson and vice chairperson of the pension board are authorized to execute any contract previously approved by the pension board at a pension board meeting at which a quorum was present, to execute any similarly related document and to take any actions necessary to execute such

documents on behalf of the pension board.

LEGISLATIVE HISTORY

All actions effective upon passage by the pension board at the pension board meeting cited.

Pension Board Rules. Repealed and recreated - Oct. 1, 1948, p_ 1204, 1206-16.

DEFINITIONS

110. Created - Sept. 12, 1986, p. 5375.

111. Created - April 23, 1997.

112. Created - Jan. 1, 2001.

MEMBERSHIP

202. Repealed - Jan. 14, 1971, p. 3037; Repeal rescinded - July 16, 1971, p. 3083, Amended – July 20, 2005, J. Proc.

202(b). Repealed and recreated - Aug. 26, 1960, p. 1941; Amended - Sept. 10, 1970, p. 3017.

202(c). Repealed and recreated -Aug. 26, 1960, p. 1941.

202(e). Amended - March 30, 1972, p. 3156.

202(g). Repealed and recreated - Dec. 15, 1964, p. 2135; Amended - Sept. 26, 1968, p. 2766; Amended - July 20, 2005.

203(a). Repealed - July 16, 1971, p. 3083.

203(c). Repealed and recreated - Dec. 4, 1957, p. 1870-71.

203(f). Repealed and recreated - July 27, 1951, p. 1291.

203(g). Repealed - July 16, 1971, p. 3083.

203(h). Repealed - July 16, 1971, p. 3083.

203(i). Repealed - July 16, 1971, p. 3083.

206. Created - Oct. 6, 1949, p. 1231.

207. Created - Jan. 24, 1997; Amended - Oct. 1, 1998; Amended – July 20, 2005,

J. Proc.; Amended – February 24, 2011.

SERVICE CREDITS

301. Repealed and recreated - March 21, 1980, p. 5067-70.

302. Repealed and recreated - March 21, 1980, p. 5067-70.

303. Renumbered from 304 and repealed and recreated - March 21, 1980, p. 5067-70.

304. Renumbered 303 and new 304 renumbered from 307 and repealed and recreated – March 21, 1980, p. 5067-70; Amended - April 23, 1997.

305. Renumbered from 308 and repealed and recreated - March 21, 1980, p. 5067-70.

306. Renumbered from 309 and repealed and recreated - March 21, 1980, p. 5067-70.

307. Repealed and recreated – Nov. 17, 1999.

308. Renumbered 305 - March 21, 1980, p. 5067-70.

309. Renumbered 306 - March 21, 1980, p. 5067-70.

INTEREST CREDITED TO ANNUITY SAVINGS ACCOUNT

401. Amended - Jan. 22, 1997.

402. Amended - Jan. 22, 1997.

402(c). Created - July 27, 1951, p. 1292.

403. Amended - Jan. 22, 1997.

403(c). Repealed - May 1, 1969, p. 2962.

403(d). Repealed - July 27, 1951, p. 1293.

404. Added - Jan. 22, 1997; Amended – Jan. 1, 2005, J. Proc.; Amended – Feb. 9, 2005.

FINAL AVERAGE SALARY

601. Amended - March 21, 1980, p. 5067-70.

604. Repealed - March 21, 1980, p. 5067-70. .

RETIREMENT and DEATH BENEFIT ELIGIBILITY

705. Created - Jan. 1, 2001.

706. Created - Jan. 1, 2001.

707. Created - Jan. 1, 2001.

708. Created -Jan. 1, 2001.

709. Created - Jan. 1, 2001.

710. Created - Jan. 1, 2001.

711. Created - Jan. 1, 2001; Amended Jul. 15, 2009.

711(b)(2). Amended – March 17, 2010.

712. Created – Jan. 1, 2001

713. Created – Nov. 13, 2003, J. Proc.; Amended – effective Nov. 18, 2009.

DEFERRED RETIREMENT

801. Repealed – Dec. 9, 1988, p. 5495.

802. Repealed – Dec. 9, 1988, p. 5495.

804. Repealed – Feb. 7, 1986, p. 5342.

806. Added – April 23, 1997; Repealed – May 19, 2010.

807. Created – Jan. 17, 2007, J. Proc.

EMPLOYEES' CONTRIBUTIONS

901. Employee contribution table: subsection on "other employes." Repealed and recreated – July 27, 1951, p. 1284; Amended – May 21, 1997.

GENERAL REGULATIONS

1007. Created – May 6, 1953, p. 1346.

1008. Created – May 6, 1953, p. 1346.

1009. Created – Nov. 16, 1973, p. 3303.

1010. Repealed and recreated – Sept. 12, 1986, p. 5374; Amended – Feb. 14, 2007, J. Proc.; March 17, 2010.

1011. Created – Sept. 12, 1986, p. 5374.
1012. Created – Sept. 12, 1986, p. 5375.
- 1012(a). Created – Oct. 21, 1988, p. 5483.
1013. Added – Jan. 24, 1996; Amended – Nov. 15, 2006, J. Proc.; Amended Sept. 16, 2009; May 19, 2010.
- 1013(d). Created – Jan. 1, 2000.
1014. Added – Jan. 24, 1996; Amended – July 23, 2001; Dec. 2002.
1015. Added – Dec. 11, 1996.
1016. Added – Sept. 25, 1996; Amended – July 9, 2003, J. Proc.
1017. Added – Sept. 25, 1996.
1018. Added – Nov. 5, 1997.
1019. Added – Nov. 5, 1997.
1020. Added – Nov. 5, 1997; Amended – effective May 21, 2008; Dec. 15, 2010
1021. Created – Jan. 1, 2000; Amended – Nov. 15, 2006, J. Proc.
1023. Added – Dec. 1, 1997.
1024. Added – Dec. 1, 1997.
1025. Created – March 8, 2000.
1026. Created – April 12, 2000.
1027. Created – Sept. 13, 2000.
1028. Created – Sept. 13, 2000.
1030. Created – July 23, 2001.
1031. Created – 2001.
1032. Created – Sept. 18, 2001.
1033. Created – April 2002.
1034. Created – Nov. 14, 2007, J. Proc.; Amended – Dec. 15, 2010.
1035. Created – Dec. 15, 2004, J. Proc.

- 1036. Created – Jan. 1, 2005, J. Proc.
- 1037. Created – March 16, 2005, J. Proc.
- 1038. Created – Feb. 14, 2007, J. Proc.
- 1039. Created – Sept. 19, 2007, J. Proc.
- 1040. Created – Oct. 17, 2007, J. Proc.
- 1041. Created – Feb. 11, 2009, J. Proc.
- 1042. Created – Feb. 11, 2009, J. Proc.
- 1043. Created – Dec. 16, 2009, J. Proc.
- 1044. Created – Jan. 20, 2010.

MANAGEMENT OF FUNDS

- 1101. Repealed – March 21, 1980, p. 5067—70.
- 1102. Repealed – March 21, 1980, p. 5067—70.
- 1103. Repealed – March 21, 1980, p. 5067—70.
- 1104. Repealed – March 21, 1980, p. 5067—70.

Chapter 203 OBRA 1990 RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE

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SECTION I. PURPOSE AND EFFECTIVE DATE

The purpose of this chapter is to create a defined benefit retirement system, as described in Internal Revenue Service regulation sec. 31.3121(b)(7).-2(d)(1)(i), which regulation implements Internal Revenue Code section 3121(b)(7)(F), as created by sec. 11332 of the Omnibus Budget Reconciliation Act of 1990, Pub. L. No. 101-508, 104 Stat. 1388 ("OBRA 1990").

The system created hereunder shall become effective as of January 1, 1992 as to all eligible persons in the employment of the county on or after that date.

SECTION II. DEFINITIONS

Except where the context plainly requires a different meaning, the following words and phrases shall have the following meanings:

2.1. Accrued pension.

"Accrued pension" means the monthly pension to which a member would be entitled at his/her normal retirement date in the event of his/her termination of employment (or his/her earlier cessation of active membership status) prior to his normal retirement date. The accrued pension shall be equal to the amount of pension to which the member would have been entitled under section 4.1 as in effect at the time of his/her termination of employment (or his/her earlier cessation of active membership status) based upon his/her service and average compensation at the date of his/her termination of employment (or his/her earlier cessation of active membership status). Cessation of active membership status occurs when the county is obligated to collect and contribute taxes under the Federal Insurance Contributions Act (other than the Medicare portion of the FICA tax described in Internal Revenue Code section 3121(u) with respect to such employee either (i) by virtue of a voluntary agreement between the state and the Secretary of Health and Human Services pursuant to section 218 of the Social Security Act or (ii) by any other provision of federal law.

2.2. Average compensation.

"Average compensation" means the average of the employee's compensation in each plan year of his/her employment with the county; provided however, that compensation prior to January 1, 1992 shall be excluded.

2.3. Board.

"Board" means the pension board provided for in section VIII of chapter 201.24 of the Code to administer the employees' retirement system of the county.

2.4. Compensation.

"Compensation" means for any plan year the total of all amounts paid to an employee by the county defined as wages within the meaning of Internal Revenue Code

section 3401(a) (determined without regard to any rules under section 3401(a) that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in section 3401(a) (2)) and all other payments of compensation paid to an employee by the county for which the county is required to furnish the employee a written statement under Internal Revenue Code sections 6401(d) and 6051(A)(3), exclusive of amounts paid or reimbursed by the county for moving expenses incurred by the employee to the extent that at the time of the payment it is reasonable to believe that these amounts are deductible by the employee under Internal Revenue Code section 217. Further, "compensation" for each plan year shall exclude any amount that is in excess of the Social Security OASDI taxable wage base as in effect for the plan year. In the event that during any plan year an employee spends time in the employment of the county during part of which the county is obligated to collect and contribute taxes under the Federal Insurance Contributions Act (other than the Medicare portion of the FICA tax described in Internal Revenue Code section 3121(u)) with respect to such employee, either by virtue of a voluntary agreement between the state and the Secretary of Health and Human Services pursuant to section 218 of the Social Security Act or by any other provision of federal law. The compensation of each member taken into account for determining all benefits provided under the system for any year shall not exceed the annual compensation limit pursuant to Code section 401(a)(17); provided, however, that this limitation shall apply only with respect to members who first commence participation in the system after 1995. The annual compensation limit shall be adjusted annually for increases in the cost of living by the Secretary of the Treasury or his delegate, except that the dollar increase in effect on January 1 of any calendar year is effective for years beginning in such calendar year. The "annual compensation limit" is one hundred fifty thousand dollars (\$150,000.00), as indexed.

2.5. County.

"County" means Milwaukee County.

2.6. Employee.

"Employee" means each person in the employ of the county; provided, however, that the following persons shall be excluded from the definition of "employee":

- (a) An employee who is employed to relieve him/her from unemployment;
- (b) An employee employed in a hospital, home or other institution as an inmate thereof;
- (c) An employee employed on a temporary basis in case of fire, storm, snow, earthquake, flood or other similar emergency;
- (d) An employee who is an election official or election worker if the remuneration paid in a calendar year for such service is less than one hundred dollars (\$100.00);

- (e) An employee compensated solely on a fee basis which employment is treated pursuant to Internal Revenue Code section 1402(c)(2)(E) as a trade or business for purposes of inclusion of such fees in net earnings from self-employment; or
- (f) Those employees who are members of a collective bargaining unit covered by a collective bargaining agreement which (as a result of good faith bargaining between the county and representatives of such unit) does not provide for their inclusion.

2.7. Fund.

"Fund" means the assets held by the trustees of the retirement system, which assets are derived from contributions by the county and the investment earnings thereon.

2.8. Member.

"Member" means each person who is an employee other than an employee for whom the county is obligated to collect and contribute taxes under the Federal Insurance Contributions Act (other than the Medicare portion of the FICA tax described in Internal Revenue Code section 3121(u)) with respect to such employee either by virtue of a voluntary agreement between the state and the Secretary of Health and Human Services regarding voluntary coverage under section 218 of the Social Security Act or by any other provision of federal law.

2.9. Normal retirement date.

"Normal retirement date" means the first day of the month coincident with or next preceding the date on which the member reaches age sixty-five (65).

2.10. Plan year.

"Plan year" means the twelve-month period commencing on January 1 and ending on December 31.

2.11. Retirement system; system.

"Retirement system" or "system" means the OBRA 1990, retirement system of the county set forth in this chapter.

