



Employees' Retirement System Communicator

December, 2011

No. 12

Contact Information Employees' Retirement System

Please contact the Employees' Retirement System (ERS) at **414-278-4207** in Milwaukee or **toll-free at 877-652-6377** outside of Milwaukee for all Pension questions, including Retirement calculations. You can also contact ERS via email at ers@milwcnty.com.

Life & Health Benefits

Please contact the Benefit Division with Life and Health Benefits related questions at: **414-278-4198**. You can contact Benefits via email at benefits@milwcnty.com

Newly Retired

*Barbara Bouchard
Vanessa Brown
Christine Collentine
Christine Coradini
Jacalyn Coutant
Sandra Driggett
Pegee Gaffny
Debra Gavin
Brad Gilbert
Laura Glover
Nancy Grider
Lawrence Gross
Gabriella Havas
Holly Hepp
Lillian Hinton
Nicholas Karlinsky
David Kiser
Dennis Kozel
Paulette Lawrence
Lorjxeng Lor*

Best wishes to you and yours this holiday season. December is always a time to reflect on the year that is ending and to look forward to the coming year. ERS certainly saw an increase in activity as over 400 Milwaukee County employees joined the retiree population this year. We also continued to improve our processes to provide the type of service our retirees expect and deserve.

2011 proved to be another challenging year for the economy locally, nationally and internationally. The Pension Board, with assistance from investment advisor Marquette Associates, worked diligently to invest Plan assets prudently.

Based on suggestions from many of you, the 2012 Pension Board Annual Meeting will be held in April instead of February. The change will allow us to provide a more complete picture of the prior year reports. It will also help avoid the potential for bad weather that could prevent retirees from attending. Details on the Annual Meeting will be provided early in 2012.

A few reminders regarding ERS:

- The 1099 Forms for 2011 will be sent to retirees by January 31, 2012.
- You can contact ERS by email at ERS@milwcnty.com with questions or concerns. We monitor the site frequently throughout the day and respond as quickly as possible.
- ERS has both a local (414-278-4207) and a toll-free (1-877-652-6377) phone number. Both have an automated menu for your convenience.

May your new year be filled with much joy and happiness. On behalf of the Pension Board and the ERS staff, we look forward to serving you in 2012.

Marian Ninneman
Interim ERS Manager

SALE OF PENSION INCOME: LET THE SELLER BEWARE!

This month we want to make our retirees aware of a controversial new business in which retirees sell some of their future pension income for a lump sum payment now.

Currently, the number of pensions turned into instant cash is believed to be small. However, in recent months, websites have sprung up with names such as:

lumpsumsettlementstore.com
pension4cash.com
uspensionfunding.com
sell-your-future-payments.com
BuyYourPension.com

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These websites were created to connect with retirees. Government retirees are a favorite target because their pensions are assured.

The Wall Street Journal recently reported on a Navy veteran for whom the sale of his military pension income seemed like a way out of possible foreclosure on his home. In return for eight years of pension payments totaling approximately \$125,000, the retiree received a \$57,000 lump sum. The difference of \$68,000 is paid to investors and financial middlemen who arranged the deal. To get quick cash now, this retiree gave away 56% of the value of his pension

Why would someone agree to such an unfavorable arrangement? Some retirees, like the Navy veteran in the example above, see cash as a solution to an immediate problem. Others may see this as an alternative to borrowing from traditional lenders or credit cards.

Here is how the sale of pension income works:

- A visitor to one of the websites completes an online application by providing detailed financial, credit, health and pension information.
- If approved, the pensioner receives an estimate of the lump sum payment.
- If the pensioner agrees, a contract is signed. The retiree pledges to turn over all or part of each pension check for a set number of years. The contract will also include a requirement that the retiree have life insurance for the full pension amount (at the retiree's expense) since the pension buyer does not want to lose the investment if the retiree dies before all payments are made.

Even though the business of selling pension income is not believed to be widespread, it is growing, and it has come to Washington's attention. U. S. Sen. Tom Harkin, chair of the Senate's Health, Education, Labor and Pensions Committee, plans to take a closer look at the practice to ensure that retirees are not taken advantage of. "In tough economic times, hard-working people are often forced to make difficult choices between immediate economic needs and their future retirement security. However, it is critically important that people forced to make these tough decisions have the information they need to make wise choices, and don't fall victim to unscrupulous or illegal practices," said Sen. Harkin.

Why are investors drawn to the sale of pension income? Just as retirees are attracted to immediate cash, investors are lured by promises of higher returns. With bonds paying little interest and the stock market a risky bet, investors are taking a look at unconventional investments.