2.12. Service.

"Service" means a member's period of employment with the county taken into account for purposes of computing his/her benefit hereunder. A member shall be credited with one (1) year of service for each plan year after 1991 during which he/she is employed at any time by the county; provided, however, that he/she shall not be credited with a year of service for any plan year during which the county is obligated to collect and contribute taxes under the Federal Insurance Contributions Act (other than the

Medicare portion of the FICA tax described in Internal Revenue Code section 3121(u)) with respect to such employee either by virtue of a voluntary agreement between the state and the Secretary of Health and Human Services pursuant to section 218 of the Social Security Act or by any other provision of federal law. In the event that during any plan year a member spends time in the employment of the county (i) during part of which the county is obligated to collect and contribute taxes under the Federal Insurance Contributions Act (other than the Medicare portion of the FICA tax described in Internal Revenue Code section 3121(u)) with respect to such employee either by virtue of a voluntary agreement between the state and the Secretary of Health and Human Services pursuant to section 218 of the Social Security Act or by any other provision of federal law and (ii) during part of which the county is not obligated to collect and contribute taxes under the Federal Insurance Contributions Act (other than the Medicare portion of the FICA tax described in Internal Revenue Code section 3121(u)) with respect to such employee either by virtue of a voluntary agreement between the state and the Secretary of Health and Human Services pursuant to section 218 of the Social Security Act or by any other provision of federal law, he/she shall receive a pro rata portion of a year of service hereunder which shall be equal to one (1) minus the portion of the year during which the county is obligated to collect and contribute taxes under the Federal Insurance Contributions Act (other than the Medicare portion of the FICA tax described in Internal Revenue Code section 3121(u)) with respect to such employee either by virtue of a voluntary agreement between the state and the Secretary of Health and Human Services pursuant to section 218 of the Social Security Act or by any other provision of federal law.

Military service shall mean all time after 1991 during which any employee performed service in the uniformed services. "Service in the uniformed services" shall mean the performance of duty on a voluntary or involuntary basis in the uniformed services under competent authority and includes active duty, active duty for training, initial active duty for training, inactive duty training, full-time National Guard duty, and a period for which a person is absent from a position of employment for the purposes of an examination to determine the fitness of the person to perform any such duty. "Uniformed service" shall mean the Armed Forces, the Army National Guard and Air National Guard when engaged in active duty for training, inactive duty training or full-time National Guard duty, the commissioned corps of the Public Health Service, and any other category of persons designated by the president in time of war or emergency. Military service shall include absence during federal hospitalization because of injuries or sickness resulting from military service. Military service shall begin with the date the employee was excused or granted leave of absence from the county and shall extend until the date of employee returns to county employment. An employee shall be granted service credit for military service to the extent required by U.S.C. § 4318 and Internal Revenue Code section 414(u) provided he returns to county employment within the period during which his reemployment rights are guaranteed by federal law. An employee must, if reasonable, give advance written or oral notice to the county of the absence for military service to be eligible for military service credit.

2.13. Trustees.

"Trustees" means those individuals who hold and invest the fund in trust for the benefit of members of the system.

SECTION III. CONTRIBUTIONS

3.1. Budget year contribution.

The board shall furnish the committee on personnel and committee on financial and audit of the county board, annually, in time for June county board committee cycle:

- (a) An estimated budget contribution required by the county, including contributions required under section 3.3, to pay the following year's cost and to amortize the amount of unfunded obligation of the county over such period of years as determined from time to time by the county board (e.g., in 1992, estimate the cost to be incurred in 1993, which will be payable in 1994); and
- (b) The established actuarial assumptions supporting the required amount determined under paragraph (a). The committees shall submit a resolution to the county board providing for an estimated contribution amount for the next year's budget, such resolution to include this pension contribution amount in the executive budget as transmitted to the county board. The final amount appropriated in the adopted budget by the county board shall be the estimated contribution to be expensed in the budget year, but paid to the system in the next following budget year (e.g., in 1992, an estimate will be made in the amount to be expensed in 1993 but paid in 1994).

3.2. Current year contribution.

The board shall furnish to the committee on personnel and committee on financial and audit of the county board, annually (beginning in June of 1992), in time for the first county board committee cycle after the summer recess, a statement of the actual contribution required for the current year compared with that amount, if any, provided in the budget. Any necessary corrections or adjustments may be addressed by the committees at that time. In order to meet the requirements of this chapter, the county board is authorized to levy a tax, annually, which tax shall be in addition to all other taxes such county board has been authorized to levy upon all taxable property, real and personal. Such tax shall be levied and collected at the same time and in the same manner as other county taxes are levied and collected according to the law.

3.3. Administrative expense appropriation.

An appropriation for administrative expenses of the retirement system shall be provided by the county board pursuant to the provisions of s. 59.84, Wis. Stats.

SECTION IV. PAYMENT OF BENEFITS

4.1. Normal retirement pension.

In the case of a member who terminates employment on his/her normal retirement date, his/her normal retirement pension shall commence on the member's normal retirement date. Such pension shall cease upon the member's death. The monthly amount of such pension shall be equal to (A) one-twelfth times (B) two (2) percent of the member's average compensation times (C) the member's years of service (not in excess of thirty (30) years).

4.2. Late retirement pension.

In the case of a member who works past his/her normal retirement date, such member's pension, as determined in section 4.1, shall nevertheless commence to be paid on his/her normal retirement date. Such pension shall cease upon the member's death. For each plan year subsequent to the plan year in which his/her normal retirement date occurs during which he/she continues in the employment of the county, the amount of his/her pension shall be recomputed. The amount of such recomputed pension for each month during any such plan year shall be equal to (A) one-twelfth times (B) two (2) percent of the member's average compensation computed through the end of the prior plan year times (C) the member's years of service (not in excess of thirty (30) years) computed through the end of the prior plan year; provided, however, that any increase in such recomputed pension over the pension previously payable shall be offset by the actuarial equivalent value (determined using the UP-1984 mortality table and an interest rate of eight and five-tenths (8.5) compounded annually) of pension benefits actually distributed during the prior plan year.

4.3. Deferred vested pension.

A member shall be entitled to a deferred vested pension if his/her employment with the county is terminated prior to his/her normal retirement date. The monthly amount of such pension shall be equal to his/her accrued pension on the date of his/her termination of employment (or on the earlier date the member incurred a cessation of active membership status as described in section 2.1). Payment of such pension shall commence on the member's normal retirement date. Such pension shall cease upon the member's death.

4.4. Small benefits.

- (a) If at the time a pension would otherwise become payable to a member under either section 4.1, 4.2 or 4.3 the actuarial equivalent lump sum value of that pension does not exceed one thousand dollars (\$1,000.00), such lump sum value shall be paid to the member in lieu of any monthly pension payments which would otherwise have been payable under section 4.1, 4.2 or 4.3. The five thousand dollar amount specified in the preceding sentence shall increase as and when the five-thousand-dollar-amount specified in internal Revenue Code section 411(a)(11)(A) and

regulations thereunder increases. (Code section 411(a)(11)(A) is not in fact applicable to the system because the system is a governmental plan and such Code section does not apply to governmental plans. The amount in Code section 411(a)(11)(A) is referred to merely as a point of reference).

- (b) In the case of a member who is working in the employment of the county after his/her normal retirement date and who had received a lump sum distribution of his/her pension pursuant to paragraph (a) of this section 4.4, such individual shall receive a single sum distribution in the month of January following each year in which he/she has employment subsequent to his/her normal retirement date if the amount determined in the next sentence does not exceed the five-thousand-dollar-amount (as adjusted) described in paragraph (a) above. The amount of such distribution shall be equal to (i) the actuarial equivalent lump sum value of a lifetime monthly pension equal to (A) one-twelfth times (B) two (2) percent of the member's average compensation computed through the end of the prior plan year times (C) the member's years of service (not in excess of thirty (30) years) computed through the end of the prior plan year minus (ii) the amount of any lump sum distribution(s) which he/she has previously received from the system. If the amount determined in the preceding sentence exceeds the five-thousand-dollar-amount (as adjusted) described in paragraph (a) above, then a lifetime monthly pension shall instead commence in such month of January, and the amount of such pension shall equal (A) one-twelfth times (B) two (2) percent of the member's average compensation computed through the end of the prior plan year times (C) the years of service earned in the prior plan year.

If a member begins receiving a lifetime monthly pension pursuant to the preceding paragraph, then for each plan year subsequent to the plan year in which his or her lifetime monthly pension commenced during which he or she continues in the employment of the county, the amount of his or her pension shall be recomputed. The amount of such recomputed pension for each month during any such plan year shall be equal to (A) one-twelfth times (B) two (2) percent of the member's average compensation computed through the end of the prior plan year times (C) the member's years of service (not in excess of thirty (30)) computed through the end of the prior plan year (but not taking into account any years of service earned prior to the member's normal retirement date or for which the member received a single lump sum distribution after his/her normal retirement date); provided, however, that any increase in such recomputed pension over the pension previously payable shall be offset by the actuarial equivalent value (determined using the UP-1984 mortality table and an interest rate of eight and five-tenths (8.5) compounded annually) of pension benefits actually distributed during the prior plan year.

- (c) Lump sum actuarial equivalent value shall be computed under this section 4.4 using the UP-1984 unisex mortality table and an interest rate equal to eight and five-tenths (8.5) percent compounded annually.

4.5. Mandatory cash out.

- (a) *Eligibility for mandatory cash out.* A member shall not receive the pension described in section 4.1, 4.2, or 4.3, and shall instead receive a single lump sum distribution of his or her benefit if, before attaining his or her normal retirement date and before death:
- (i) The member terminates county employment.
 - (ii) The member is absent from county employment for a period of five years.
 - (iii) The actuarial equivalent lump sum present value of his or her pension is five thousand dollars (\$5,000.00) or less, and
 - (iv) An employee who became a member of OBRA prior to January 1, 1994, consents to the cash out.

The mandatory cash out required under this subsection 4.5(a) shall be paid to the member as soon as practicable after the close of the plan year in which the member satisfies the conditions for the mandatory cash out. No amount will be payable with respect to a member who dies after satisfying the conditions for a mandatory cash out but before the system makes payment in the following plan year.

- (b) *Buy back after cash out.* Should any member who received a mandatory cash out under subsection 4.5(a) return to county employment, his service which he or she had at the time of such cash out shall be restored to him or her, provided he or she renders two (2) years of service subsequent to his or her restoration to membership and provided further that within the two-year period, he or she redeposits the amount of the mandatory cash out he or she received pursuant to subsection 4.5(a), with interest thereon to the date of redeposit. If he or she does not elect to restore his or her prior service by redepositing the amount of the mandatory cash out during this period of reemployment, the prior service shall remain canceled, and service shall be credited only from the date his or her most recently reemployment period with the county commenced. Interest for this purpose shall equal the aggregate rate of return earned by the system's assets during the period beginning on the date the member received the mandatory cash out and ending on the date the member redeposits the mandatory cash out (with interest).
- (c) *Actuarial equivalent.* Lump sum actuarial equivalent value shall be computed under this section 4.5 using the UP-1984 unisex mortality table and an interest rate equal to eight and five-tenths (8.5) percent compounded annually.

SECTION V. ADMINISTRATION

5.1. Pension board.

The general administration and responsibility for the proper operation of the retirement system and for making effective the provisions of this chapter are hereby vested in the board.

5.2. Rules and regulations.

Subject to the limitations of the chapter, the board shall, from time to time, establish rules and regulations for the administration of the fund created by this chapter and for the transaction of its business.

5.3. Employees; expenses.

The board shall engage such actuarial and other services as shall be required to transact the business of the retirement system. The compensation of all persons engaged by the board and all other expenses of the board necessary for the operation of the retirement system shall be paid at such rates and in such amounts as the board shall approve.

5.4. Data required.

The board shall keep in convenient form such data as shall be necessary for actuarial valuation of the retirement system and for checking the experience of the system.

5.5. Records; publication.

The board shall keep a record of all of its proceedings which shall be open to public inspection. It shall publish annually a report showing the fiscal transactions of the retirement system for the preceding year, the amount of the accumulated cash and securities of the system, and the last balance sheet showing the financial condition of the system as disclosed by an actuarial valuation of the assets and liabilities of the retirement system.

5.6. Actuary.

The board shall designate an actuary who shall be the technical advisor of the board on matters regarding contributions necessary for the system and who shall perform such other duties as the board shall specify.

5.7. Tables and rates.

As of the date of establishment of the retirement system the actuary shall make such investigation of the mortality, service and compensation experience of the members of the system as the board shall authorize, and on the basis of such investigation, he/she

shall recommend for adoption by the board such tables and such rates as are required in subsection 5.8. The board shall adopt tables and certify rates, and, as soon as practicable thereafter, the actuary shall make a valuation, based on such tables and rates, of the assets and liabilities of the system.

5.8. Periodic valuations.

At least once in the three-year period after the establishment of the retirement system and at least once in each five-year period thereafter, the actuary shall make an actuarial investigation into the mortality, service and compensation experience of the members of the retirement system, and shall make a valuation of the assets and liabilities of the funds of the system, and taking into account the results of such investigation and valuation, the board shall adopt for the retirement system such mortality, service and other tables as shall be deemed necessary.

5.9. Annual valuations.

On the basis of such tables as the board shall adopt, the actuary shall make an annual valuation of the assets and liabilities of the retirement system.

5.10. Other powers.

The board shall have the power to construe and interpret the system, decide all questions of eligibility and determine the amount, manner and time of payment of any benefits hereunder.

5.11. Accounting.

The board shall establish and maintain an adequate system of accounts and records for the system.

SECTION VI. MANAGEMENT OF FUND

6.1. Investment of fund; care required.

The fund shall constitute a special trust fund to be held in reserve, as provided in this chapter for the payment of benefits; i.e., this chapter is intended to create a trust for purposes of Internal Revenue Code sections 401(a) and 501(a). The assets of the fund created hereunder shall, subject to sections 3.3 and 9.4, be used for the exclusive benefit of the members. The fund shall be managed as provided below:

The board members shall be the trustees of the fund and may invest the fund within the limits of the following standards:

- (a) In acquiring, investing, reinvesting, exchanging, retaining, selling and managing the fund, the board shall exercise the judgment and care under the circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not in

regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital. Within the limitations of the foregoing standard the board is authorized to acquire and retain every kind of property, real, personal or mixed, and every kind of investment, specifically including, but not by way of limitation, bonds, debentures and other corporate obligations, stocks, preferred or common, and shares of investment companies and investment trusts which persons of prudence, discretion and intelligence acquire or retain for their own account.

- (b) Notwithstanding the provisions of subsection (a) the board shall not purchase or otherwise invest in common stocks if the percentage of the assets of the fund invested in common stock immediately after such purchase or investment will exceed seventy-five (75) percent of the total market value of the fund. This limitation shall not require, however, the sale or liquidation of a portion of the retirement system's holdings of common stocks even though at any given time the market value of the common stock investments of the retirement system exceeds seventy-five (75) percent of the total market value of the fund, or to prevent the reinvestment of the proceeds of the sale or other disposition of common stocks in other common stocks even though at the time of the market value of the common stock investments of the retirement system exceeds seventy-five (75) percent of the total market of the fund. The board may rely upon published market quotations as to those investments for which such quotations are available, and upon such valuation of other investments as are fair and reasonable according to available information.
- (c) The fund may be commingled for investment purposes with the funds of the employees' retirement system of the county, provided, however, that separate accounting records shall be maintained so that the interest of each system in such commingled fund is ascertainable.

6.2. Transfers of property; reinvestment of funds.

The board shall have full power to make all transfers and conveyances of any securities or property in which it may from time to time invest and reinvest the fund or any part thereof, and no purchaser(s) shall be responsible for the application of the purchase money or other avails received by or for said board.

6.3. Custodian of fund; withdrawals.

The treasurer of the county shall be the custodian of the fund, except that the board may provide for custody by an appropriate entity of all or any portion of the fund in a manner which it deems prudent.

6.4. Interest in or use of fund.

Except as herein provided no member of the board and no employee of the board shall have any interest, direct or indirect, in the gains or profits of any investment made by the board, nor as a member of the board directly or indirectly receive any pay or emolument for his/her service. No member of the board or employee thereof shall directly or indirectly, for himself/herself or as an agent, in any manner use the funds or deposits of the retirement system except to make such current and necessary payments as are authorized by the board; nor shall any member or employee of the board become an endorser or surety or in any manner or obligor for moneys loaned by or borrowed from the board.

SECTION VII. BENEFIT LIMITATIONS

7.1. Limitation on annual benefits.

- (a) Anything to the contrary in this system notwithstanding, the maximum annual pension payable to a member on a single life basis with no ancillary benefits under any provision of this system (and any other defined benefit pension plan of the county) shall not exceed the greater of:
 - (i) Ten thousand dollars (\$10,000.00) (this subparagraph (i) is only applicable if the member has not participated in a defined contribution plan maintained by the county); or
 - (ii) Ninety thousand dollars (\$90,000.00) which amount shall be adjusted automatically each plan year to the extent permitted by and in accordance with the Internal Revenue Code and regulations promulgated by the Secretary of the Treasury.
- (b) If a member has fewer than ten (10) years of participation in the system, the applicable maximum in subparagraph (a)(ii) above shall be multiplied by a fraction of which the numerator is his/her years of participation in the system and the denominator is ten (10).
- (c) If a member has fewer than ten (10) years of service with the county, the applicable maximum in subparagraph (a)(i) above shall be multiplied by a fraction of which the numerator is his/her years of service with the county, and the denominator is ten (10).
- (d) In no event shall the limitations of subparagraphs (b) and (c) reduce the ceiling in subparagraphs (a)(i) or (a)(ii) below one-tenth of the ceiling otherwise applicable under such subparagraph.
- (e) The limitations of paragraph (b) above shall apply separately to each change in the benefit structure of the system.
- (f) (i)

- (A) If benefits begin prior to age sixty-two (62), the limitation specified in subparagraph (a)(ii) above shall be replaced with a limitation which is the actuarial equivalent of the limitation described at subparagraph (a)(ii) above beginning at age sixty-two (62). Actuarial equivalence for this purpose will be determined using an interest rate of five (5) percent and the 1983 GAM mortality table mortality table. However, the limitation under (a)(ii)(A) shall never be reduced below seventy-five thousand dollars (\$75,000) in the case of a benefit beginning no earlier than age fifty-five (55).
- (B) The limitation under subparagraph (a)(ii)(A) for benefits commencing prior to age fifty-five (55) is the actuarial equivalent of the limitation for benefits commencing at age fifty-five (55). Actuarial equivalence for this purpose will be determined using an interest rate of five (5) percent and the 1983 GAM mortality table.
- (ii) If benefits begin after age sixty-five (65), the limitation specified in subparagraph (a)(ii) above shall be increased so that it is the actuarial equivalent of the limit described at subparagraph (a)(ii) above beginning at age sixty-five (65). Actuarial equivalence for this purpose will be determined using an interest rate of five (5) percent and the mortality table specified by the Internal Revenue Service in Revenue Ruling 2001-62, or any successor Revenue Ruling thereto. As of December 31, 2001, that mortality table is the 1994 GAR mortality table.

7.2. Definitions.

- (a) For purposes of section 7.1, "compensation" shall mean the member's earnings from his/her employment with the county as defined in Internal Revenue Code section 415(c)(3), and, unless otherwise required by regulation, includes bonuses and other taxable payments, but excludes deferred compensation, and distributions which received special tax benefits.
- (b) For purposes of section 7.1, "year of participation" shall mean each plan year in which the member was a member on at least one (1) day in such plan year.

7.3. Construction consistent with Internal Revenue Code section 415.

This system is subject to the limitations of Internal Revenue Code section 415 and such rules are hereby incorporated by reference and such rules shall supersede sections 7.1 and 7.2 to the extent of any conflict. The foregoing sections 7.1 and 7.2 set forth the basic requirements of section 415 for defined benefit plans. In the event a member of the system is also a member of another tax-qualified retirement system

sponsored by the county and it is necessary to curtail the member's benefits under the combination of this system and such other system, such curtailment shall be made in the member's benefits under the other system.

7.4. Governmental restrictions.

Notwithstanding any other provisions in the system to the contrary, the retirement benefits provided under the system from county contributions shall be subject to the following restrictions:

- (a) In the event of the termination of the plan, the benefit of any current or former highly compensated employee as defined in Internal Revenue Code section 414(q) is limited to a benefit that is nondiscriminatory under section 401(a)(4) of the Internal Revenue Code.
- (b) The annual payments to a restricted employee, as defined below, are limited to an amount equal to the payments that would be made on behalf of the restricted employee under section 4.1, 4.2 or 4.3, whichever is applicable to him/her. For purposes of this section 7.4 a "restricted employee" shall include the twenty-five (25) most highly paid current or former highly compensated employees as defined in Internal Revenue Code section 414(q). The limitations in this section 7.4 shall automatically become inoperative and of no effect upon a ruling by the Internal Revenue Service that they are not required.

SECTION VIII. AMENDMENTS

The county reserves the right to make from time to time any amendments to this system (including discontinuance of any accrual of benefits under the system) which do not reduce a member's accrued pension accrued through the date the amendment is adopted.

SECTION IX. TERMINATION

9.1. Right to terminate.

The county may terminate the system at any time and in such event the trustees shall liquidate the fund. Upon termination of the system the county shall pay into the fund any additional amounts needed to provide for all accrued pensions accrued to the date of system termination (or any earlier date of cessation of benefit accrual).

9.2. Liquidation of fund.

Upon termination of the system, the assets of the fund shall be used to provide for payment of pensions as described in section 9.3.

9.3. Manner of distribution.

After termination of the system each member's accrued pension (accrued to the date of termination of the system or earlier cessation of benefit accrual) shall be distributed to him/her in the form of a nontransferable annuity contract which will pay him/her such accrued pension, except that, in lieu of such annuity contract, a lump sum cash distribution of the actuarial equivalent of the member's accrued pension shall be made to any member whose accrued pension is smaller than the minimum amount necessary to meet insurance company annuity requirements; provided, however, no such lump sum distribution shall be made if the actuarial equivalent value of the member's pension exceeds the three-thousand-five-hundred-dollar amount (as adjusted) specified in section 4.4. (Such actuarial equivalent lump sum shall be computed using the UP-1984 unisex mortality table and an interest rate equal to eight and five-tenths (8.5) percent compounded annually.)

9.4. Residual amounts.

Upon termination of the system and notwithstanding any other provisions of the system, the county shall receive such amounts, if any, as may remain after the satisfaction of all liabilities of the system.

SECTION X. MISCELLANEOUS

10.1. Reemployment of retired members.

Should a member receiving a pension under the provisions of the system be restored to active service, his/her pension shall nevertheless be continued. For each plan year during which he/she continues in the employment of the county, his/her pension shall be recomputed. The amount of such recomputed pension for each month during any such plan year shall be equal to (A) one-twelfth times (B) two (2) percent of the member's average compensation computed through the end of the prior plan year times (C) the member's years of service (not in excess of thirty (30) years) computed through the end of the prior plan year; provided, however, that any increase in such recomputed pension over the pension previously payable shall be offset by the actuarial equivalent value (determined using the UP-1984 mortality table and an interest rate of eight and five-tenths (8.5) percent compounded annually) of pension benefits actually distributed during the prior plan year.

10.2. Intent; interpretative rule.

This system is not intended to confer a benefit on any employee with respect to a period of time for which the county is obligated under federal law to collect and contribute taxes under the Federal Insurance Contributions Act (other than the Medicare portion of the FICA tax described in Internal Revenue Code section 3121(u)) with respect to such employee either by virtue of a voluntary agreement between the state and the Secretary of Health and Human Services pursuant to section 218 of the Social Security Act or by other provision of federal law and such employee shall not be considered as participating in the system during any such period. In the event that the county should

advise an employee that he/she is covered under this system with respect to a period of his employment and FICA tax (other than the Medicare portion of the FICA tax described in Internal Revenue Code section 3121(u)) is paid by the county with respect to that same period of time, the fact that the county incorrectly advised the employee shall not give the employee any rights to be covered hereunder with respect to that period of time. Such advice by the county to the employee would necessarily have been the result of a mistake of fact or a mistake of law on the part of the county and the employee shall have no entitlement as a result of such mistake under a contractual theory or a promissory estoppel theory or any other theory.

10.3. Nonalienation of benefits.

Benefits payable under this system shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution, or levy of any kind, either voluntary or involuntary prior to actually being received by the person entitled to the benefit under the terms of the system and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any right to benefits payable hereunder, shall be void. Further, unless otherwise required by law, all moneys and assets of the system and all pensions and every portion thereof shall be exempt from attachment or garnishment process, and shall not be seized, taken, detained or levied upon by virtue of any executions, or any process or proceeding whatsoever issued out of or by any court of this state, for the payment and ratification in whole or in part of any debt, claim, damage, demand or judgment against any member under the system.

10.4. Protection against fraud.

Any person who shall knowingly make any false statement or shall falsify or permit to be falsified any record(s) of this retirement system in any attempt to defraud such system as a result of such act shall be guilty of a misdemeanor, and shall be punishable therefor under the laws of the state. Should any damage or error in the records result in any member receiving from the retirement system more or less than he/she would have been entitled to receive had the records been correct, the board shall correct such error, and as far as practicable shall adjust the payments in such manner that the actuarial equivalent (determined as described in section 9.3) of the benefit to which such member was correctly entitled shall be paid.

10.5. Facility of payment.

Whenever, in the board's opinion, a person entitled to receive any payment of a benefit or installment thereof hereunder is under a legal disability, or is incapacitated in any way so as to be unable to manage his/her financial affairs, the board may make payments to such person, or to his/her legal representative, or to a relative or friend of such person for his/her benefit, or the board may cause the system to apply the payment for the benefit of such person in such manner as the board considers advisable. Any payment of a benefit or installment thereof in accordance with the provisions of this

paragraph shall be a complete discharge of any liability for the making of such payment under the provisions of the system.

10.6. Unclaimed benefits.

All benefits under this system shall be nonforfeitable. However, in the event a benefit cannot be paid due to an inability to locate the applicable member, such benefit shall be immediately forfeited. It shall be the obligation of each member under the plan to keep the board advised of his/her current address. The board shall have no obligation to make any attempt to locate the member other than to attempt to mail a letter to the member at the address most recently filed by the member with the board. Any benefit forfeited pursuant to this section 10.6 shall be restored and payable to the applicable member upon the making of a valid claim by such member. Such member shall be entitled to any and all amounts which would have been payable to such member had the board been able to locate such member in time for payments to commence at the later of normal retirement date or termination of employment. No interest shall be due with respect to such delayed payments.

10.7. Code requirements.

All distributions will be made in accordance with the rules of Internal Revenue Code section 401(a)(9) and regulations thereunder, including rules of IRS regulations section 1.401(a)(9)(2). The rules of Internal Revenue Code section 401(a)(9) and regulations thereunder shall override any distribution options described in this system to the extent that the options in this system could be considered to be inconsistent with the requirements of Internal Revenue Code section 401(a)(9) and regulations thereunder. The rules set forth in this system regarding time of commencement of distribution and method of distribution shall be in lieu of the default provisions in IRS regulations sections 1.401(a)-1, 1.401(a)(9) and 1.401(a)(9)(2).