The sale of pension income is not without risk to the investors who provide upfront money. Although life insurance protects the investor in the event the retiree dies, there is no protection against a retiree breaching the contract or filing for bankruptcy. The investor would then be one of a group of creditors seeking to be repaid. Another potential risk for investors is legal action beyond what the Congress may enact. Some courts have ruled that the sale of pension

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income circumvents federal pension law prohibiting the "assignment" of qualified pensions. Stating that the pension sale is fulfillment of a contract rather than assignment of the benefit does this. Other courts have ruled that the contracts can be enforced.

What is the bottom line for retirees? A large cash settlement may be a tempting way to pay off debt, deal with unexpected expenses or take a dream vacation. But, be sure that you won't be putting you and your family in a desperate financial situation by giving up your future retirement income.

Our Outside Account, Baker Tilly, May Contact You

As part of ERS' annual audit, our outside accountants, Baker Tilly, selects a sample of members who received payments during the previous year. These members will receive a letter from ERS Fiscal asking members to confirm the amount paid to them during the year. This is an important step in our annual audit. Baker Tilly needs to know that our payments are being made to legitimate members.

Not everyone will receive a request for this information from Baker Tilly. However, if you do get a letter, please compare the amounts in the letter to your records and fill out the letter to the best of your ability. Once completed, the letter should be mailed to Baker Tilly.

If you have any questions regarding the annual audit, please call ERS. We appreciate your cooperation in providing the information requested. If you have any questions regarding the annual audit, please contact ERS.

BENEFITS UPDATES

2012 Retiree Medical Coverage:

Please keep watch for a letter to be delivered to your home address from the Employee Benefits Division in early December. The letter will describe in detail the retiree medical coverage for 2012 and the change in Milwaukee County's coordination with Medicare. Additional information regarding the coordination change is provided below:

Medicare Coordination under the "Non-Duplication of Benefits Method"

As required by the 2012 adopted budget, Milwaukee County will apply the non-duplication of benefits method for coordinating coverage with Medicare. Under this coordination method, the intent is to maintain the covered person's same benefit level both before and after achieving Medicare eligibility. UnitedHealthCare will determine what the Milwaukee County Medical plan would pay in the absence of Medicare. Then, if the Milwaukee County Medical plan amount is greater, the Milwaukee County Medical plan will pay that amount minus the amount Medicare

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paid (or would have paid). If the Medicare amount is equal to or greater than the Milwaukee County Medical plan amount, the Milwaukee County Medical plan will not pay any benefit.

Unlike prior years, Medicare participants will typically be responsible for some out-of-pocket costs for services. In most cases, Milwaukee County's plan continues to be secondary coverage to Medicare. Consequently, Medicare-eligible retirees and dependents are still required to enroll in Medicare parts A and B to receive a benefit from Milwaukee County.

Medicare Coordination Key Points:

- Medicare provider discounts still apply. This means the base cost of services will be much lower for retirees than active employees, before either Medicare or the County plan makes a payment.
- Certain charges applied toward fulfilling the Medicare deductible will still be considered for coverage under the County plan and fulfilling the County plan deductible.
- The County's out-of-pocket maximums still apply to any claims subject to coinsurance or deductible. In 2012, after \$2,500 of eligible out-of-pocket claims costs have been incurred, the 20% coinsurance no longer applies to that individual.
- Milwaukee County's plan continues to be secondary coverage. Medicare -eligible retirees and dependents must enroll in Medicare Part A and Part B to receive a benefit from the County plan for medical services. You do not need to enroll in Medicare Part D (prescription drug coverage).

Newly Retired (Cont'd)

Mary Luzi
Pauline Mason
Cheryl McQueen
Juan Muniz
Marilyn Newman
Randy O'Connell
John O'Connor

Roger Parker
Sherry Ransom
Timothy Robertson
Joseph Rodriguez
Linda Ryan
Katherine Shields
Jo-Ann Smith

Steven Tilk
Espe Villasaenz
Ernest Wicks
Marsha Williams
Sandra Wilson
Wendy Wudtke
Paul Wutt

In Memoriam

Please keep the families of these recently deceased retirees and spouses in your thoughts:

Rosemarie Beson (William)
Richard Borowski
James Christiansen
Eunice Colden (leonard)
Gabriella Havas
Mary Hylar

Agnes Leonard (Walter)
Ross Manske
Unis Matthews
Arnold Nannetti
Dolores Narewski

Florence Porter
Lorraine Raasch
Florence Skony (Sigmond)
Hayward Street
Elaine Zeremsky