10.8. Legislation governs.

This system is intended to meet the requirements of Internal Revenue Code section 401 and related provisions of the Internal Revenue Code and all applicable regulations thereunder as applicable to governmental plans and any amendments thereto or replacements thereof (hereinafter, the "applicable employee benefits law") and this system shall be construed and operated accordingly. In the event of any conflict between any part, clause or provisions hereof and the applicable employee benefits law, the provisions of such law shall be deemed controlling and the conflicting part, clause or provision hereof shall be deemed superseded to the extent of the conflict.

The law of the state shall govern this system in all matters which are to be determined by reference to state law.

The masculine pronoun shall include the feminine hereunder.

10.9. Fund.

All contributions made by the county shall be deposited in the fund. Except as otherwise provided in section 9.4, all assets of the fund, including investment income, shall be retained for the exclusive benefit of members and shall be used to pay benefits to members and no part of the fund shall revert to the county or used for its benefit, except

- (a) In the event that the Internal Revenue Service initially determines that the system does not constitute a qualified employee pension plan meeting the requirements of section 401(a) of the Internal Revenue Code with respect to the county's initial adoption of the system, then the system shall be null and void from its effective date, and any funds in the fund at the time of such unfavorable determination which have been contributed by the county shall be returned to the county within one (1) year of the adverse Internal Revenue Service determination. In order for this paragraph (a) to be applicable, it is necessary that the application for the determination with respect to the system's initial qualification have been made by the end of the period described in Internal Revenue Service notice 89-8 for the year of adoption of the system or such later date as the Internal Revenue Service may prescribe.
- (b) Upon termination of the system; any funds remaining in the fund after the satisfaction of all liabilities of the system shall revert to the county.

10.10. Nonguarantee of employment.

Nothing contained in this system shall be construed as a contract of employment between the county and any member, or as a right of any member to be continued in the employment of the county, or as a limitation of the right of the county to discharge any of its employees, with or without cause.

10.11. Rights to fund assets.

No member shall have any right to, or interest in, any assets of the fund upon termination of his/her employment or otherwise, except as provided from time to time under this system, and then only to the extent of the benefits payable under the system to such member out of the assets of the fund. All payments of benefits as provided for in this system shall be made solely out of the assets of the fund and none of the fiduciaries shall be liable therefor in any manner.

10.12. Separate system.

This system is a new system separate from the existing employees' retirement system of the county and this system shall not be deemed to be a part of the existing system for any purpose including section 218 of the Social Security Act.

SECTION XI. [ELIGIBLE ROLLOVER DISTRIBUTION PAID DIRECTLY TO AN ELIGIBLE RETIREMENT PLAN]

11.1. [Generally.]

Notwithstanding any provision of the ordinances to the contrary that would otherwise limit a distributee's election under this section, a distributee may elect, at any time and in the manner prescribed by the pension board, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover; provided, however, that if a distributee elects a direct rollover as to only a portion of his distributable benefit, the amount to be paid in a direct rollover must equal at least five hundred dollars (\$500.00).

11.2. Eligible rollover distribution.

An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten (10) years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the Internal Revenue Code; and the portion of any distribution that is not includable in gross income.

11.3. Eligible retirement plan.

An eligible retirement plan is an individual retirement account described in section 408(a) of the Internal Revenue Code, and individual retirement annuity described in section 408(b) of the Internal Revenue Code, an individual retirement annuity described in section 403(a) of the Internal Revenue Code, or a qualified trust described in section 401(a) of the Internal Revenue Code, that accepts the distributee's eligible rollover distribution.

11.4. Distributee.

A distributee includes a member or former member. In addition, the member's or former member's surviving spouse and the member's or former member's spouse or former spouse who is the alternate payee under a Qualified Domestic Relations Order, as defined in section 414(p) of the Internal Revenue Code, are distributees with regard to the interest of the spouse or former spouse.

11.5. Director rollover.

A direct rollover is a payment by the system to the eligible retirement plan specified by the distributee.

LEGISLATIVE HISTORY

All sections effective upon passage and publication unless otherwise indicated.

Ch. 203. Created - Dec. 19, 1991, J. Proc. p. 2312--36, published Jan. 8, 1992.

203(2.4). Amended - Dec. 21, 1995, J. Proc. p. 2171--74, published Jan. 12, 1996, effective January 1, 1996; Nov. 7, 1996, J. Proc. p. 1568--76, published Nov. 26, 1996; Sept. 28, 2001, J. Proc.

203(2.12). Amended - Nov. 7, 1996, J. Proc. p. 1568--76, published Nov. 26, 1996; Feb. 2, 2006, J. Proc.

203(4.4(a)). Amended - Dec. 18, 1997, J. Proc. p. 1904--12, published Jan. 20, 1998.

203(4.4(b)). Amended - Dec. 18, 1997, J. Proc. p. 1904--12, published Jan. 20, 1998.

203(4.5). Created - Dec. 18, 1997, J. Proc. p. 1904--12, published Jan. 20, 1998.

203(7.1). Amended - Sept. 28, 2001, J. Proc.

203(7.1(g)). Repealed - Sept. 28, 2001, J. Proc.

203(Sec. XI). Created - July 20, 1995, J. Proc. p. 1299--1301, published Aug. 11, 1995, effective retroactive to Jan. 1, 1993.

APPENDIX B1 RULES OF THE 1990 OBRA EMPLOYEES' RETIREMENT SYSTEM.

- 101. Claims appeal procedure.
- 102. Domestic relations orders.
- 103. Additional accruals after lump sum payment at age sixty-five.
- 104. Determination of compensation and service.
- 105. Waiver of pension benefit.
- 106. Administration of benefit cash outs.

**PENSION BOARD
1990 OBRA EMPLOYEES'
RETIREMENT SYSTEM
OF THE COUNTY OF MILWAUKEE
RULES AND REGULATIONS ADOPTED
PURSUANT TO
CHAPTER 203, SUBSECTION 5.2,
OF THE GENERAL ORDINANCES
OF MILWAUKEE COUNTY**

101. Claims appeal procedure.

- (a) *Process for members to request review of claim denial.* If the retirement system manager or staff denies a member's application for a pension benefit, either in whole or in part, the member may appeal the retirement system manager's or staff's decision by submitting a written request for review of the decision to the board's administrative office no later than one hundred twenty (120) days after the date the denial notice is received by the member. The retirement system manager or staff shall provide the member with a copy of this Rule with the denial notice. The written request for review must include the member's reason for disputing or disagreeing with the initial decision. If a member files a timely written request for review, he may:
 - (i) Submit additional materials for consideration by the board, including a written explanation of the issues and comments on the issues for consideration by the board in its review of the initial decision;
 - (ii) Review, upon request, documents under the control of the board which are relevant to the member's claim; and

- (iii) Attend the board meeting at which the claim appeal will be reviewed.
- (b) *Decision on review.* The board will review a member's timely written request for review and shall issue a written decision following the board's review of the denied claim within one hundred twenty (120) days of the date the board receives the member's written request for review or, if special circumstances require a delay in the decision, the member will receive a notice of the reasons for the delay within the same period. The board shall be entitled to request additional information from the member to the extent necessary and appropriate to respond to the member's request for review. The board's decision may be delayed pending receipt of such requested information or may be issued in the absence of such requested information if the member does not respond to the request for additional information. The board's written decision will explain the reasons for the decision and will refer to the provisions of the Milwaukee County Code of General Ordinances and Rules on which it is based.
- (c) Decision on appeal shall be final. All questions or controversies, of whatsoever character, arising in any manner or between any parties or persons in connection with the system, whether as to any claim for benefits, or as to the construction of language or meaning of the Milwaukee County Code of General Ordinances or Rules, or as to any writing, decision, instrument or account in connection with the operation of the system or otherwise, shall be submitted to the board or, where board responsibility has been delegated to others, to such delegates for decision. The board's decision on any such matters, including with respect to a member's request for a review, shall be final and binding upon all persons dealing with the board or the system or claiming any benefit thereunder, except to the extent that such decision may be determined to be arbitrary or capricious by a court having jurisdiction over such matter.

102. Domestic relations orders.

Pursuant to section 203(10.3) of the Milwaukee County Code of General Ordinances, a member's pension benefit cannot be assigned, alienated, levied upon or subject to other legal process. However, the board will comply with a domestic relations order ("DRO") that directs the board to pay all or a portion of a member's pension benefit to a former spouse or child ("alternate payee"), provided the DRO satisfies the requirements outlined in subsection (a) below.

- (a) *Requirements for a valid DRO.* The DRO must satisfy the following requirements:
 - (i) *DRO must specify certain facts.* The DRO must clearly specify certain facts:

- [a] the name, address and social security number of the member and the alternate payee;
 - [b] the amount or percentage of the member's benefits to be paid by the system to the alternate payee;
 - [c] the number of payments or period to which such DRO applies;
 - [d] the name of the system to which the DRO applies; and
 - [e] the date as of which such DRO is effective.
- (ii) *No payment until member in pay status.* The DRO must be an income assignment order that directs the board to pay to the alternate payee a portion of a member's monthly pension benefit that is in pay status. The DRO may not require the board or the system to make payment to an alternate payee on behalf of a member prior to the date that the member is actually receiving pension benefits from the system.
- (iii) *Purpose of payments.* Payment under the DRO shall be made solely for the purpose of providing alimony, maintenance or child support to a former spouse and/or child. The DRO cannot require payment to persons other than a member's former spouse or child and cannot be made for the purpose of a property division pursuant to a divorce.
- (b) *Procedures upon receipt of a DRO.*
- (i) Upon receipt of a DRO, the board shall notify each person named in the DRO (at the address specified in the DRO) that a DRO has been received. The board may provide a copy of Rule 102 to each party.
 - (ii) If the board determines that the DRO complies with the applicable requirements of this Rule 102, the board shall notify the persons named in the DRO and/or any representatives designated in writing by such persons.
 - (iii) If the board determines that a DRO does not comply with the applicable requirements under Rule 102, the board shall notify all parties that a determination has been made that the board cannot comply with the DRO. The notice shall describe the board's basis for determining that a DRO does not comply with Rule 102.
- (c) *Payment procedure.* If a DRO satisfies the requirements of subsection (a) above, the board will make payment to an alternate payee pursuant to the

DRO by submitting a check to the clerk of court having jurisdiction over the DRO.

103. Additional accruals after lump sum payment at age sixty-five.

Unless and until the county amends section 203(4.4(b)) of the Milwaukee County Code of General Ordinances, the board shall give no effect to the final sentence of section 203(4.4(b)).

Instead, if a member receives a lump sum distribution of his or her pension pursuant to section 203(4.4(a)), continues in (or returns to) county employment after his or her normal retirement date and subsequently accrues a pension benefit in a single year that has an actuarial present value of three thousand five hundred dollars (\$3,500.00) or more, then the member shall receive a lifetime monthly pension commencing in the January following such year in an amount equal to (a) one-twelfth (1/12) times (b) two (2) percent of the member's average compensation computed through the end of the plan year ending prior to the January in which the pension commences times (c) the year of service the member earned in the plan year ending prior to the January in which the pension commences.

If a member begins receiving a lifetime monthly pension pursuant to the preceding paragraph, then for each plan year subsequent to the plan year in which his or her lifetime monthly pension commenced during which he or she continues in the employment of the county, the amount of his or her pension shall be recomputed. The amount of such recomputed pension for each month during any such plan year shall be equal to (a) one-twelfth (1/12) times (b) two (2) percent of the member's average compensation computed through the end of the prior plan year times (c) the member's years of service computed through the end of the prior plan year (but not taking into account any years of service earned prior to the member's normal retirement date or for which the member received a single sum distribution after his or her normal retirement date); provided, however, that any increase in such recomputed pension over the pension previously payable shall be offset by the actuarial equivalent value (determined using the UP-1984 mortality table and an interest rate of eight and one-half (8.5) percent compounded annually) of pension benefits actually distributed during the prior plan year.

104. Determination of compensation and service.

The amount of a member's pension benefit is based on his compensation and service with the county. For purposes of calculating the amount of a member's pension benefit, the board will rely on the compensation and service information provided by the county, and shall not independently verify a member's compensation or service for any periods of county employment.

105. Waiver of pension benefit.

A current employee of the county (as defined in section 2.4 of Chapter 201.24 of the Code) electing to buy service credit under the Employee's Retirement System of the County of Milwaukee (the "ERS system") pursuant to the procedure described in Rule

207 of the ERS system Rules may voluntarily elect to waive his pension benefit under the system. If an employee waives his benefit under the system in this circumstance, (a) he or she shall not be entitled to receive any pension from the system based on service through the date of the election, and (b) an amount equal to the present value of his pension under the system shall be transferred to the ERS system to purchase pension service credit under the ERS system (calculated pursuant to the factors described in section 4.4(c)). If the employee subsequently fails to pay the entire buy in contribution to the ERS system (as required under Rule 207), then the employee's pension under the system shall be reinstated to the extent the ERS system returns assets to the system with respect to the employee.

106. Administration of benefit cash outs.

- (a) *Frequency.* At least once each calendar year, the board will cash out OBRA members who have satisfied the requirements for a cash out under sections 203(4.4) and 203(4.5) of the Milwaukee County Code of General Ordinances.
- (b) *Lost or missing members.* If a member's consent is required for the cash out to be effective, and the member cannot be located, the board will not cash out the member's pension unless and until the member is located and his or her consent is obtained. The board shall use the procedures described in section 203(10.6) of the General Ordinances of Milwaukee County (requiring the board to mail a letter to the member's last known address) to locate lost or missing OBRA members who are eligible for a cash out.
- (c) *Death of member.* If a member dies after satisfying the conditions for a mandatory cash out but before the system makes payment, no amount will be payable to the member. This benefit forfeiture will occur regardless of when an individual became a member of OBRA.
- (d) *Exceptions for de minimis distributions.* If a member's benefits have an actuarial equivalent lump sum present value of less than two hundred dollars (\$200.00), the board shall distribute such benefits in a lump sum only. The board shall not be required to withhold any portion of the benefit for payment of federal taxes.

If a member's benefits have an actuarial equivalent value less than ten dollars (\$10.00), the board shall not be obligated to report the distribution of benefits on Internal Revenue Service Form 1099-R.

- (e) *Pending QDROs.* Pursuant to Rule 102, the board will comply with a valid domestic relations order ("DRO"). Before cashing out a member, the board will determine whether it has notice of a pending DRO. If the board has notice of a pending DRO, the board has discretion to determine whether the member should be cashed out. If the board cashes out a

member prior to receiving notice of a pending DRO, the system shall not be liable for paying any benefits to a member's former spouse or child.

LEGISLATIVE HISTORY

All actions effective upon passage by the pension board at the pension board meeting cited.

101. Created - September 25, 1996; Amended - July 19, 2003, J. Proc.
102. Created - September 25, 1996.
103. Created - March 26, 1997.
104. Created - November 5, 1997.
105. Created - October 1, 1998.
106. Created - January 21, 2000.

EXHIBIT D

2010 Actuarial Valuation Reports

Actuarial Valuation Summaries

for

ERS and OBRA

Additional information available upon request

May 13, 2011

The Retirement Board
Employees' Retirement System of the
County of Milwaukee
901 N. 9th St.
Milwaukee, WI 53233

Ladies and Gentlemen:

This report presents the results of the annual actuarial valuation of the Employees' Retirement System of the County of Milwaukee as of January 1, 2011. The valuation takes into account all of the promised benefits to which members are entitled as of January 1, 2011, including pension and survivor benefits; and as required by the Retirement Code is the basis for the Budget Contribution for fiscal year 2012.

The valuation was based on the actuarial assumptions and methods as adopted by the Board of Trustees, including a valuation interest rate of 8% per annum compounded annually. Based on our recommendations in May 2007, the Board adopted revised actuarial assumptions effective with the January 1, 2007 valuation. Minor adjustments in the assumptions and methods were adopted by the Board in 2008 and 2009 as well. The assumptions and methods used in this January 1, 2011 valuation report remain unchanged from the January 1, 2010 valuation report. Plan amendments have been reflected in the valuation since the January 1, 2010 valuation report. Effective January 1, 2010, the normal retirement age was increased to age 64 for future hires only for the attorneys, the Machinists, and TEAMCO. The multiplier was decreased from 2.0% to 1.6% for current members' future service and future hires' total service for the attorneys, the Machinists, and TEAMCO effective June 1, 2010, May 1, 2010 and June 1, 2010, respectively. Effective January 1, 2011 Elected Officials and Non-Represented employees will contribute 2% of compensation. For all Non-Represented employees (other than elected officials), the contribution rate would increase to 3% of compensation effective June 12, 2011 and to 4% of compensation effective December 11, 2011. Note that for purposes of the contribution rates shown in the report, these amounts are gross contribution amounts. It is our understanding that County staff will net out the amount of employee contributions that are collected to arrive at a net County contribution.

Assets and Membership Data

The Retirement System reported the individual data for members of the System as of the valuation date to the actuary. For 2011 we received the data in multiple files. We received the counts of members to include in the January 1, 2011 valuation separately from members' benefit information. Missing information was updated with either supplemental information sent or by using assumptions based on the prior year's data. While we did not verify the data at their source, we did perform tests for internal consistency and reasonableness. The amount of assets

The Retirement Board
Employees' Retirement System of the
County of Milwaukee
May 13, 2011
Page 2

in the trust fund taken into account in the valuation was based on statements prepared for us by the Retirement System.

Funding Adequacy

The 2010 valuation performed last year resulted in an Actual Funding Contribution of \$27,549,990 against which \$32,893,708 (adjusted for interest shown on Table 11) was actually contributed. The excess of \$5,343,718 will be amortized over five years.

The Actual Funding Contribution for 2011, based on the results of this valuation, is \$26,808,037. It is expected that \$31,494,329 (\$31,494,090 in expected contribution plus \$239 interest) will be contributed during 2012 on behalf of the 2011 plan year. The excess contribution of \$4,686,292 will be amortized over five years.

Budget Contribution

The 2012 Budget Contribution, expected to be contributed in 2013, is \$30,398,000.

Financial Results and Membership Data

Detailed summaries of the financial results of the valuation and membership data used in preparing the valuation are shown in the valuation report. The actuary prepared supporting schedules and required supplementary information included in the County of Milwaukee Annual Report of the Pension Board.

Qualified actuaries completed the valuation in accordance with accepted actuarial procedures as prescribed by the Actuarial Standards Board. The qualified actuaries are members of the American Academy of Actuaries and are experienced in performing actuarial valuations of public employee retirement systems. To the best of our knowledge, this report is complete and accurate and has been prepared in accordance with generally accepted actuarial principles and practice. The undersigned with actuarial designations are qualified to render the opinions contained in this report.

Respectfully submitted,



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



Marco Ruffini
Senior Consultant

LL/MR:hs

May 17, 2011

The Retirement Board
Employees' Retirement System of the
County of Milwaukee
901 N. 9th St.
Milwaukee, WI 53233

Ladies and Gentlemen:

This report presents the results of the annual actuarial valuation of the OBRA 1990 Retirement System of the County of Milwaukee as of January 1, 2011. The valuation takes into account all of the promised benefits to which members are entitled as of January 1, 2011; and as required by the Retirement Code is the basis for the Budget Contribution for fiscal year 2012.

The valuation was based on the actuarial assumptions and methods as adopted by the Board of Trustees, including a valuation interest rate of 8% per annum compounded annually. Effective with the 2007 valuation, the Board adopted a new mortality table assumption to better reflect actual and expected experience.

Assets and Membership Data

The Retirement System reported the individual data for members of the System as of the valuation date to the actuary.

For 2011 we received the data in multiple files. We received the counts of members to include in the January 1, 2011 valuation separately from the members' benefit information. Missing information was updated with either supplemental information sent or by using assumptions based on the prior year's data.

While we did not verify the data at their source, we did perform tests for internal consistency and reasonableness. The amount of assets in the trust fund taken into account in the valuation was based on statements prepared for us by the Retirement System.

Funding Adequacy

The 2010 valuation performed last year resulted in an Actual Funding Contribution of \$716,439 against which \$786,000 was actually contributed.

The Retirement Board
Employees' Retirement System of the
County of Milwaukee
May 17, 2011
Page 2

The Actual Funding Contribution for 2011, based on the results of this valuation, is \$807,028. It is expected that \$772,000 will be contributed during 2012 on behalf of the 2011 plan year. The shortfall of \$35,028 will be amortized over five years.

Budget Contribution

The 2012 Budget Contribution, expected to be contributed in 2013, is \$880,000.

It is anticipated that cash outs of roughly \$2,000,000 are to be made over the next year from the OBRA plan. The cash outs are composed of both the lump sum due to participants plus and interest component. The liability in this valuation later in the next year of \$5,519,524 includes the amount of this cash out and interest. The trust of the OBRA Retirement System, even with the inclusion of the contributions recommended in this report, does not currently contain sufficient funds to pay this cash out. We recommend that the amount of cash out be paid in addition to the contribution requirements contained in this report, with an adjustment to reflect the overlap in the contribution to the unfunded liability and the \$2,000,000 cash out. We will work with staff to determine the amount of overlap once final cash outs are determined.

Financial Results and Membership Data

Detailed summaries of the financial results of the valuation and membership data used in preparing the valuation are shown in the valuation report. The actuary prepared supporting schedules and required supplementary information included in the County of Milwaukee Annual Report of the Pension Board.

Qualified actuaries completed the valuation in accordance with accepted actuarial procedures as prescribed by the Actuarial Standards Board. The qualified actuaries are members of the American Academy of Actuaries and are experienced in performing actuarial valuations of public employee retirement systems. To the best of our knowledge, this report is complete and accurate and has been prepared in accordance with generally accepted actuarial principles and practice. The undersigned with actuarial designations are qualified to render the opinions contained in this report.

Respectfully submitted,



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



Marco Ruffini
Senior Consultant

LL/MR/LL:pl

EXHIBIT E

List of Services Requested

EXHIBIT E

SCOPE OF ACTUARIAL SERVICES

Basic Services

The following services should be included within the scope of your firm's fee:

Annual Services

1. Prepare an annual actuarial valuation and prepare a formal actuarial report documenting the results of the valuation.
 - (a) The actuarial valuation will be based on all of the most recent available data with respect to active employees, vested former employees, retirees and beneficiaries, the Systems' investment experience and the financial data reported by the Systems' auditor.

The actuary will compare actual experience with the actuarial assumptions. This analysis will take into account the actual level of contributions, the mortality rate, the County turnover rate, retirement rates, the investment yield, the amount of administrative expenses, etc. The actuary will advise the Pension Board whether experience has been favorable or unfavorable. This comparison may provide the basis for possible changes in assumptions. In addition, the actuary will discuss contribution requirements under the Systems' funding policy.
 - (b) The actuary will provide a detailed breakdown for the annual financial audit of the factors that caused a change in the actuarial present value of accumulated benefits from the preceding year, such as increased contribution rates, experience gains and losses, benefit payments, changes in actuarial assumptions or other adjustments.
2. Attend and present at three Pension Board meetings as follows:
 - (a) Attend the annual retiree meeting held in February. The Pension Board may excuse the actuary from this attendance requirement but may instead request attendance at a third Pension Board meeting.
 - (b) Present the preliminary valuation report to the Pension Board at a Pension Board meeting. This presentation typically takes place at the April Pension Board meeting.

- (c) Present the final valuation report to the Pension Board at a Pension Board meeting. This presentation typically takes place at the May Pension Board meeting.
3. Prepare the following reports or information:
 - (a) Provide statistical information relative to the census data which is compiled by the actuary.
 - (b) Supply the auditor with the information required for the annual audit.
4. Attend up to two (2) meetings with the ERS Manager each year, at the Manager's request.
5. Assist Corporation Counsel in determining the employee contribution rate for state-mandated employee contributions, if applicable.
6. Update Internal Revenue Code Section 415 limit calculation spreadsheet.
7. **Five Year Services.** Pursuant to Ordinance section 201.24(8.15), the actuary must prepare a five (5) year experience study. The actuary must appear before the Pension Board to present the five year study.

Other Supplementary Services

The Basic Services generally describe the matters that regularly arise in the course of the Systems' annual operation that call for general consulting and actuarial services. If the actuary provides services that are beyond, but incidental to, the Basic Services, such services would be rendered and considered as services within the scope of the annual fee. If the actuary is requested to provide services that are not anticipated within the annual fee, the actuary will provide such services only after the actuary has discussed with the Pension Board the extra charges which would be involved. The compensation to be paid to the actuary for such Supplementary Services will be based on the actuary's agreed upon hourly rates unless otherwise specified below or at the time of service and agreed to by both parties. The actuary will advise the Pension Board of the Supplementary Services performed and the hours spent on each Supplementary Service on a monthly basis.

Supplementary Services may include, but are not limited to, the following:

1. Review certain reports for the Pension Board and provide Pension Board with written comments, as requested by the Pension Board.
2. Provide actuarial opinions and cost estimates on changes in the eligibility, benefit levels or other provisions of the Systems.
3. Provide forecast of pension contribution requirements and funding status (*i.e.*, 20-year period).
4. Provide consulting work in preparation of litigation, including expert witness testimony in connection with the litigation.
5. Conduct individual benefit calculations when requested by the Retirement Office.
6. Conduct redesign or cost restructuring studies at the Pension Board's request.
7. Provide services in connection with domestic relations orders consistent with ERS's procedures.
8. Prepare cash flow projections.
9. Audit the basic data maintained by the Retirement Office.
10. Calculate individual member's benefit amounts under optional forms of benefits as requested by the Pension Board pursuant to Rule 1013. Members are charged a fee for this service.
11. Prepare recommended assumptions and revise tables (*e.g.*, tables regarding optional forms of benefits, early retirement benefits, etc.) as requested by the Pension Board.
12. Provide benefit calculation tables to the Retirement Office as requested by the Pension Board. Benefit calculation tables are reviewed every five years and updated after review, if necessary.
13. Provide Internal Revenue Code section 415 limit testing as requested by the Pension Board.
14. As necessary, comment on and assist in drafting proposed amendments to the Ordinances or Rules.
15. Consult with the Pension Board on actuarial implications of, particular interpretations of or amendments to the Ordinances or Rules.

16. Be available for consultation with the Pension Board with respect to routine changes in forms, procedures and general recordkeeping.
17. Prepare any reports as required by County, State and Federal legislation (current or future), including recomputing benefits of individual members.
18. Coordinate efforts with the Systems' attorneys, administrator, auditor, investment consultant and investment managers regarding policy matters of interest to the Pension Board and the efficient operation of the Systems in general.
19. Provide advice with respect to actuarial funding methods, assumptions and techniques.
20. Consult with the Pension Board and other advisors, as appropriate, on the following:
 - (a) Actuarial, administrative and design aspects of the Systems;
 - (b) All questions that arise during the normal course of operation; and
 - (c) All questions that arise as the result of appeals.
21. Be available to assist the Pension Board in reaching decisions on issues that arise in the course of operations or that flow from the annual actuarial reports and to answer questions regarding plan design, administration, national and industry trends or public policy.
22. Attend additional Pension Board meetings (beyond the two meeting requirement in the Annual Services section) as requested by the Pension Board.
23. Provide all services requested by the Pension Board with respect to special projects that may arise from time to time. Examples of such projects may include, but are not limited to, the following: recalculating benefits payable to individual ERS members to account for a required benefit adjustment, calculating benefits attributable to a subsequent grant of military service credit and calculating retroactive benefits.

EXHIBIT F

Fee Proposal Requirements

EXHIBIT F

FEE PROPOSAL

You should submit a fixed fee proposal addressing the three types of services listed below. Please propose a term for which you will guarantee your services and fees.

Annual Basic Services. Please provide a fee for all of the annual Basic Services required in Exhibit E.

1. Your fee should cover all of your expected out-of-pocket expenses, including travel expenses, if any.
2. If there are annual Basic Services included in Exhibit E for which you feel you cannot submit a firm fee quote, please identify them and submit a proposal on the remaining items.
3. Will you agree to receive your annual Basic Services fee in monthly installments?

Five Year Services. Exhibit E requires a five year experience study. Please provide your fee for conducting the experience study. If you would provide an experience study on a more frequent basis, please note the frequency in your fee proposal and adjust your fee accordingly.

Supplementary Services. You will be compensated for Supplementary Services you perform based on your hourly rates.

1. What are the standard, and if different, proposed discounted hourly rates charged by your personnel?
2. Please provide staggered hourly rates for the different levels or classes of actuaries/consultants.
3. Please also provide the specific rates for those individuals who will be working on this account.

EXHIBIT G

Questionnaire

EXHIBIT G
QUESTIONNAIRE

Please include answers to the following questions in your written proposal. Please restate each question before your answer.

1. General Background Information.

- (a) Describe your firm, including history, size, locations and number of employees.
- (b) Please indicate which office location(s) will serve the Pension Board.
- (c) Is your firm affiliated with another company? If yes, describe the affiliate relationship(s). "Affiliate" means owned by another company; owned by a common controlling shareholder of interest; or inter-tied by contract to be under the dominion or influence of another.
- (d) How long has your firm been providing actuarial services?
- (e) Does your firm hold all of the necessary licenses and registrations to perform the services outlined in Exhibit E?
- (f) What level of turnover has your firm experienced in its actuarial consultants in the last three years and at what experience level has that turnover occurred?
- (g) Provide other relevant information regarding your firm's experience, including any services outlined in Exhibit E that the firm is unable to perform.

2. Experience with Public Retirement Systems.

- (a) Please indicate other public retirement systems you have served, the capacity in which you served those retirement systems and whether you are currently serving those retirement systems.
- (b) Please provide the name, address and phone number of three public retirement system clients who could be contacted for further information. If you do not represent three public retirement clients, please provide the

above information for your public retirement system client(s) and for one or two of your largest pension clients.

3. Consulting Team.

- (a) Provide the name, address, telephone number, e-mail address and title of the person who the Pension Board may contact regarding your proposal.
- (b) What consultants in your firm would be responsible for the Pension Board's account? Please provide contact information, professional qualifications, general experience and experience with public retirement systems for each consultant. Please indicate who would be the manager of the Pension Board's account.
- (c) Describe, in general terms, your approach to fulfilling the actuarial services outlined in Exhibit E. Explain how each of these steps would be accomplished.
- (d) Describe how your consultants will work together to meet the Pension Board's needs.
- (e) Outline your firm's backup procedures in the event that key personnel on the Pension Board's account should leave your firm.
- (f) Explain any resources your firm has that specifically address the needs of public sector clients.
- (g) Does your firm utilize external legal counsel for advice regarding benefit issues? If so, describe how outside counsel is used in conjunction with internal expertise.

4. Actuarial Valuations.

- (a) Is your firm able to perform actuarial valuations for systems the size of ERS and OBRA?
- (b) Typically, how much time will be required from the date you receive all the employer-employee data until the Pension Board receives a completed actuarial valuation report?
- (c) Provide a sample of the format of the annual actuarial valuation report you provide to other public retirement systems.

5. Standards of Conduct.

- (a) Is there any pending litigation against your firm or an officer or principal of your firm? If so, please explain.
- (b) Has there ever been any litigation against your firm or an officer or principal of your firm alleging an error or omission while acting as a consultant to a pension plan? If so, please explain.
- (c) Is your firm or an officer or principal of your firm now under indictment, court order, investigation or order issued by any regulatory agency? If so, please explain.
- (d) Provide the amount of general liability and errors and omissions insurance carried by your firm and identify who is covered by the policy.
- (e) Has your firm undergone a "peer review" recently? If so, did the firm receive an "unqualified opinion" on its performance and quality control procedures?

6. Subcontracting.

- (a) If your firm uses the services of a subcontractor, please identify the subcontractor and describe the skills and qualifications of the subcontractor and its individual employees.
- (b) Describe what portions of the project will be assigned to the subcontractor.
- (c) Identify the cost associated with the portions of the project assigned to the subcontractor.
- (d) Describe the contractual arrangement contemplated with each subcontractor and describe generally the control/delegation of responsibilities anticipated in that arrangement.

7. Previous Clients. Please list any public sector clients who have terminated your actuarial relationship during the past five years and their reasons for doing so. Please include the names, titles and telephone numbers of contact persons for those entities.

8. Additional Information. Summarize any additional information that the Pension Board should consider in making its decision. Include any elements of your package which you believe to be unique.

EXHIBIT H

Proposed Contract

EXHIBIT H

ACTUARIAL SERVICE AGREEMENT

THIS AGREEMENT (the "Agreement"), made this ____ day of _____, 2011, by and between the PENSION BOARD OF THE EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE AND THE OBRA 1990 RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE (the "Pension Board") and _____ (the "Actuary").

RECITALS

1. The term "Pension Board," as used herein, refers to such persons in their capacity as Pension Board members, as distinguished from their individual capacity, and includes present and future Pension Boards of the Employees' Retirement System of the County of Milwaukee ("ERS") and the OBRA 1990 Retirement System of the County of Milwaukee ("OBRA") (together referred to as the "Systems"), from time to time serving as the Pension Board pursuant to the terms of the Milwaukee County Code of General Ordinances ("Ordinances"), as amended from time to time.
2. The Ordinances authorize the Pension Board to employ and compensate the actuaries and consultants they deem necessary and advisable for the efficient administration of the Systems.
3. The Pension Board deems it necessary and advisable to engage a professional actuary and consultant.

AGREEMENTS

In consideration of the premises and the mutual promises and representations herein contained, the Pension Board and Actuary hereby agree as follows:

1. Basic Services. The Actuary shall provide the following services to the Trustees:

Annual Services

- (a) Prepare an annual actuarial valuation and prepare a formal actuarial report documenting the results of the valuation.

- (i) The actuarial valuation will be based on all of the most recent available data with respect to active employees, vested former employees, retirees and beneficiaries, the Systems' investment experience and the financial data reported by the Systems' auditor.

The actuary will compare actual experience with the actuarial assumptions. This analysis will take into account the actual level of contributions, the mortality rate, the County turnover rate, retirement rates, the investment yield, the amount of administrative expenses, etc. The actuary will advise the Pension Board whether experience has been favorable or unfavorable. This comparison may provide the basis for possible changes in assumptions. In addition, the actuary will discuss contribution requirements under the Systems' funding policy.

- (ii) The actuary will provide a detailed breakdown for the annual financial audit of the factors that caused a change in the actuarial present value of accumulated benefits from the preceding year, such as increased contribution rates, experience gains and losses, benefit payments, changes in actuarial assumptions or other adjustments.

- (b) Attend and present at three Pension Board meetings as follows:

- (i) Attend the annual retiree meeting held in February. The Pension Board may excuse the actuary from this attendance requirement but may instead request attendance at a third Pension Board meeting.
- (ii) Present the preliminary valuation report to the Pension Board at a Pension Board meeting. This presentation typically takes place at the April Pension Board meeting.

- (iii) Present the final valuation report to the Pension Board at a Pension Board meeting. This presentation typically takes place at the May Pension Board meeting.
- (c) Prepare the following reports or information:
 - (i) Provide statistical information relative to the census data which is compiled by the actuary.
 - (ii) Supply the auditor with the information required for the annual audit.
- (d) Attend up to two (2) meetings with the ERS Manager each year, at the Manager's request.
- (e) Provide actuarial opinions and cost estimates on changes in the eligibility, benefit levels or other provisions of the Systems, unless such changes require extensive computer calculations. The Actuary will perform specific benefit modification calculations that are incidental to and performed in conjunction with the annual actuarial valuation.
- (f) Assist Corporation Counsel in determining the employee contribution rate for state-mandated employee contributions, if applicable.
- (g) Update Internal Revenue Code Section 415 limit calculation spreadsheet.

Five Year Services. Pursuant to Ordinance section 201.24(8.15), the actuary must prepare a five (5) year experience study. The actuary must appear before the Pension Board to present the five year study.

2. Basic Services Fees.

(a) Annual Fee. For its annual Basic Services, the Systems shall pay the Actuary an annual fee of \$_____, payable [_____]. This fee does not cover, and the Actuary shall be compensated separately for, Supplementary Services, described below. The only compensation to be received by or on behalf of the Actuary directly or indirectly related to ERS or OBRA shall

be that which is paid directly by ERS or OBRA. The Actuary hereby waives all fees, commissions, claims, production or other allowances from insurance carriers or other sources and agrees that such waiver must be consented to in writing by any party who may now or hereafter be obligated to make any such payments in connection with ERS or OBRA.

(b) Five Year Fee. For conducting the five year experience study and appearing before the Pension Board to present the study, the Systems shall pay the Actuary a fee of \$_____, payable [_____].

3. Other Supplementary Services. The Basic Services generally describe the matters that regularly arise in the course of the Systems' annual operation that call for general consulting and actuarial services. If the Actuary provides services that are beyond, but incidental to, the Basic Services, such services would be rendered and considered as services within the scope of the annual fee. If the Actuary is requested to provide services that are not anticipated within the annual fee, the Actuary will provide such services only after the Actuary has discussed with the Pension Board the extra charges which would be involved. The compensation to be paid to the Actuary for such Supplementary Services will be based on the Actuary's agreed upon hourly rates unless otherwise specified below or at the time of service and agreed to by both parties. The Actuary will advise the Pension Board of the Supplementary Services performed and the hours spent on each Supplementary Service monthly.

Supplementary Services that may be required include, but are not limited to, the following:

- (a) Review certain reports for the Pension Board and provide Pension Board with written comments, as requested by the Pension Board.
- (b) Provide actuarial opinions and cost estimates on changes in the eligibility, benefit levels or other provisions of the Systems.
- (c) Provide forecast of pension contribution requirements and funding status (*i.e.*, 20-year period).
- (d) Provide consulting work in preparation of litigation, including expert witness testimony in connection with the litigation.
- (e) Conduct individual benefit calculations when requested by the Retirement Office.

- (f) Conduct redesign or cost restructuring studies at the Pension Board's request.
- (g) Provide services in connection with domestic relations orders consistent with ERS's procedures.
- (h) Prepare cash flow projections.
- (i) Audit the basic data maintained by the Retirement Office.
- (j) Calculate individual member's benefit amounts under optional forms of benefits as requested by the Pension Board pursuant to Rule 1013. Members are charged a fee for this service.
- (k) Prepare recommended assumptions and revise tables (*e.g.*, tables regarding optional forms of benefits, early retirement benefits, etc.) as requested by the Pension Board.
- (l) Provide benefit calculation tables to the Retirement Office as requested by the Pension Board. Benefit calculation tables are reviewed every five years and updated after review, if necessary.
- (m) Provide Internal Revenue Code section 415 limit testing as requested by the Pension Board.
- (n) As necessary, comment on and assist in drafting proposed amendments to the Ordinances or Rules.
- (o) Consult with the Pension Board on actuarial implications of, particular interpretations of or amendments to the Ordinances or Rules.
- (p) Be available for consultation with the Pension Board with respect to routine changes in forms, procedures and general recordkeeping.
- (q) Prepare any reports as required by County, State and Federal legislation (current or future), including recomputing benefits of individual members.
- (r) Coordinate efforts with the Systems' attorneys, administrator, auditor, investment consultant and investment managers regarding

policy matters of interest to the Pension Board and the efficient operation of the Systems in general.

- (s) Provide advice with respect to actuarial funding methods, assumptions and techniques.
- (t) Consult with the Pension Board and other advisors, as appropriate, on the following:
 - (i) Actuarial, administrative and design aspects of the Systems;
 - (ii) All questions that arise during the normal course of operation; and
 - (iii) All questions that arise as the result of appeals.
- (u) Be available to assist the Pension Board in reaching decisions on issues that arise in the course of operations or that flow from the annual actuarial reports and to answer questions regarding plan design, administration, national and industry trends or public policy.
- (v) Attend additional Pension Board meetings (beyond the two meeting requirement in the Annual Services section) as requested by the Pension Board.
- (w) Provide all services requested by the Pension Board with respect to special projects that may arise from time to time. Examples of such projects may include, but are not limited to, the following: recalculating benefits payable to individual ERS members to account for a required benefit adjustment, calculating benefits attributable to a subsequent grant of military service credit and calculating retroactive benefits.

5. Insurance. Actuary represents that as of the effective date of this Agreement it maintains general liability and errors and omissions insurance in the amount of \$_____. Actuary agrees to immediately notify the Pension Board if this insurance coverage is cancelled or the amount of coverage is reduced during the term of this Agreement.

6. Term and Termination. The term of this Agreement shall be for [3] [5] years from the effective date noted above. This Agreement may be terminated by the Pension Board upon 60 days' advance written notice. This Agreement may

be terminated by Actuary upon 60 days' advance written notice at the end of a term. Notice shall be delivered via certified mail, return receipt requested, or a recognized overnight courier or delivery service. Notice to the Pension Board shall be sent to the Secretary of the Pension Board at 901 North 9th Street, Milwaukee, Wisconsin 53233, with a copy to the Office of Corporation Counsel at 901 North 9th Street, Room 303, Milwaukee, WI 53233 . Notice to the Actuary shall be sent to _____. This Agreement shall remain in effect for the initial term and thereafter will automatically renew for successive one (1) year terms for up to the time period specified in Ordinance section 201.24(8.22), unless the Agreement is terminated as provided above.

7. Indemnification; Liabilities of the Actuary and the Pension Board.

(a) The Pension Board, its members, ERS and OBRA acting in good faith shall not be liable for any act or omission of the Actuary in connection with the Actuary's discharge of its duties; provided, however, this limitation shall not act to relieve the Pension Board from a responsibility or liability for any fiduciary responsibility, obligation or duty under the Ordinances.

(b) The Actuary shall be liable for its own negligence, failure to act as required by applicable law or as required by this Agreement, unauthorized acts, and for those of any officer, employee or agent appointed by or acting for the Actuary in the performance of its duties and responsibilities under this Agreement.

(c) The Actuary agrees to hold harmless and indemnify ERS, OBRA and the Pension Board for losses or damages caused or contributed to by the Actuary's negligence, failure to act as required by applicable law or as required by this Agreement, unauthorized acts, and for those of any officer, employee or agent appointed by or acting for the Actuary in the performance of its duties and responsibilities under this Agreement.

8. Assignment. The Actuary agrees that its rights, interests, benefits and fees hereunder shall not be assigned, transferred, pledged or hypothecated in any way and shall not be subject to execution, attachment or similar process without the consent of the Pension Board.

9. Confidential Information. All information and advice furnished by either party to the other hereunder, including their respective agents and employees, shall be treated as confidential and shall not be disclosed to third parties except as required by law. Notwithstanding the foregoing, the Actuary may disclose information to the Pension Board's auditor or legal counsel. Additionally, Actuary may include ERS's name in its list of clients used for marketing purposes.

10. Severability. In the event any provision of this Agreement is considered void, illegal, or invalid for any reason, said provision shall not effect the remaining provisions of this Agreement. The void, illegal or invalid provisions shall be fully severable and this Agreement shall be construed and enforced as if the void, illegal or invalid provisions had never been inserted in this Agreement.

11. Amendment. This Agreement (including the addenda hereto) may be amended at any time only in a writing executed by the Pension Board and the Actuary. This Agreement (including the Ordinances incorporated herein by reference) constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, supersedes all prior agreements between the parties hereto relating to the matters contained herein, and may not be modified, waived, or terminated orally.

12. Incorporation by Reference. This Agreement shall be subject to the applicable provisions of the Ordinances and shall in all respects be construed in a manner consistent with the purposes of the Ordinances. In the event of any inconsistency or conflict between the terms of this Agreement and the Ordinances, the provisions of the Ordinances shall govern.

13. Successors. The term “Pension Board” shall include any successor or substitute Pension Board member.

14. Governing Law. To the extent not inconsistent with applicable federal law, this Agreement shall be construed pursuant to, and shall be governed by, the laws of the State of Wisconsin without reference to conflict of law principles thereof. Any dispute arising under this Agreement shall be determined in a forum within the State of Wisconsin.

15. No Third Party Beneficiaries. This Agreement has been entered into for the sole benefit of the parties and their respective permitted successors and assigns. The parties do not intend the benefits of this Agreement to inure to any third party and nothing contained herein shall be construed as creating any right, claim or cause of action in favor of any such third party against either of the parties hereto.

16. No Waiver. A party’s failure at any time to enforce any of the provisions of this Agreement or any right with respect thereto shall not be construed to be a waiver of such provision or right nor to affect the validity of this Agreement. The exercise or non-exercise by a party of any right under the terms or covenants herein shall not preclude or prejudice the exercising thereafter of the same or other rights under this Agreement.

17. Counterpart Execution. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the Pension Board and the Actuary have executed this Agreement as of the day, month and year first above written.

PENSION BOARD OF THE
EMPLOYEES' RETIREMENT
SYSTEM OF THE COUNTY OF
MILWAUKEE

BY _____
Chairman

BY _____
[Title]

EXHIBIT I

5-Year Actuarial Experience Study



Milwaukee County Employees Retirement System

5 Year Experience Review
(2001 - 2005)

then & now

May 16, 2007

- Overview
- Analysis of assumptions
 - * Salary
 - * Termination
 - * Retirement
 - * Backdrop utilization
 - * Disability
 - * Mortality
 - * Investment return
 - * Other
- Impact on contribution
- Recommended tables/assumptions

Actuarial assumptions are a key component of the annual actuarial valuation, the objectives of which are to:

- Determine the Employer Contribution
 - Benefits should be funded over members' working lifetime
- Check on Progress and Security of Promised Benefits
 - Compare assets to accrued liability
 - Unfunded accrued liability
 - Funded status
- Measure Net Actuarial Gain or (Loss)
 - Comparison of actual experience to expected

Actuarial assumptions are used to project member benefits

- Member Benefits
 - Current service
 - Projected service
 - Projected salary
- When and Why Members Terminate Employment
 - Retirement
 - Disability
 - Death in active service
 - Termination
- When Benefits Begin and End
 - Retirement
 - Disability
 - Death after retirement

Actuarial Assumptions

- Demographic
 - service retirement
 - disability
 - termination
 - death in active service
 - death after retirement
 - service retirement
 - disability retirement
- Economic
 - rate of return
 - annual pay increase
 - aggregate payroll growth

Setting Demographic Assumptions

- Based on 5-year review of actual experience (Last review performed in 2003)
- Experience review completed for period of January 1, 2001 through December 31, 2005
 - This experience review was accelerated because assumptions needed to be modified
- Compare past experience (“actual”) with assumptions (“expected”)
- Determine trend
- Make judgment about future

Demographic Assumptions

then
& now

- When and why members leave active service
 - Important because when and why a member leaves active service determines the benefit amount
- Mortality assumption is important because it determines how long benefits will be paid



Service Retirement General Employees who are Backdrop-Eligible

then
& now

Age	Number of Retirements		Ratio of Actual to Expected	Actual Rate of Retirement
	Actual	Expected		
45-49	49	0	---	22 %
50-54	375	114	3.277	23
55	126	86	1.458	22
56	109	73	1.492	22
57	100	59	1.701	26
58	75	50	1.515	23
59	78	43	1.831	27
60	89	83	1.075	21
61	81	65	1.242	25
62	83	53	1.572	31
63	55	37	1.471	29
64	39	36	1.083	27
65	38	34	1.121	34
66	20	24	0.833	25
67	16	17	0.952	29
68	16	13	1.270	38
69	9	7	1.364	41
over 70	24	61	0.393	39
TOTAL	1,382	854	1.618	

Average Retirement Age: 57.3



Service Retirement General Employees who are Backdrop-Eligible

then
& now

Age	Exposures 2001-2005	Current Assumption %	Rates of Retirement		
			Actual Experience 1998-2002 %	Actual Experience 2001-2005 %	Proposed Assumption %
45-49	221	-	N/A	22.2	19.8
50-54	1,635	7	13.1	22.9	19.8
55	576	15	16.2	21.9	19.8
56	487	15	15.9	22.4	19.8
57	392	15	14.6	25.5	23.0
58	330	15	13.1	22.7	20.4
59	284	15	19.7	27.5	24.8
60	414	20	14.1	21.5	19.4
61	326	20	18.5	24.9	22.5
62	264	20	21.6	31.4	28.4
63	187	20	22.0	29.4	26.6
64	144	25	22.2	27.1	24.3
65	113	30	27.2	33.6	30.4
66	80	30	33.3	25.0	22.5
67	56	30	19.4	28.6	25.7
68	42	30	28.6	38.1	34.2
69	22	30	21.1	40.9	36.0
70+	61	100	N/A	39.3	100.0

Recommendation: Adjust rates to reflect approximately 90% of 2001-2005 experience



Backdrop Election Overview of 2001 – 2006 experience

then
& now

	Calendar Year						Total
	2001	2002	2003	2004	2005	2006	
Total number of retirements	179	289	217	687	132	135	1,639
In backdrop eligible group							
Eligible for backdrop at retirement	129	241	159	607	88	87	1,311
Less than 1 year from first eligibility	44	31	29	60	23	30	217
Not in backdrop eligible group	6	17	29	20	21	18	111
Total eligible for backdrop at retirement	129	241	159	607	88	87	1,311
Number electing backdrop	65	183	104	480	56	60	948
Percentage electing backdrop	50%	76%	65%	79%	64%	69%	72%
Total number of backdrop years elected	269.6	817.2	426.1	2,294.8	254.7	229.0	4,291.3
Average length of backdrop (years)	4.1	4.5	4.1	4.8	4.5	3.8	4.5
Total "available" backdrop years	510.5	1,533.3	766.7	2,775.3	346.4	295.7	6,227.9
Avg fraction of eligible years elected	53%	53%	56%	83%	74%	77%	69%

Backdrop Election: Backdrop Fraction

then & now

Backdrop fraction: Number of backdrop years elected, as a percentage of maximum backdrop period available.

Backdrop fraction	Calendar Year					
	2001	2002	2003	2004	2005	2006
95% to 100%	3	5	6	287	20	26
85% to 95%	1	2	1	36	8	12
75% to 85%	0	1	1	45	8	4
65% to 75%	24	67	43	24	6	4
55% to 65%	8	35	11	24	3	6
45% to 55%	11	31	17	17	3	3
35% to 45%	10	25	17	14	3	2
25% to 35%	5	10	4	14	2	2
15% to 25%	3	3	3	14	2	1
0% to 15%	0	4	1	5	1	0

Recommendation:

75% of eligible retirees are assumed to elect a backdrop; and
 75% of those electing will choose the maximum available backdrop period; and
 25% will choose half the maximum available backdrop period.



Backdrop Election: Backdrop Fraction

then & now

Comparison of backdrop fraction for all backdrop retirees to backdrop fraction for retirees with backdrop lump sums of \$100,000 or more

Average Fraction of Available Years Elected	Distribution of Fraction for All Elections	Distribution of Fraction for Lump Sums > \$100,000
95% to 100%	37%	40%
85% to 95%	6%	9%
75% to 85%	6%	9%
65% to 75%	18%	15%
55% to 65%	9%	10%
45% to 55%	9%	9%
35% to 45%	7%	6%
25% to 35%	4%	2%
15% to 25%	3%	1%
0% to 15%	1%	0%



Backdrop Election Active members in backdrop-eligible group at January 1, 2006

then
& now

Eligible to retire at January 1, 2006

Current Age	Maximum Number of Backdrop Years if Retire Immediately						Total
	0 *	1-2	3-4	5-6	7-8	9+	
Under 55	87	64	35	5	-	-	191
55-60	74	117	77	38	20	8	334
Over 60	45	59	58	43	23	26	254
Total	206	240	170	86	43	34	779

* This group became eligible to retire after January 1, 2005, and cannot retire with backdrop benefits until they have been eligible to retire for at least one year.

Not eligible to retire at January 1, 2006

Current Age	Age First Eligible for Retirement				Total
	<53	53-54	55-57	58+	
Under 40	823	194	122	-	1,139
40-50	680	273	439	133	1,525
Over 50	49	143	316	408	916
Total	1,552	610	877	541	3,580

Service Retirement Backdrop-Ineligible General Employees and Elected Officials

then
& now

Currently, the number of general employees NOT eligible for the backdrop is relatively small

- Going forward, a larger percentage of general employees will not be eligible for the backdrop
- Valuation will require retirement assumption for these people
 - Recommend using current retirement rates for this membership segment
 - Future studies will eventually contain enough exposure such that rates can be developed from experience

Exposure for elected officials is small (40 over five years)

- Eight actual retirements compared to six expected
- Recommend using same retirement rates as for backdrop eligible general employees.



Service Retirement Deputy Sheriffs

then & now

Age	Number of Retirements		Ratio of Actual to Expected	Actual Rate of Retirement
	Actual	Expected		
45-49	8	0	---	26 %
50-54	42	14	3.088	31
55	4	4	1.026	15
56	10	3	3.030	45
57	6	2	2.500	38
58	5	2	2.564	38
59	1	1	1.111	17
60	2	4	0.533	40
61	3	2	1.333	100
62	0	0	0.000	---
63	1	1	2.000	100
over 63	0	0	0.000	---
TOTAL	82	33	2.495	

Average Retirement Age: 53.6

Recommendation: Adjust rates to reflect actual pattern of retirements



Age	Number of Disabilities		Ratio of Actual to Expected
	Actual	Expected	
< 20	0	0	---
20 - 24	0	0	---
25 - 29	0	1	0.000
30 - 34	0	2	0.000
35 - 39	7	5	1.468
40 - 44	9	9	0.952
45 - 49	12	20	0.599
50 - 54	9	36	0.254
55 - 59	6	36	0.165
60 - 64	0	21	0.000
over 65	0	7	0.000
Total	43	137	0.314

Recommendation: Decrease rates after age 44 to reflect experience



Disability Ordinary vs. Accidental

then
& now

- Represented employees

	<u>Ordinary</u>	<u>Accidental</u>
Current Assumption	25%	75%
Experience	10%	90%
Recommended Assumption	10%	90%

- Non-represented employees

	<u>Ordinary</u>	<u>Accidental</u>
Current Assumption	95%	5%
Experience	100%	0%
Recommended Assumption	No Change	



Termination General Employees – Less Than 5 Years of Service

then
& now

Age	Number of Terminations		Ratio of Actual to Expected
	Actual	Expected	
< 20	0	0	---
20 - 24	92	51	1.803
25 - 29	206	127	1.619
30 - 34	169	124	1.362
35 - 39	130	89	1.467
40 - 44	97	86	1.124
45 - 49	96	67	1.434
50 - 54	75	46	1.648
55 - 59	40	16	2.451
60 - 64	1	0	---
over 65	1	0	---
Total	907	606	1.497

Recommendation: Increase rates to reflect experience

Termination General Employees – 5 or More Years of Service

then
& now

Age	Number of Terminations		Ratio of Actual to Expected
	Actual	Expected	
< 20	0	0	---
20 - 24	2	1	1.802
25 - 29	20	19	1.061
30 - 34	74	55	1.346
35 - 39	84	104	0.806
40 - 44	125	132	0.947
45 - 49	128	136	0.942
50 - 54	146	75	1.946
55 - 59	47	11	4.108
60 - 64	0	0	---
over 65	0	0	---
Total	626	534	1.173

Recommendation: Adjust rates to reflect the pattern of experience



Termination Elected Officials – First 4 Years of Service

then
& now

Age	Number of Terminations		Ratio of Actual to Expected
	Actual	Expected	
< 20	0	0	---
20 - 24	0	0	---
25 - 29	1	0	---
30 - 34	0	0	---
35 - 39	1	0	---
40 - 44	0	0	---
45 - 49	0	0	---
50 - 54	1	0	---
55 - 59	0	0	---
60 - 64	0	0	---
over 65	0	0	---
Total	3	0	---

Recommendation: No change



Termination Elected Officials (4+ Years)

then
& now

Age	Number of Terminations		Ratio of Actual to Expected
	Actual	Expected	
< 20	0	0.00	---
20 - 24	0	0.00	---
25 - 29	0	0.00	---
30 - 34	0	0.00	---
35 - 39	1	0.16	6.250
40 - 44	3	0.20	15.000
45 - 49	3	0.29	10.345
50 - 54	2	0.05	40.000
55 - 59	1	0.00	---
60 - 64	0	0.00	---
over 65	0	0.00	---
Total	10	0.70	14.286

Recommendation:

Current rates average 0.88%
Increase rates to 2% at all ages



Termination Deputy Sheriffs

then & now

Age	Number of Terminations		Ratio of Actual to Expected
	Actual	Expected	
< 20	0	0	---
20 - 24	10	7	1.531
25 - 29	45	29	1.554
30 - 34	35	33	1.077
35 - 39	18	15	1.187
40 - 44	8	5	1.581
45 - 49	11	4	3.107
50 - 54	7	1	7.216
55 - 59	0	0	---
60 - 64	0	0	---
over 65	0	0	---
Total	134	93	1.445

Recommendation: Increase and adjust rates to better reflect experience



Mortality for Healthy Retirees and Beneficiaries

then
& now

Age	Number of Deaths		Ratio of Actual to Expected
	Actual	Expected	
55 - 59	32	12	2.678
60 - 64	51	31	1.627
65 - 69	83	64	1.307
70 - 74	142	114	1.242
75 - 79	205	176	1.162
80 - 84	230	214	1.074
85 - 89	184	198	0.928
90 - 94	151	130	1.164
95 - 99	60	45	1.330
over 100	7	5	1.556
Total	1,145	990	1.157

Recommendation:

**UP94 Projected to 2010;
Males set back 1 year; Females set forward 4 years**

Death In Active Service

this & now

Age	Number of Deaths		Ratio of Actual to Expected
	Actual	Expected	
< 20	0	0	---
20 - 24	0	0	---
25 - 29	0	1	0.000
30 - 34	3	1	2.419
35 - 39	1	2	0.426
40 - 44	4	4	0.922
45 - 49	12	8	1.427
50 - 54	13	13	0.992
55 - 59	12	14	0.876
60 - 64	4	10	0.411
over 65	2	4	0.496
Total	51	58	0.886

Recommendation: Change to 70% of the mortality table for healthy retirees

Mortality for Disabled Retirees

then & now

Age	Number of Deaths		Ratio of Actual to Expected
	Actual	Expected	
< 40	0	0	---
40 - 44	0	0	---
45 - 49	0	0	---
50 - 54	0	0	---
55 - 59	5	5	0.921
60 - 64	4	6	0.622
65 - 69	6	6	0.958
70 - 74	5	7	0.710
75 - 79	12	7	1.657
80 - 84	9	4	2.093
85 - 89	1	1	0.685
90 - 94	1	0	---
95 - 99	0	0	---
over 100	0	0	---
Total	43	38	1.118

Recommendation: No change



Setting Economic Assumptions

- Review past experience
- Review general practice
- Make judgment about future

Current Economic Assumptions

thru
& now

Investment Return

Inflation	3.0%
Real Return	<u>5.0%</u>
Total	8.0%

Salary Increase

Inflation	3.0%
Productivity and Career Scale	<u>1.5%</u>
Total	4.5%

Payroll Growth

Inflation	3.0%
Productivity	<u>0.5%</u>
Total	3.5%

Building Block Method

then
& now

- Each economic assumption has 2 or 3 components (or building blocks)
- Inflation is one component, and is included in:
 - Investment return
 - Salary increase
- Investment return components
 - Inflation
 - Real Return
- Salary increase components
 - Inflation
 - Productivity
 - Career Scale

Selecting Inflation Assumption

- Review appropriate inflation data
 - Consumer Price Indices (CPI)
 - Implicit price deflator
 - Forecasts of inflation
 - Yields on government securities
- Single inflation rate or select and ultimate
 - Generally use single inflation rate for pension valuations
 - Inflation rate for Milwaukee County ERS is 3%
- Current inflation assumption of 3% falls within best-estimate range and is consistent with other public pension systems

Selecting Investment Return

then & now

- Review appropriate investment data
 - Current yields to maturity of fixed income securities
 - Forecasts of total returns for each asset class
 - Historical investment data
 - Historical plan performance
- *Building-Block Method* used to construct investment return range

Selecting Investment Return (cont'd)

think & now

- Building-Block Method
 - Expected future investment return of each asset class is the combination of the components:
 - Inflation
 - Real return for each asset class
 - Best-estimate ranges determined as:
 - Derive best-estimate range of expected future real returns
 - Determine average, weighted real return based on asset mix
 - Combine with expected inflation range

– Example:

Asset Class	Weight	Real Return	Weighted Average
Fixed Income	43%	3% to 4%	1.3% to 1.75%
Equities	57%	5% to 7%	2.85% to 4%
Total	100%		4.15% to 5.75%
Inflation			3%
Best-Estimate Range			7.15% to 8.75%



Selecting Salary Increase Assumption

this & now

- Review available compensation data
 - Current compensation practice + anticipated changes
 - Current compensation distributions by age and/or service
 - Historical compensation increases in industry
 - Historical national wage and productivity increases
- Building-Block Method
 - Expected salary scale range combines best-estimate ranges for:
 - Inflation
 - Productivity growth
 - Merit scale
 - May utilize select and ultimate based on age and/or service

Investment Return

think & now

Plan Year Ended December 31	Return on Actuarial Assets *	Return on Market Assets *
2005	10.6 %	8.4 %
2004	7.7	13.0
2003	5.6	23.5
2002	-3.6	-5.8
2001	-0.9	-0.6
5-Year Average (geometric)	4.1	7.2

* As determined by Buck Consultants

Investment Return

think & now

- Investment return assumption is long-term return of fund
 - Net of investment expenses
- Consideration should be given to the following:
 - Investment Policy (asset allocation)
 - Approx 57% equity/43% fixed income at 12/31/2006
 - Capital market expectations
 - Current economic climate
 - Historical performance
- Recent survey data from NASRA and NCTR covering 124 public pension plans shows that 8% is the average and most common assumption

Recommendation: Continued use of 8% investment return assumption

Salary Increase General Employees

think & now

Age	Actual Increase	Expected Increase	Proposed Increase
Under 25	10.7 %	6.2 %	10.0 %
25 - 29	7.1	5.7	7.0
30 - 34	4.9	5.3	5.0
35 - 39	4.9	4.9	5.0
40 - 44	4.3	4.6	4.3
45 - 49	3.7	4.4	3.7
50 - 54	3.2	4.0	3.2
55 - 59	3.3	3.9	3.0
60 - 64	2.7	3.8	3.0
over 65	4.8	3.8	3.0
Total	3.9 %	4.4 %	3.9 %

Recommendation: Increase rates below age 30; decrease rates above age 40

Salary Increase Elected Officials

think
& now

Age	Actual Increase	Expected Increase	Proposed Increase
Under 25	---	4.5 %	3.5 %
25 - 29	---	4.5	3.5
30 - 34	---	4.5	3.5
35 - 39	3.3	4.5	3.5
40 - 44	3.2	4.5	3.5
45 - 49	1.1	4.5	3.5
50 - 54	3.8	4.5	3.5
55 - 59	4.5	4.5	3.5
60 - 64	3.1	4.5	3.5
over 65	1.4	4.5	3.5
Total	2.8 %	4.5 %	3.5 %

Recommendation: Flat assumption, 0.5% above assumed rate of inflation

Salary Increase Deputy Sheriffs

think & now

Age	Actual Increase	Expected Increase	Proposed Increase
Under 25	9.5 %	6.4 %	9.5 %
25 - 29	9.0	5.7	9.0
30 - 34	8.0	5.3	8.0
35 - 39	7.0	4.9	7.0
40 - 44	4.8	4.6	4.8
45 - 49	4.0	4.3	4.0
50 - 54	2.7	4.0	3.0
55 - 59	3.7	3.9	3.0
60 - 64	---	3.8	3.0
over 65	---	3.8	3.0
Total	6.1 %	4.9 %	6.1 %

Recommendation:

Increase rates below age 40; decrease rates above age 45

Aggregate Payroll Growth

think & now

- Payroll growth assumption represents how the total payroll is expected to increase from one year to the next
- Impacts amortization components that are amortized as a level percent of payroll rather than level dollar
- Reviewed this assumption last year
 - Decreased from 5.5% to 3.5%
- Recommend continued use of 3.5% payroll growth assumption

Fiscal Effect of Assumption Changes Effect on Actuarial Accrued Liability

then & now

Actuarial Accrued Liability at 1/1/2006 (\$000) \$1,912,010

		(\$ in thousands)
Economic		
• Investment Return	No Change	\$ 0
• Salary Scale	Decrease	(26,700)
Demographic		
• Mortality	Decrease	\$ (20,500)
• Termination	Increase	7,400
• Disability	Decrease	(800)
• Retirement/Backdrop	Increase	19,000
Net All Assumptions	Decrease	\$ (28,260)

Actuarial Accrued Liability after changes (\$000) \$1,883,750



Fiscal Effect of Assumption Changes Effect on Annual Contribution Requirements

then & now

2007 Budget Contribution (\$000)

\$59,000

Economic		(\$ in thousands)
• Investment Return	No Change	\$ 0
	Decrease	(3,570)
Demographic	Mortality	\$ (2,000)
	Termination	(1,900)
	Disability	(950)
	Retirement/Backdrop	1,280
	Net All Assumptions	\$ (5,700)

2007 Budget Contribution after changes (\$000)

\$53,300

